

March 07, 2024

To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400001	To, National Stock Exchange of India Ltd Exchange Plaza, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051
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Dear Sir/Ma'am,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of the Business Update Call held on February 29, 2024. The audio recording of the Business Update Call along with the Transcript has been uploaded on the Company's website <https://www.venuspipes.com>.

This is for your information and record.

Thanking you,
Yours faithfully,

For VENUS PIPES & TUBES LIMITED

Arun Axaykumar Kothari
Managing Director
Din - 00926613



“Venus Pipes and Tubes Limited
Business Update Call”

February 29, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th February 2024 will prevail



MANAGEMENT: **MR. ARUN KOTHARI – MANAGING DIRECTOR – VENUS PIPES AND TUBES LIMITED**
MR. DHRUV PATEL – WHOLE-TIME DIRECTOR – VENUS PIPES AND TUBES LIMITED
MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER – VENUS PIPES AND TUBES LIMITED
SGA, INVESTOR RELATIONS ADVISOR – VENUS PIPES AND TUBES LIMITED

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**



Moderator:

Ladies and gentlemen, we welcome you all to the Business Update Call of Venus Pipes and Tubes Limited hosted by Ambit Capital. 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 the date of this call. These statements do not guarantee the future performance of the company and may involve 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you and over to you, sir.

Dhruv Jain:

Thank you. Good morning, everyone. On behalf of Ambit Capital, I welcome you all to the business update conference call of Venus Pipes and Tubes Limited. We are pleased to have with us the management team represented by Mr. Arun Kothari, Managing Director, Mr. Dhruv Patel, Whole-Time Director, and Mr. Kunal Bubna, CFO of the company. We will have the opening remarks from the management followed by question-and-answer session. Before we begin, please note that this call is held to discuss the business update by the company released last night and we would request all the participants to limit your questions around the same.

Thank you and over to you, Arun sir.

Arun Kothari:

Good morning and warm welcome to everyone on the Business Update Call for Venus Pipes and Tubes Limited. I have been joined by Mr. Dhruv Patel, our Whole-Time Director, Mr. Kunal Bubna, CFO, and SGA, our Investor Relations Advisor. We have uploaded our business updates, investor presentation on stock exchanges and company's website and I hope you had an opportunity to go through the same.

Our journey over the past few years has been exceptional. We came with an IPO in May 2022 and raised funds of INR165 crores for expanding our capacity by 3X and backward integration. Since the commencement of this capex, we have seen a strong growth in our financial with a significant margin expansion on the back of robust execution and strong capacity utilization. Now with great pride, I am here to say that our company has announced its next phase of growth with a capex of INR175 crores towards value-added product lines, fitting, welded, and seamless pipes and tubes.

To give you a brief about these product lines, I will hand over to Mr. Dhruv Patel, Whole-Time Director.

Dhruv Patel:

Good morning, everyone. To begin with the fittings business, fittings are essentially components in piping systems which allows the connection, redirection, and control of fluids or gases within industrial environments. Our offerings will include various types of fittings such as Flanges, elbows, nipples, reducers, tees, etc.

With only a limited number of competitors in this specialized sector, our decision to integrate fittings into our product offering elevates us to a unique position as a comprehensive PFF solution provider within the market. So, we will customize the fittings according to client specifications, which may involve modification in sizes, shape, material, or any other parameters required by the client. This expansion not only enriches our value proposition to customers, but also fortifies our competitive advantage as we now offer a complete range of components necessary for robust piping solution.

By aligning our offering with the diverse needs of our clientele, we position ourselves as the go-to source for comprehensive piping package. Furthermore, leveraging our existing loyal clientele, we will expedite approvals and foster deeper relations, propelling our growth trajectory. A key aspect of our strategy involves sourcing raw materials internally, utilizing wastages generated from our pipes business.

This not only ensures cost-saving, but also promotes sustainability by minimizing resource wastages. Further additional RM will be procured from wastages of other players in the industry. The integration of fittings into our product portfolio addresses previous limitations in our offerings, ensuring that we can fulfil customer orders comprehensively.

Previously, there may have been instances where we were unable to fulfil orders that required fittings along with pipes, as they were not part of our offerings. However, with this strategic expansion, we bridge any gaps in our product offering and can confidently address the diverse requirements of our clientele. This comprehensive approach strengthens our market position, enabling us to effectively cater to a wider range of customer needs and solidifying our reputation as a trusted and reliable partner in the industry.

Overall, this move strengthens our position in the market by enabling us to effectively cater to a wider range of customer needs and requirements. Now, coming to the welded and seamless value-added products line, we are introducing a specialized product line of titanium welded tubes, along with stainless steel seamless and welded tube lines. These tubes are meticulously designed to endure the most demanding operating conditions, while consistently delivering reliable performance.

What sets these products apart is not only their exceptional quality, but also their exclusivity. There are few manufacturers in the industry who are actually making these tubes. Their high-precision design poses a formidable challenge for potential competitors, further solidifying our position as a leader in the market.

An important aspect of this product line expansion is the inclusion of titanium grade of welded tubes alongside stainless-steel variants. This strategic move enables us to cater to industries where hygiene and purity, such as food processing and pharmaceuticals, are utmost important. Additionally, our offerings extend to sectors like nuclear and power, where the robustness and corrosion resistance of titanium grade tubes are essential.

By offering tubes and pipes of such high quality, we provide our customers with confidence in the performance and longevity of their system, reinforcing our reputation as a trusted supplier

of world-class piping solutions. I now hand over to Mr. Arun Kothari, who will take you through the financial contours.

Arun Kothari:

Thank you, Mr. Dhruv. So, the capex will be exhibited in two phases. In Phase 1, we are allocating approximately INR115 crores towards the development of fittings and welded tubes. We anticipate commencing operation for Phase 1 by March 2025. This initial investment will lay the foundation for our expansion and set the stage for further growth opportunities.

Moving forward to Phase 2, we have earmarked a total outlay of INR60 crores, which will be directed towards fitting, as well as welded and seamless pipes and tubes capacity expansion. The decision to prioritize either seamless or welded product in this phase will be based on the demand outlook and market dynamics.

We anticipate the commencement of operation for Phase 2 by December 2025, further solidifying our position in the industry. Venturing into these value-added product lines presents a significant opportunity for the company to achieve a high return on capital employed. This initiative was strategically poised to enhance profitability and drive sustained financial growth.

Regarding the profitability, we are confident that our return ratio will remain healthy and non-dilutive. Our overall margins are expected to exceed the mid-teens, aligning with our current performance. Additionally, we anticipate maintaining assets turnover at a similar level to our current operations, ensuring efficient utilization of resources and maximizing returns.

Coming to funding for the capex, approximately 40% of the required funding will be raised through the issuance of warrants with a significant portion allocated to promoters. This approach not only demonstrates our commitment to aligning interests with our stakeholders, but also ensures that active participation in our growth journey. The remaining 60% of the funding will be sourced through a combination of term loans from banks and internal accruals.

By leveraging external financing in conjunction with our internal resources, we aim to optimize our capital structure while minimizing financial risks. This approach provides us the flexibility and stability needed to support our expansion plans and capitalize on growth opportunities in the market. We remain committed to maximizing the shareholder value while maintaining a strong financial foundation that supports our long-term success.

As we embark on this exciting journey of our expansion and innovation, our commitment to driving sustainable growth and delivering exceptional value to all stakeholders remains unwavering. With a clear vision, strategic investment, and a dedicated team, we are poised to seize opportunities, overcome challenges, and achieve our growth objectives. By staying true to our core values of integrity, excellence, and customer focus, we are confident in our ability to create lasting impact, foster meaningful partnership, and drive success for our company and all those we serve.

I now open the floor for Q&A.

- Moderator:** Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Suman Kumar from Antique Stock Broking Limited. Please go ahead. Mr. Kumar, I have unmuted your line. Kindly proceed.
- Suman Kumar:** Yes. Thank you. Thank you for the opportunity. My first question is just regarding -- Arun sir, can you please just throw a little bit light on what would be the capacity, like, you know, this is the capex we understand that about INR170 crores, but a little bit on the capacity of the actual fittings. Like, I just want to get a sense of what is the capacity utilization typically for this, because this is something new that we are doing?
- And also, the second question is on the manufacturing front, like, what is the exact process of how these are made? Like, you know, we have all the raw materials, which we said that we'll use as wastage. So, am I to understand that this will be melted and casted into these shapes? Or like, what is the typical manufacturing process like?
- Kunal Bubna:** Yes. So, basically, if you see fitting business are primarily, if you see not from capacity perspective, I think it will be more from the revenue perspective of the investment what you put in. We believe in the fitting business out of this total capex, we intend to deploy around 60% of this total capex towards fitting.
- And we believe, as we said, the asset terms would be similar to what we are in the current business. It seems to us it will be more than 3.5x of the deployment of the fund. So, that generally better to see the fitting, because there are a number of SKUs involved in the business.
- And from the side of our welded and seamless tubes, we have been saying that our intent is to grow at least 15% to 20% from the capacity perspective. So, that intent, we continue to take into going forward also. And those capacity would be in the range bound of around 20% of our current capacity.
- And if you see from the perspective of, as you said, melting and all, basically, we will not be melting. There are a number of machines which will be required for manufacturing of the flanges, elbow joint, long band, nipple reducer, it can be press machine, it can be bending machine, it can be bevelling, it can be laser cutting, it can be annealing, pickling and induction bending machines. So, primarily, this type of machine would be required in the manufacturing of these fittings.
- Suman Kumar:** Okay, sir. Thank you. And just one more question, if I can add in, this is regarding the titanium welded tubes. So, where would be procuring the raw material? Like, as I understand, titanium is quite costly and, you know, in terms of value chain. So, can you just please throw a little bit of light on that?
- Kunal Bubna:** Yes, it would be imported, basically.
- Suman Kumar:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Kunal Kothari from Venus Pipes. Please go ahead.

Kunal Kothari: Hello. Thank you for the opportunity. And I am from Centrum Broking. So, I wanted to understand the application of this titanium tubes and pipes, like you have mentioned in the food processing and in other areas as well. But where exactly it is used and anything about the market size right now and which are the other players who are producing in India and what will be the overall import mix which are meeting the current demand? Can you just broadly explain the markets scenario about the capacity that we are getting in?

Kunal Bubna: See, basically, titanium grade is not used for food processing and pharma. It will be primarily used by many of the government companies. You can say the sector like power and nuclear and others. So, these are the predominant sector and procured by government co.generally. And see, there are very few manufacturers of the same in the country. But the requirements are there.

There are many projects which come to us which include this as a small portion or not a very big portion, but the overall order portions are large. So, it sometimes depends on us from not qualifying for those projects at all. So, definitely, with this addition of this product, we will be qualifying for many more projects.

Our outreach to this additional sector and along with this additional tenders and orders would be reached. And see, there are very, as we said, there are only a few manufacturers who does that. So, it's a, slightly high EBITDA driven market, more value-added product generally.

Kunal Kothari: Yes, I wanted to understand a little deeper. Like right now, as you mentioned, very few producers are in India. So, whom are they and out of the overall demand, are we usually dependent on imports and can you quantify the details?

Kunal Bubna: Using the name of other manufacturers, it won't be, I think, will not be right on our part. But see, it's been, you can say definitely, it are imported and also being used by few of the selected manufacturers who manufacture this product. But as I said, there are, volumes are not too high, but again, the capacity, what we are coming with, there are enormous demand for those capacity, in comparison to the capacity, what we are coming in the market.

Kunal Kothari: And how much we are looking to set up the capacity in such tubes?

Kunal Bubna: As I said, you can see that 20%, the total, in two phase, would be added to 20% of our total capacity. Of that, you can say, 50% to 60% will come in this phase and balance will come in the second phase.

Kunal Kothari: So, I couldn't understand properly because altogether. So, for the tubes, how much capacity we are getting?

Kunal Bubna: For the pipes and tubes, the total, I'm saying, the capacity would be 20% of our total current capacity. And out of that, 60% of capacity will come in first phase and next 40% will come in second phase.

Kunal Kothari: Okay. So, out of 38,610, around 20% will be in these tubes.

Kunal Bubna: It's not tubes, tubes and pipes also.

Kunal Kothari: Tubes and pipes. Okay. And so, second question regarding stainless steel, seamless and welded pipes. So, we have mentioned both, like even in seamless. So, the existing product line of the seamless pipe, we are increasing further. It is also a new range of products.

Arun Kothari: Kunal ji, especially, what we are planning to do? So, titanium, especially with tubes, that capacity will come in the first phase, as Kunal ji, has told you. That capacity will be around 3,600 metric tons, which will be just, it's the approach, which will come in the -- by end of this March 2025.

For remaining, we are planning to further expand the capacity of the 3,600 metric tons by the December 2025, which will be the mix of the welded, with the existing capacity of the welded pipe and seamless pipe. So, you can describe in this way, Kunal ji. In the welded pipe.

Kunal Kothari: Yes, yes, please continue, sir.

Arun Kothari: Yes, it's done, Kunal ji. You, you got the point, no?

Kunal Kothari: Yes, yes, I got it, got it. Thank you, sir. Okay, that's all.

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

Sneha Talreja: Hi, good morning, sir, and thanks a lot for the opportunity. Just a couple of questions from my end. Just wanted to understand what could be the sizable market opportunity, both in terms of titanium-grade pipes and tubes that you are planning, and even fittings. Just to give you an example, what portion of fittings is used in pipes? Like, what's the pipes-to-fittings ratio? That's one. Who are the existing players, in case you can highlight, or what's the percentage of imports coming in the market for both the capex's?

Arun Kothari: Yes, Sneha, good morning. Sneha, mostly, first I will come on the fitting, in the fitting side. Fitting side, just that there is a -- as we earlier also told in the pipes, in the pipe industry, there is not much capacity and details are available from the industry or from the market because since very limited players are in the market. So, in fitting side is also same position. There is a very limited player in the market.

Fitting business right now depends on the import as well as the small domestic unorganized player. Three to four major players in the unorganized sector also. We can say three to four players are the major players. The name I will give in the one-to-one discussion, anytime to you, or the remaining are the very unorganized players. So, since capacity is not available, but what we have observed from all the industry experts and all the persons who are the piping engineers or who are using the pipes in their industry.

Mostly the fitting is used along with the pipe because pipes along, only pipes cannot be served to any industry purpose because the pipe length is limited. So, pipes required to be joined in some places, pipes required to be -- sizes are to be reduced, reduced are used to use the different size of pipe and pipe required to bend. All these are things that come through the fitting only. So, that's our observation -

Almost with the total pipe business, if you, just I'm saying in tons only, almost in all the pipe business, so 40% are the requirement of fitting. If the pipe is required, say for example, 10,000 tons, so fitting requirement is almost 4,000 tons. It's a general phenomena in all the industry.

Sneha Talreja: Understood. So, 40% is the fitting share, which is currently being catered either by import or smaller unorganized players or very few larger players that you are now planning. So, that's the percentage all would be the same for this particular fitting sinks and margins would be slightly better off with similar assets.

Arun Kothari: Yes, yes.

Sneha Talreja: Understood. So, in case of titanium grade pipes and tubes also in case you can highlight, what would be the market size that we should look at was the percentage of import that is currently being coming in the market?

Arun Kothari: Since Sneha, the month data is not available, but right now we are expanding the titanium, not only titanium, we are expanding the capacity of titanium and the food hygienic tubes in the both the sides. So, total capacity of the both the, we are procuring these type of machinery, which can be used for the hygienic tube as well as for titanium tubes. So, for both the -- including both, we are putting up the capacity of the 300 metric ton per month.

So, with the variable, right now, there is a good market for hygienic, hygienic tube as well as titanium tube. So, titanium tube right now, very few players in India is manufacturing, which will be around, we can say, 100 to 150 metric ton only per month or remaining capacity of the titanium tube is imported from the Korea or Japan in other country. So, whatever machinery we are putting, we are putting the machinery can be used for titanium tubes as well as for the hygienic tubes.

So, there is a very good demand of the hygienic tubes. So, we can say for hygienic tubes, demand in India is ~more than 1000 metric ton per month or only one or two players is manufacturing this type of tubes.

Sneha Talreja: Understood. So, that was really helpful. Thanks. Thanks a lot, and all the very best team.

Arun Kothari: Yes, thank you.

Moderator: Thank you. The next question is from the line of Nirav Shah from GeeCee Holdings. Please go ahead.

Nirav Shah: Yes. Good morning, sir. And thanks for the opportunity and congratulations on this announcement. A couple of questions, most have been answered. But firstly, generally, what is the range of titanium content in a pipe? And typically, if a welded pipe goes for 3, 3.5 like what is the corresponding titanium pipe, what level it goes at?

Dhruv Patel: Nirav ji, good morning. The titanium is a different standard compared to the stainless and the grades are generally grade A, grade B, grade C, like that. So, it is categorized accordingly. So, mostly for these applications, the grade B titanium tubes are used.



- Nirav Shah:** But range will be like titanium content will be like 5% to 10% or I mean, just wanted to know that.
- Dhruv Patel:** Much, much, much more than that.
- Nirav Shah:** Much more than that. Okay. And these again are consumables like our existing profile. I mean, the replacement will be like three, four, five years, something like that.
- Dhruv Patel:** It depends on the design and everything, but we have seen a consistent demand since last three-four years, we have been observing this product and there is a consistent demand from the government agencies.
- Nirav Shah:** Approximately of the thousand tons of hygienic and I mean, plus the titanium grade, what percentage will be the replacement cycle, replacement demand?
- Dhruv Patel:** Sir, as per our knowledge, we are also not sure about stainless steel, what is the replacement cycle. So, these are also not, we cannot forecast what is the replacement cycle, but it will be definitely replacement and new demand will be always be there.
- Nirav Shah:** Great, great. Thanks again. All the best.
- Dhruv Patel:** Thank you.
- Moderator:** Thank you. The next question is from the line of Aasim from DAM Capital Advisors. Please go ahead.
- Aasim:** Hi, good morning. So, two questions. One, the two pages that you mentioned, can you just talk about the time period over which this capacity would be ramped up? Would it be usual three years' time, or would it be earlier given the demand supply scenario today?**Kunal Bubna:**
Basically, as we said, the first is we intend to get away complete by tentatively by March 2025. So, we believe 50% or more than 50% we would be able to utilize in the next financial year. And post this, I believe, we believe the substantial portion would be utilized. It won't be very much longer period. But primarily, you can see post-expansion two year, it should be a period wherein the majority of the capacity we should be able to utilize.
- Aasim:** So, roughly by FY'27, a good portion of the capacity will be utilized?
- Kunal Bubna:** Yes.
- Aasim:** Okay. And second, I mean, you did talk about, you did say that margin is slightly better than the existing business. But can you just give some rough sense how different would that be for fittings and the value-added pipe segment versus the existing business?
- Kunal Bubna:** It's very, as you see, we have tried to give as much detail as we can give in our slide. But just to mention, and we'll be mentioning that, again, fittings are largely led by many of the unorganized sectors and a bit of import also. So, I think those rooms are, you can see those rooms will be available to us to penetrate in the market from the perspective of volume. And again, keeping very less players, the margin would be also far more lucrative.

And again, see whenever we supply pipe, it's a package type of product wherein pipe always requires fittings. So, substantially, those things will definitely help us to get a margin as compared to what we are in our current business. That I think, at this level, I can say at this stage.

- Aasim:** Okay. Thank you very much.
- Moderator:** Thank you. We'll take the next question from the line of Sagarika Chetty from Anand Rathi. Please go ahead.
- Sagarika Chetty:** Yes. Hi. Thank you so much for this opportunity. You mentioned that for the titanium pipes, you will be importing material. Can you specify from which area, specifically, which countries? And that is my first question, if you can shed light on that? Any specific...
- Kunal Bubna:** It would be basically from China and Japan.
- Sagarika Chetty:** Okay. Okay. And the second question is just a clarification. So, you said that 50%-60% will be completed by March '25, adding in 3,600 metric tons per month, correct? And the second would be in December '25. By December '25, adding another 3,600 metric tons per month, correct? Is that what I'm getting?
- Management:** Yes. Yes. Near to these numbers.
- Sagarika Chetty:** Okay. Okay.
- Kunal Bubna:** Apart from fitting.
- Sagarika Chetty:** Apart from fitting. Okay. Thank you so much. Thank you.
- Moderator:** Thank you. We'll take the next question from the line of Mythili Balakrishnan from Alchemy. Please go ahead.
- Mythili Balakrishnan:** Just to understand on the fitting side, are there also qualifications similar to what we see on the tubes? And how long will it take for us to be sort of get these qualifications and therefore get our capacities utilizable?
- Kunal Bubna:** See, it's very similar what you said as we go through the pipes, the similar qualification, inspections and things are done. But see, but as we are already in this business of piping and all, it gives us a good room to get this qualification on a faster track. So, we believe we will be able to ramp up this operation with getting the required desired qualification as and when we start this project.
- Mythili Balakrishnan:** Got it. And do we supply some fitting, procuring it from outside to our existing customers, or is this something that we don't do at all currently?
- Kunal Bubna:** No, no. Actually, we have been doing it. We have been supplying fitting to our customers since long, but those portions are not very high. We have been receiving many orders from the customer wherein we were regretting those orders. But we've seen over the past, there are a lot

of demand of pipe along with fittings from our customers. We were unable to sometime qualify for those orders and all. So, keeping all this in the perspective, we decided to foray in- to fitting.

Mythili Balakrishnan: Got it. And currently, you said that we do supply some, but that is outsourced from outside?

Kunal Bubna: Yes, it is outsourced.

Mythili Balakrishnan: Okay. And what will be the quantum of that?

Kunal Bubna: Primarily not much, you can say in the range, around 5% something sort of that.

Mythili Balakrishnan: Okay. And this fitting, will it be largely made to order? Or will you also be supplying to your trade partners?

Kunal Bubna: Well, definitely, see, when we start with, we have done in pipe, there will be mix, it will be direct order and also to traders and stockists because they catered a good amount of this market. But the endeavour will always be to get the required qualification at the required time and keep on penetrating more towards direct supply.

Mythili Balakrishnan: Got it. And in terms of the titanium pipes, you mentioned that largely the contracts which are seen are from government at the same. Is this in defence, space, those kinds of sectors, or could you just give us some sense of the sectors in which we're seeing the demand for titanium pipe?

Kunal Bubna: Maybe nuclear, power, sort of that.

Mythili Balakrishnan: Okay. Got it. Thanks. That's all from my side. Thank you very much.

Moderator: Thank you. We'll take the next question from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: First of all, very much congratulations for a second fundraise in a very short duration and the kind of, the benefits which have happened in the business. My question is around margins again. I think while you have given some details about the margins in the fittings, but for the titanium pipes and tubes, both welded and seamless, I mean, the margins will be how much better than the normal tubes and pipes that we're doing. If you can quantify some numbers, and I would also want to understand what will this have an impact on our blended margins, I mean, the overall console margins?

Kunal Bubna: See, again, we have given case would be definitely this titanium will be higher margin as compared to what we run in our current business.. But again, quantifying a specific number won't be a very prudent at this stage. But as and when , we go ahead, and we'll definitely give you more colour on this. But again, as we said, the margin would be high because as we said, there are only a few manufacturers in the country, not everybody want to manufacture this type of complex type / grade of pipe. So, I believe definitely this margin will be higher than what we are in our current business.

Sahil Sanghvi: Would you be able to give a range like 20%, 20% to 30% higher or anything like that?

- Kunal Bubna:** Definitely higher, but again, I don't want to be specific on the range because those numbers can be also high. But yes, what you are thinking, we will come up later.
- Sahil Sanghvi:** And do we do we see the blended margins of the console margins of our complete business are going higher now because of these high value-added products now?
- Kunal Bubna:** Yes, definitely. The intent is very clear to put this value-added product wherein those blended margins on the side of both the products keep on increasing.
- Sahil Sanghvi:** On optimum utilization, can we really cross 20% or that is very farfetched?
- Kunal Bubna:** I think again, a specific number won't be very prudent to give at this stage. But again, it will be a higher margin.
- Sahil Sanghvi:** Sure. Thank you so much. All the best.
- Moderator:** Thank you. The next question is from the line of Kunal Kothari from Centrum Broking. Please go ahead.
- Kunal Kothari:** Yes, thank you once again for the opportunity. So firstly, I want to understand on the overall capex the fund allocation. So one is that the funds are coming by issuing warrants. And further, we are looking from debt and internal accruals. So, as I see that from the records that we are having a negative operating cash flow. So, going forward, how much you see that we can contribute from the internal accruals and how much we will be taking that to fund the capex?
- Kunal Bubna:** Yes, basically, as you see out of this total project, we primarily intend roughly in the range of 40% from warrant and roughly in the range of 30% from term loan and roughly around 30% from internal accruals. So definitely, FY'25 will be a year where the margins of business and the top end will be far better and increasing. So, I believe the internal accruals will be there which can serve up to 30% requirement for this project.
- Kunal Kothari:** So, are we looking that we will be operating cash flow positive from FY'25 and '26 and that will help to fund the capex?
- Kunal Bubna:** Definitely, the intent is that only and we believe we should be able to achieve.
- Kunal Kothari:** Okay, so secondly, with my limited knowledge on titanium tubes, I think they are also being used in the aerospace and I think other defence areas as well. Does the grade and product profile is different than what we are looking to set up the capacity?
- Kunal Bubna:** See, the predominant sector we have tried to highlight, there are a few other uses. Definitely, we will be aiming other sector and other zone also as and when we come up with it.
- Kunal Kothari:** Okay, but the existing capacity provides us the flexibility to cater that areas as well or do we need to take another capex for that specific requirement?
- Kunal Bubna:** There may be some grades and other difference that we need to see going forward.



- Kunal Kothari:** Okay, thank you so much.
- Moderator:** Thank you. The next question is from the line of Amit Kumar, an individual investor. Please go ahead.
- Amit Kumar:** Yes, good morning and congratulations for entering a new business. So, my question is like when we can expect the revenue flowing to P&L and what would be the quantum? And the second would be what revenue CAGR we can expect in next five years starting from FY'26 to FY'30 and '31?
- Kunal Bubna:** See, what we believe the one of the phase completion targeting by March 2025. So, as we said, around 50% of those utilization we are targeting for FY 25-26 and 26-27 should be a year where substantial portion of those utilization should be able to serve. And we're keeping the second phase we are intending by December '25. So '26 - '27 would be the major 50% or 60% for the second phase and again '27 - '28 would be another year where maximum utilization from second phase should come.
- The intent is that it should grow, and we believe keeping all this growth sector if you see for coming three years, We believe at least top line wise if you see 30% growth should be there roughly range bound number going ahead.
- Amit Kumar:** Thank you. And what would be the expected CAGR revenue growth from new business starting from FY'26 to '31? Like in earlier calls we guided for 30% to 40% growth for current business. So, can we expect the same CAGR revenue growth, or it may be a little less or more?
- Kunal Bubna:** It will be in those range bound for the initial year definitely.
- Amit Kumar:** Thank you very much for giving me opportunity. Thank you and all the best.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.
- Arun Kothari:** Thanks. Thanks to the participants for attending this conference in very short notice. If you have any further questions, so you can contact our investor relation advisor which is SGA. You can contact them anytime. Thanks a lot, to everyone and have a good day.
- Moderator:** Thank you, members of the management. Ladies and gentlemen, on behalf of Ambit Capital, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.