



SURYA ROSHNI LIMITED

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SRL/22-23/51
November 16, 2022

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 second quarter and half-year ended 30th September, 2022

Dear Sir,

This is with reference to the Company intimation dated 7th November, 2022 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 second quarter and half-year ended 30th September, 2022 scheduled for Thursday, 10th November, 2022.

Further to the audio recording filed with the stock exchanges already, we are enclosing the Transcript of the Earnings Call.

The same is also being uploaded on the website of the Company 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 Q2 FY23 Earnings Conference Call”

November 10, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th November 2022 will prevail.

SURYA



**MANAGEMENT: MR. RAJU BISTA – MANAGING DIRECTOR
MR. TARUN BALDUA – CEO, STEEL DIVISION
MR. JITENDRA AGRAWAL – CEO, LIGHTING AND
CONSUMER DURABLE
MR. B. B. SINGAL – CFO & COMPANY SECRETARY,**

Moderator: Ladies and gentlemen, good day and welcome to Surya Roshni Limited Q2 FY23 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinion and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Raju Bista – Managing Director at Surya Roshni Limited. Thank you and over to you, sir.

Raju Bista: Namaskar, thank you very much. Good evening and season greetings to everyone on behalf of Surya Roshni Limited. I extend a very warm welcome to everyone for joining us on our call today. On this call, we are joined by Tarun Baldua – CEO of Steel Division and newly inducted Mr. Jitendra Agrawal – CEO for Lighting and Consumer Durable, our CFO and Company Secretary Mr. B. B. Singal and SGA who is our Investor Relation Advisor. I hope everyone had an opportunity to go through the financial result which we have recently published and also uploaded to the stock exchange and on our company site also.

The company reported a healthy set of number and global uncertainty, rising input cost especially on freight, shipping fuel cost and adverse currency movement. The company fared well on financial as well as operational metric. The company could weather the storm underpinned by inherent core fundamental strength built over the year and our team has displayed a sheer operational excellence and resilience during these times.

Coming to the lighting and consumer durable, Q2 and H1 FY23 revenue grew by 12% and 29% year-on-year respectively. Mainly, on account of an improved product mix with a good growing shares of new age line of product. LED revenue grew by 29% and 48% year-on-year during Q2 FY23 and H1 FY23 respectively backed by value-added product like LED, downlighters, Battens and other luminaries.

Professional lighting too also witnessed robust 37% growth and 49% growth in terms of revenue for Q2 and H1 FY23 along with a good inflow of order. The company is aggressively growing this business and the effect is clearly visible in the order inflow and current order in hand.

Consumer durable too show a significant pickup in demands towards the end of Q2 FY23, may be due to the festival season and we expect some spillover effect in Q3 FY as well. The company is planning to leverage strong traction in lighting and consumer durable by strategically launch trendy products and the company has undertaken multiple price hike in order to mitigate rising input cost. We are witnessing stabilization for multiple input cost especially on the commodity fronts and we believe that most of the input cost has picked out and we should witness a downtrend in the H2 FY23. This downward trend along with already undertaken price hike should help the company to improve the margins further especially in lighting and consumer durables. And the company CAPEX under the PLI scheme is going as per the schedule and

would help the company to reduce reliance on inputs, reduce the cost and improve the margins as well. The company continues to invest in adopting modern processes focusing on R&D and quality improvement. In fact, the replacement cost now stand at 5.9% which was at one time it was more than 12%, a significant reduction on year-on-year as well as quarter-on-quarter basis. The company is focusing to reduce this cost further going forward.

Over the year, Surya Roshni has built strong and extensive capability and competence in designs manufacturing R&D operation excellence. The company has accelerated branding the marketing initiatives as well as increased the dealer and distribution engagement program. The company has successfully gained the market share in metro and tier-1 cities along with further deepening the reach in rural market and we remain confident that all these initiatives has helped the company to remain ahead of the curve and the company remains well-positioned to scale this business rapidly going forward without requiring a large CAPEX.

Now moving on to the steel pipe and cold rolling division, steel pipe and steel performance was affected in terms of revenue due to steep correction in global steel price. At one time it was Rs. 75,000 a ton, now it has come down to Rs. 55000, but EBITDA has grown by 30%, so volume is almost at same level, but EBITDA has grew by 30% year-on-year to Rs. 5,259 per ton in Q2 FY23, mainly on account of healthy revenue mix and value-added products. So we believe that these headwinds are temporary in nature and steel prices are likely to be bottomed out. We expect H2 FY23 to be far better than H1 FY23 in terms of revenue growth especially in steel division.

And lastly, I will also like to welcome once again Mr. Jitendra Agrawal on Board as CEO for lighting and consumer durable having very rich experience in electrical and lighting industry with Luminous Power Technologies including 19 years at Phillips India Limited and in his last role at Phillips he was there as a senior director responsible for professional lightings. So we look forward to work with him and firmly believe that under his leadership, the lighting and consumer durable will scale to a very new high.

And lastly, now I will like to request Mr. B. B. Singal who is our company CFO and our Company Secretary as well for his remarks on finance.

B. B. Singal:

Thank you respected MD sir and a very good evening to all the participants on the call. The company reported a very good performance for Q2 financial year 23 owing to a strong recovery in lighting and consumer durable. During this period, the company has been able to demonstrate the strength of its business dynamics. For the quarter revenue grew by 2%, EBITDA grew by 28% and PAT grew by 54% on year-to-year basis. For first half, financial year 23, the revenue was Rs. 3,824 crores as compared to Rs. 3,399 crores, a growth of 13% on year-to-year basis. EBITDA stood at Rs. 202 crores and PAT at Rs. 90 crores as against Rs. 82 crores. EBITDA grew by 3% and PAT grew by 11% year-to-year respectively.

In lighting and consumer durable, profits for the period Q2 financial year 23, revenue stood at Rs. 383 crores, a growth of 12% year-to-year. The growth was mainly on account of a higher share of value added LED lighting products, professional lighting and consumer durables.

EBITDA and PBT grew 12% and 17% year-to-year to Rs. 31 crores and Rs. 23 crores for Q2 financial year 23.

Coming to H1 financial year 23 performance, revenue came in at Rs. 718 crores, a growth of 29% year-to-year. Similarly, EBITDA and PBT stood at Rs. 53 crores and Rs. 37 crores, a growth of 20% and 34% respectively.

In steel pipes and strips, the company's Q2 financial year 23 revenue remained largely flattish to Rs. 1,601 crores mainly due to the reason discussed by our respected MD sir, earlier. However, during the same time EBITDA and PBT grew 34% and 70% respectively to Rs. 100 crores and Rs. 68 crores respectively. Owing to a higher share of value added products such as API coated pipes. EBITDA per metric ton stood at Rs. 5,259 compared to Rs. 4,060 year-to-year. For first half in financial year 23, revenue grew by 9% on a year-to-year basis to Rs. 3,106 crores, while PBT grew by 2% on the year-to-year basis.

Now coming to the balance sheet and working capital cycle, the company has a reduced debt by Rs. 72 crores in first half of financial year 23 and has become long-term debt free. As a result finance cost reduced by 26% on year-to-year basis in first half of financial year 23. Similarly, debt equity has also reduced to 0.31 as of 30th September against 0.37 as on 31st March 2022. The working capital cycle remained largely stable on a sequential basis at 58 days in second quarter financial year 23 compared to 57 days in quarter 1 financial year 23 for the company. Lighting and consumer durables to 66 days in quarter 2 financial year 23 compared to 71 days in quarter 1 financial year 23. And in steel pipes and strips to 56 days in second quarter financial year 23 compared to 54 days in first quarter of financial year 23.

Now, coming to the return ratios, ROCE has been improved by 530 basis point to 19.6% for the second quarter of financial year 23 from 14.3% in quarter second financial year 22. While return on net equity has improved by 445 basis point to 17.1% in second quarter of financial year 23 from 12.6% in second quarter of financial year 22. ROCE has remained largely stable at 13.8% for first half of financial year 23 compared to 13.7% in first half of financial year 22. Return on equity stood at 11.9% in first half of financial year 23 compared to 11.7% in first half of financial year 22. Now with this, I conclude the presentation and open the floor for further discussion.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Bhavesh Chauhan from IDBI Capital. Kindly proceed.

Bhavesh Chauhan: Sir, congratulations on great set of numbers. My question is on steel pipes EBITDA per ton which was very good at Rs. 5,200 and we have a very strong order backlog of API, so what is the sustainable range in a let us say next 1 year or so or may be 2 years?

Raju Bista: See, what is it like that the EBITDA was Rs. 5,250 per ton, last year EBITDA was Rs. 4,600 per ton so this full year we feel like we will gain almost Rs. 5,000 which mean in the coming time the EBITDA per ton would be around Rs. 5500 be maintained. But the thing is which you rightly asked, see where as steel division is considered, we are already going on almost 80% - 85%

CAPEX utilization, so today only we had a very long discussion with audit committee and even with board also so, before next board meeting we are going to announce some additional CAPEX and capacity because let me tell you that there is no long-term debt left of ours, it is zero and working capital is exactly is Rs. 500 crores and it is because steel price became abnormally high and we have enough stock with us, so otherwise it would have further reduced more. We don't have debt with us and as now we have full market vacant from the West and East. Over a period we realized that putting a unit in Hindupur it was very good for South market, earlier which we used to send from Bahadurgarh or from other plant. So, on a similar line we are working on that one in West, one in the East and works are going on for GP line galvanized line, so till the next board meeting we will announce it to the public, so we will do a very heavy CAPEX in steel pipe. And secondly, one more important thing comes to mind from what you have asked is that see, on a regular basis what we are doing is that in trade we are extending distribution and in trade we are launching variety of products, we are regularly extending markets for export. Apart from that under steel pipe there are lot of order in hand for pipe line for PSA, API and Oil India sector from Har Ghar Jal to everything, so we are aggressively participating in that, but what we do is in steel division, we give little more priority to products with margins. So, I hope I am clear.

Bhavesh Chauhan: Sir, secondly our debts are also becoming very low as you said long-term debt, then in future we will generate a good cash flow especially from steel pipes, so what are we planning to do in future? What could be our CAPEX plans or capital allocation for next 2 years?

Raju Bista: See, what is it like whatever cash will be generated in future obviously because growth will be there, firstly investment in CAPEX will be done, if growth is there then money will be involved in working capital and after that whatever remains will be of shareholders.

Bhavesh Chauhan: One last thing sir, obviously lot of news comes out Surya Roshni regarding demerger, so what are the promoters view regarding that? Should it, is it long time to go still?

Raju Bista: Everybody wishes to in fact, as a management we also wish to and we see that both the companies are performing nicely on standalone, but in previous relating to COVID many things keep on interrupting from time to time, but you suggestion is good and we will definitely request to board to consider your suggestion as soon as possible.

Bhavesh Chauhan: Thank you, sir that is it from my side and hope you conduct the calls every quarter again.

Raju Bista: Sure, I was little busy before, some family issue was there, so we were not able to conduct, but we will talk to you on regular basis.

Moderator: Thank you. The next question is from the line of Surya Narayana from Sunidhi Securities. Kindly proceed.

Surya Narayana: Sir, just to understand what kind of price hikes we have taken this quarter in consumer durables especially consumer durables and lighting if you can give?

Raju Bista: I want to explain you this in little detail see, what happens in lighting consumer durables is that here value addition of about 55% to 60% happens that is one. Number two many of the components are imported, so the impact of the gap between dollar and rupee is almost 9% -9 ½ %, but at the same time the imports which we take because outside currency has also become much down, so price negotiation was done with them, we have done reduction of about 20% - 25% in bill of material, I was seeing the exact number, we have reduced our input cost of approximately 22% instead we have negotiation and then price hike in the market was slightly delayed because of the Diwali then at Diwali time everyone thinks that as it is a peak season so we will sell as many goods as we can, competition is also there. In fact, you will see that dollar's impact was negotiated and the price hike part will be reflected in the coming future. Overall, I can say to you that 8% EBITDA margin is there at present in the consumer durable in this quarter and was also there in Q2 and last year it was there for the overall year and was near 8%. So, we will maintain EBITDA margin at 10% for the whole year and nearly 5% impact of price hike will be there in the coming quarter 3 and quarter 4.

Surya Narayana: And regarding the steel business, are we seeing any kind of cost reserve mounting due to the rise in the coal prices and coal prices especially staying at higher level, so what is the scenario from the input side in the steel business?

Raju Bista: In steel business it is like that the steel price hikes because of increase in coking coal matured coal becomes expensive this does not impact us much, in fact doesn't affect much reason being that we don't make HR coil ourselves. HR coil is a raw material for us and we purchase it and we sell them by converting it and making them into pipe, so what happens is that when the price increase there is some gain in the stock and when the price reduces, then there is little loss in stock it is obvious, in this our product mix, overall export, API and project sales are already done in fixed price so much effect will not be seen. So, you will see that in our balance sheet only 25% impact is there of competition between stock loss or stock gain that also is for short term whereas price of HR coil is concerned, today in India its cost is nearly Rs. 54,800 and today we are getting import for nearly about Rs. 48, Rs. 49, Rs. 50, so there is a gap between it. We assume that in the next 2 months HR coil should come to the level of around Rs. 50. In the short term there can be a little impact, but after considering that only we are telling the numbers of future EBITDA per ton.

Surya Narayana: So, what if the HR coil has reduced from the peak level because where you have seen over two year getting the news that the HR coil prices have fallen by 40% in this past 6 months, so what is in your case?

Raju Bista: See it is true that the HR coil basically everybody is using the same HR coil and we are not different on that, so it was Rs. 75,000 a ton it was April starting. On April, May it was almost Rs. 75,000 which has come down to Rs. 55,000 now and further I think that there is a gap of Rs. 5, it will come to nearly Rs. 50,000 in the next 2 months because in international price that Rs. 5 to Rs. 6 gap is already visible there.

- Surya Narayana:** If you say Government allow the export to happen may be in the second half because Government has stopped the exporter to supply it to the domestic market to curb the inflation and it also buys the steel so if that happens do you think HR coil stabilizing here or falling further to aid our margin?
- Raju Bista:** See, HR coil whereas steel is considered stability cannot come only by the policy which is adopted by India it is overall driven by the global village. The only difference is that 3 months lag come, sometimes import becomes cheap or sometimes domestic becomes cheap, but as far as Government policy is concerned, I don't think they will immediately allow it because many projects costing lakhs and crores along with Gati Shakti which are to come, I don't think that Government wishes to increase the cost of these projects so they have banned it and I think at a very reasonable margins for HR coil they are working, so at this level I don't think Government should consider very much at this level.
- Surya Narayana:** So, If the HR coils will be stabilizing here or may be falling little bit or let us say hardening here then can we see a stable EBITDA in the second half as well I mean similar to H1?
- Raju Bista:** Yes, as I told you that in Q2 ours was Rs. 5,250, so now in coming 2 quarters we will maintain around Rs. 5,500. You can say that our plan is that this whole year you will see EBITDA at Rs. 5,000 per ton.
- Surya Narayana:** So, what will be the growth of the volumes sir?
- Raju Bista:** So, in volume I can see that there is a little bit pressure in volume because in India when HR coil reached at Rs. 75 then many projects even through the distribution segment the materials which used to go in that we saw a little pressure, so going forward we are in the 3% to 4 % volume growth, I think that in steel division we will maintain it in the double digit around 10%.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Kindly proceed.
- Manish Bhandari:** My question is regarding the PLI scheme, so have you all done IRR what should be the return on capital employed under PLI scheme and what benefit we will get through backward integration and how much improvement will be done on the overall profitability?
- Raju Bista (Management):** See, our PLI scheme is of Rs. 25 crores and in the 2 years as per the schedule we have done investment worth Rs. 10 crores and we get a return of nearly Rs. 4 crores yearly, we had calculated what investment we will make in 5 years, our Payback is in 6 years.
- Manish Bhandari:** My second question is regarding the change in the management then how has the responsibilities changed between you and Mr. Vinay Surya?
- Raju Bista:** See, Vinay Surya ji is from promoter family and as I give extra time to lighting, so as he gives extra time to steel and we both have defined few areas from control to steel division, few things

he look at it and few things I look, so due to this overall efficiency in the company has improve not decreased.

Manish Bhandari: Sir, this CAPEX about which you are talking, which you want to take to the board can we assume that because in the 3, 4 years you are taking the company towards the net debt, so we will do that much CAPEX that cash flow from operation will be or if the CAPEX then we will take debt once and you also told that you want to do both in West and East, so you will announce some big CAPEX under the steel?

Raju Bista: Big CAPEX will be done, but for that we don't need big amount of debt because we are already getting an EBITDA of around Rs 400 to. 450 crores yearly and steel prices had come from 75 to this level in that also much amount of working capital is involved. So, we feel that steel price will get stabilize near to 50 to 48, it is a different thing that no one can predict the future 100%, but still we will not increase our debt very much because our full focus from the last 4, 5 years was that we have to reduce our debt because investors and shareholder first thing is that your debt is very much, so that was an angle that we have almost completed it which was our commitment. So we think that from here if we didn't do CAPEX then in the coming time it will be not good for the company after 5 years, so we are working on it and believe that after doing CAPEX also after 3 year Surya Roshni will be a debt-free company.

Manish Bhandari: Sir, last question that how much volume growth rate are we assuming in both division steel and lighting?

Raju Bista: See, whereas lighting division is considered volume is very good and also a good growth in value, it is nearly around 17%, 18% will be the growth in lighting division in terms of revenue and in steel division as I told that it would be around 10% and from next year you will see more growth in steel division and we will maintain around 15%, 16% in lighting division. Overall market study which comes or when we see globally at the lighting industry or the global leader whom we meet then it comes in mind that this light source is gradually going to finish means the lamp portion is from which light source directly comes in place of it lighting is shifting rapidly towards luminous. If you see in Europe and West side it has already happened there, although it takes time to happen in India, but gradually lighting division is growing towards that only, so we are aggressive towards luminaires, LED and how to inhouse that means margins of two are not built up. Mostly people use to outsource it in that two people built up their margin, so we by in-housing it and pushing it as much as we can and we have much scope in professional luminaires because if you see the competition the consumer segment and professional luminaires are almost a having ratio of 50:50. Ours is around 75:25, so there is much scope in it and we are aggressively doing it and in that growth of 40% is also coming.

Moderator: Thank you. The next question is from the line of Pranav Jain from HDFC Securities. Kindly proceed.

Pranav Jain: So, sir I wanted to know like what is the total capacity in the lighting and consumer durable segment and what are the current utilization levels in that?

Raju Bista: See, overall in lighting division capacity utilization, basically there are 3 things in lighting and consumer durables, so the first part is lighting division and in that 2 types of lighting are there one is the conventional lighting which was of the old bulb, so its utilization is not much now, it is nearly 20% and rest we have almost converted it into LED. So bulb is the only part which is left in the conventional lighting and because in India Rs. 10 bulb still runs today in rural market, so besides that nothing conventional is left. As far as LED which is a growth segment is concerned, our capacity utilization in that is 65% to 70%, so we have much scope. In fact the PLI balance Rs. 15 crores and our investment and in that Rs. 10 crores more will be added, so in the next 3 years we don't need more than Rs. 25 crores investment in lighting.

Pranav Jain: And sir, what will be our hedging policy like much exports were done? What are our hedging policy?

Raju Bista : Our policy is we do import also because much components comes, sometimes we import steel also, so our hedging is, if we have no business then we keep it very simple whenever we book import same day we hedge, whereas export is concerned we have order book in hand around 25 million to 30 million at any time, so in that by hedging 75% - 80% we get the premium. So, with this hedging we save Rs. 5 crores to Rs. 6 crores yearly in terms of the premium which we receive otherwise most of our focus is in that because the dollar goes up and down, so we are little scared with it.

Pranav Jain: Sir, lastly our B2B and B2C sales out of this steel business how much is the portion B2B and how much is of B2C?

Raju Bista: See under steel division, you will see that first trade segment is there and second we have export segment which is also equally good and our third segment is oil and gas which you can also say B2B or B2G, so in this it is like that our almost 30% consumer segment is B2C means the material which goes through distribution, we stock and send ahead and almost 30% is our B2B and in that API is also included and then about 15% is ours export and about 15% is our cold rolling.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Kindly proceed.

Anurag Patil: Sir, in lighting segment earlier we use to talk about 20% - 25% kind of a growth, now we are toning it down to 17-18 and then 15 – 16, so what has changed? Can you just explain?

Raju Bista: In this, I don't think that we have ever committed 25% or it would be like that 25% growth will be there in trade which is already going on that may be the reason, but overall industry is growing around 12%, 13%, 14% and we in this year will grow around 19, 20, 18 and next year obviously it is not easy to grow in big numbers so, around 15%, 16% we will grow and in this we are also considering that growth is there around 40% in our professional segment and luminaire segment. So, overall the 25% lighting consumer durable as a whole I think that must be told about the trade, specifically we are already growing about 26%.

Anurag Patil: And sir, earlier we were planning to roll out a major ad campaign with Ogilvy, so what is the status on that?

Raju Bista: We had worked with them very aggressively for one year and made much investment and due to that much visibility was improved and the impact of what I was saying in the beginning is that our visibility improved a bit in our tier-1 city or within metro city, so due to this luminaire and professional lighting a 40% growth is coming due to that we got much advantage. So now from here onwards, we are doing another campaign besides television we are focusing more on what we say point of purchase, POP this year so that our visibility in shops are considerably improving.

Moderator: Thank you. The next question is from the line of Aman Soni from Prudent Equity. Kindly proceed.

Aman Soni: So, I just have one question. I just wanted to know what is the opportunity that we are looking at in the export market? Currently I believe the exports are quiet low, so specifically I just wanted to know the basic demand scenario, what is looking like specifically for the API coated pipes?

Raju Bista: See as far as API is concerned, we almost do 95% of API business in India itself because we don't have that much capacity to export in fact and for almost next 8, 9 months we are fully booked and we don't want to make much investment in that because that comes and go, uncertainties are more and under export the competition is very much in API because in export there are so many units outside and things like competing with them is there. And secondly whereas export is considered, overall whatever things exported from India I am not talking about any particular one or two thing but overall there was much reduction in it like 25% - 30% export from India has reduced in the last months, so we are also impacted with that like in this quarter in export ours is a de-growth of about 20%. So we are seeing there the main reason is that from the last 3 months it is like imported HR coil is cheaper and domestic price is costlier, so there some disturbance comes which reflects in our numbers. I think that these things should improve in India in the next 1 to 2 months because you cannot keep gap in prices for the long time else people will import, so that option also remains open for us. so, I think that in the coming times we will improve and in export we are including in some new countries on a regular basis and some 1, 2 order have come and I think that after doing all that again export will improve in the next 1 to 2 months.

Moderator: Thank you. The next question is from the line of Rohit Suresh from Samatva Investments. Kindly proceed.

Rohit Suresh: Good evening, sir. Sir, my first question is that what are the steps being taken by the company to increase the distribution and dealer network in the steel division? And it will be good if you can tell in some detail.

Raju Bista: See, it is our regular process to increase trade segment and under that latest before 6 months because we had range bound of product mix so, to improve that before few days we made an

investment in DFT of about Rs. 35 crores to Rs. 40 crores and from it almost 35% to 40% utilization is also coming, so due to it our overall range and mainly large dia section square pipes we have and in the project you will see that because it is more on brand approval so before our reach was not much there, work is being going on it very aggressively and many CPWD and in many other projects we are being approved and its enquiry is being generated, so doing all that and on a regular basis we in Pan India viability because we have big impact of rent of freight so according to that considering that on regular basis we keep on making new dealers. So, we are in such a situation that there is a lot of pressure in making growth beyond this because in competition if we see all our competitors they are equally placed some in East, some in South, some are somewhere, some are in central India, so that is why we are moving towards that we are in the coming time some in East and some in West will do some big CAPEX with which our reach will increase, we can pass on the impact of freight in the market and our margins also improves.

Rohit Suresh: Sir, second question is that in the investor presentation you told that in steel division 51% value-added products are there, so under this 51% what categories come which you have considered as value-added products?

Tarun Baldua: So mainly the value-added products you can consider as far as our product mix is concerned, number 1 is the API steel which is fairly a high and value-added product another is the GI pipes which are the high value-added products and the third one is the large Dia Section pipes of DFT which we have recently installed and all coated pipes. So these are the mainly value-added products. General product you can consider the infrastructural section pipes, round pipe, black round pipe and the CR pipe. So this is the distribution out of the total product mix.

Raju Bista: Besides that in exports which we use to export in that 20% material is such sent that after reaching there the finishing which they have to do there, we do it in our inhouse plant and we get much premium from that.

Rohit Suresh: Sir, one last question is that the split given to the previous participant in steel division B2C and B2B, can you please repeat that?

Raju Bista: In that segment 60% is our B2C and 40% is our B2B and B2G.

Moderator: Thank you. The next question is from the line of Hiten Boricha from Joindre Capital. Kindly proceed.

Hiten Boricha: Sir, many of my questions have been answered only one clarification question is there, sir. You told us we are expecting volume growth of 10% and revenue growth of 10% of entire business?

Raju Bista: No, I told of volume 9% to 10% will be of volume growth.

Hiten Boricha: FY23 right?

- Raju Bista:** FY23 yes.
- Hiten Boricha:** Sir, can you provide volume in absolute term like how many million tons volume has been done, can we get the breakup of Q1 and Q2?
- Tarun Baldua:** We will give you the breakup of Q1 and Q2, breakup of Q1 is Rs. 1,69,000 and Rs. 1,70,000 is the Q1 and the Q2 is the 2,04,000 so this is the total.
- Tarun Baldua:** Nearly 3,75,000 ton happened and normally in future we are expecting to do volumes between 4,50,000 ton to 5,00,000 tons.
- Raju Bista :** Because one thing is there that we have booking of worth Rs. 1,000 crores with us and as we have time of 8, 9 months, but we will do that within 6 months, so it is a very big help to us in volumes.
- Tarun Baldua:** By 8, 9 months, sir means that 8, 9 months is a delivery period, but we will prepone the delivery then we can accelerate the volume in these 6 months itself.
- Hiten Boricha:** So, 4,50,000 to 5,00,000 volume can be done in the second half.
- Raju Bista:** Yes.
- Hiten Boricha:** And sir, our EBITDA per ton in the second half will be around Rs. 5,200 in both quarters, so is my assumption correct that in the next year it can go up to Rs. 5,500 in FY24?
- Raju Bista:** Yes, if this year Rs. 5,000 comes then in the next concall we will definitely tell you that what will be of next year till then we will come with more working done because uncertainty is more in steel, so we can predict this, but I can definitely tell you that the way in which we have taken cost cutting measures and to increase controls and rest all things, for efficiency drive self-implement is being done from 1 February which we are very late and with which aggression we are doing publicity in steel division, I can promise you that it will go above this 5,000 number, will not come down.
- Hiten Boricha:** Sir, my last question is related to raw material HR coil. So currently, how many days inventory we use to keep considering prices are very volatile, sir if it goes up?
- Raju Bista:** Depends on if the price is going up then we go for 35 days to 40 days, if there is down turn in price then come to 25 days, so approx. 30 to 35 days inventory is there.
- Hiten Boricha:** And currently, we are all sourcing domestically right?
- Raju Bista:** 95% domestic source is there and 5% we import in between just to check balance we do import because we have all options available with us, we are on port and we are exporting. We have the license also to import the raw material without paying any duty, so all options are with us so, we

see that in our working capital, number of days involvement is less, less money is used and from where we get high quality product in a cheaper rate then we go on that.

Moderator: Thank you. The next question is from the lines of Saket Kapoor, from Kapoor Company. Kindly proceed.

Saket Kapoor: Namaskar, sir. Firstly thank you, sir because investors views were into notice and started concall, so thank you very much, sir and we expect that this will be in continuity with this we see a better visibility. Company is doing regular business and maintaining a good corporate governance norm, but for a visibility it is very important that you keep in contact with us, sir. So, we hope for it that in future this contact to be maintained, sir. Raju sir, what is our current capacity of steel in steel business because you have said a Rs. 1,000 crores steel division order book. So, current capacity including the expansion of DFT which we did of 36,000 ton, what is the nameplate capacity?

Raju Bista: Our is about Rs. 13 lakhs ton for this year, 12 to 13 because actually this vary in steel division. If bulk material comes then you can make 14, but in average the way in which order cycle comes to us, so about Rs. 12.5 lakh to Rs. 13 lakh capacity is already installed with that new capacity means including DFT.

Saket Kapoor: And sir, we have done 3,75,000 in the first half and you give a guidance of 4,50,000 to 5,00,000 on a Rs. 1,000 crores order book, are all of these parameters are correct?

Tarun Baldua: In this the capacity of 13,00,000 ton is all input capacity of production is used so, 12.76 plus new one, so in that almost site change, this and that, it is rated capacity. To rated or actual, there is always almost 90% utilization then you are achieving the full capacity utilization in that.

Saket Kapoor: Sir, your order book of Rs. 1,000 crores what will be its ratio to volume, this Rs. 1,000 crores order book?

Tarun Baldua: In Rs. 1,000 crores order book normally we have other order book also, we usually tell you the order book of export and API, so under API we have an order book of almost Rs. 50,000 ton and under export we have order book of almost Rs. 32,000 ton so it is all that Rs. 80,000 ton – Rs. 82,000 ton order book figure which we told.

Raju Bista: We don't include 60% trade and cold rolling in this.

Saket Kapoor: And sir, like you told that H2 will be much better for both the segments, so here you gave the guidance for volume in steel division and this also told the estimate that we can maintain EBITDA per ton of around 5,500, this is what you want to say that our first quarters lower average after being even out then it is going to show 5,000 for the whole year?

Raju Bista: So, see I will tell you as I told of steel, under lighting division in H1 already our volume or say value both is almost same a growth of 29% is going on in H1, means it was 12%, 13% in Q2,

but 29% growth is going in H1, so I am assuming it as 20% for this year and whereas EBITDA percentage or profitability is concerned like what I explained you that impact of dollar was there, price was negotiated, we reduced the bill of material, so increased its price and its impact will come, so, last year the 8% which was our EBITDA percentage will be 10%. In the last 3, 4 quarters you can see we are able to maintain nearly 7.5%, 8% and 10% is our guidance that for the whole year EBITDA margin will be 10%.

Saket Kapoor: It is for the full year?

Raju Bista: Yes, for the full year.

Saket Kapoor: Sir, what you are saying as freight aspect that freight is very costly for us because of higher fuel prices, sir in export segment we have seen that ocean freight has been corrected very much over the last one month, it has come down from \$1,000 to \$300, \$250 for ship container so, do we see any impact of that in export segment in major benefit?

Raju Bista: Currently, we see the impact on the order booking which are coming now. We used to send goods to Europe and expenses worth \$300 ton use to come and from \$300 it came to \$100, Canada rent which is \$100, \$125 which had become \$300, Dubai's \$12, \$15, \$20 is the cheapest means it is cheaper to send goods to Dubai rather sending to Bangalore and that had also become \$40, so that has already been correct and very sharp correction was done in it. So, we believe that due to that growth in volume will be seen, it shows the impact in the inquiry which is generated now.

Saket Kapoor: And lastly in PVC pipe segment what is the trend according to you like in your presentation you have told about increase in volume with 10,000 tons, so with this segment what type of further assessment should be done?

Raju Bista: There could be one extra 0 would have been added, our guidance is for 1,000 tons. Currently, we are round about 500 tons, 550 tons. So, there is a segment in which much growth is there, much potential is there and in that we are joining our new business head sooner. So, I think that within the next 1 year to 1.5 years is a very high potential area but somehow our focus is not much in that like in steel pipe and in lighting if I say sincerely. So, we are taking up that business simultaneously. And in the beginning you told that it is our duty to interact with our shareholders, there was a gap in between and we will continue it in the further and believe that this quarters result or results which came earlier even of this Q2 if you compare whether it be lighting or consumer durables or be it steel pipe by competition, I will not take anybody's name much better place Surya Roshni you will receive. And what I say every time that our commitment towards shareholder or towards investors in between it get diluted but it didn't reduced, it is fully in our mind and for so many years you stood with the company, I feel the company is getting debt free and the coming time will be very good for the shareholders till now it was good for the bank, now I think coming time will be very good for shareholders.

Saket Kapoor: Yes, sir I am also concluding because if we see the trajectory of the last 1.5 years, 2 years of capitalization then a significant erosion has happened of wealth. You have said correctly that it was a great time for banks but had been a tough time for investors, capitalization normally net-net has reduced by 40% in the last 1.5 years, 2 years. And I remember when the last time you did a call at that time also you committed, given the trajectory that investors value will be created and our capitalization reached a new high, but after that turn of event were such that all data are in front of you that where valuation has stopped so, definitely sir, in investors mind some doubts are there otherwise regardless of this kind of numbers market is not appreciating our stock. So definitely, sir board contemplate it whether through demerger or other trajectory that how can shareholders confidence plus its value can be increased which he invested in this company. So, sir please pay attention to it.

Raju Bista: I fully agree and appreciate your concern. We didn't know that COVID will come, but it came. We didn't know that so much ups and downs will happen in commodity that also happened, so overall let it be Russia-Ukraine or see in Europe today, in UK more than 9% inflation is there and countries like UK, America is going forward towards double digit and dollar has touched 82.5 level, so it was tough to predict all these ups and downs will happen, but still India has done very well, I know this and that numbers also whether it is GST collection, it reflects in all that. This was a little tough time, you can be rest assured, what I see is that what happens is that the market runs very much on speculation and based on each-others talk in the telephone. I think that we will be more comfortable if we go on a balance sheet and numbers because market runs very much on perception built up this is my personal opinion, I may be wrong. But one thing is that where Surya Roshni is concerned it is a 50 years old company, but the way in which we should have done branding or promotion in that we are very back, this I agree.

Moderator: Thank you. Ladies and gentlemen due to time constraints, that was the last question. I now hand the conference over to Mr. Bharat Bhushan Singal, CFO for closing comments.

Bharat Bhushan Singal: Thank you all. Mr. Jigar and Mr. Chinmay.

Management: So, thank you very much. Thank you everybody.

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