Vardhmān

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Delivering Excellence. Since 1965.

VARDHMAN SPECIAL STEELS LIMITED

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SUB: TRANSCRIPT OF EARNINGS CONFERENCE CALL OF VARDHMAN SPECIAL STEELS LIMITED – Q4 FY-24

Sir,

Pursuant to the provisions of Regulation 30 read with Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the earnings conference call of the Company held on 02nd May, 2024 to discuss the Company's business and financial performance for Q4 FY24.

Kindly take the same on record.

Thanking you,

Yours faithfully,
FOR VARDHMAN SPECIAL STEELS LIMITED

SONAM
DHINGRA

Digitally signed by SONAM DHINGRA
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(SONAM DHINGRA)
COMPANY SECRETARY

"Vardhman Special Steels Limited Q4 FY-24 Earnings Conference Call"

May 02, 2024

MANAGEMENT: **MR. SACHIT JAIN – VICE CHAIRMAN & MANAGING DIRECTOR, VARDHMAN SPECIAL STEELS LIMITED**
MR. R. K. REWARI – EXECUTIVE DIRECTOR, VARDHMAN SPECIAL STEELS LIMITED
MR. SANJEEV SINGLA – CFO, VARDHMAN SPECIAL STEELS LIMITED
MS. SOUMYA JAIN – EXECUTIVE DIRECTOR, VARDHMAN SPECIAL STEELS LIMITED

MODERATORS: **MS. DEEPIKA MURARKA – CHOICE EQUITY BROKING PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY24 Earnings Conference Call for Vardhman Special Steel Limited.

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 Ms. Deepika Murarka from Choice Equity Broking Private Limited. Thank you and over to you ma'am.

Deepika Murarka: Thank you. Good afternoon, everyone. On behalf of Choice Equity Broking, welcome to the Q4 and FY24 Post-Results Conference Call of Vardhman Special Steels Limited.

I also take this opportunity to welcome the Senior Management Team. On today's call we have with us Mr. Sachit Jain – Vice Chairman and Managing Director, Mr. R. K. Rewari – Executive Director, Mr. Sanjeev Singla – CFO, Ms. Soumya Jain – Executive Director.

This conference call may contain certain forward-looking statements, which are based on the beliefs, opinion and expectations of the company as of the date of this call. These statements are not guarantee of future performance and involve certain risks and uncertainties which are difficult to predict.

I now invite Mr. Sachit Jain for the opening remark to be followed by the question-and-answer session. Over to you sir.

Sachit Jain: Thank you, Deepika. In addition to the names mentioned, we have Sonam, our Company Secretary with us and Savli from our Investor Relations firm. Ladies and gentlemen thank you so much for being with us today on this call.

Last year has been a very interesting year. I would say the growth phase, the next phase has begun after our consolidation of last year. We completed, so we looked at the past last year and also, we looked at the future. We looked at the past as we completed 50 years of existence of steel business, which is a big event for us, and we gave a one for one bonus to celebrate the occasion. That was also the opportunity to start strategizing our plans for our expansion eventually going to the next phase which is a second plant.

But in the last year I think one big area where a lot of work has been done is in the area of green. As you are all aware the future is green everywhere and steel being a major polluting industry, green steel has become a very big word across the world. And we are positioning ourselves as one of the strong green steel producers from India. Our carbon footprint, which has already come down to 0.7 tons of carbon per ton of steel, scope one and scope two and measured on the billet as most of the steel companies are doing. We are putting up a solar plant which as of now things are on track. We should be there by December. With that our carbon footprint should drop to around 0.45. Then we have plans to switch to renewable power from the grid which has a slightly higher cost. But with that our carbon footprint should drop to 0.2. This will make us by far the lowest carbon footprint company in our special steel sector compared to our competitors who will between 2.5 to 3 as almost all of them are from the blast furnace route. We will be at 0.2 in 2 years from now, they'll between 2.5 to 3. So, that's one big thrust area.

The second thrust area last year was we installed those two stands in rolling which increased our rolling capacity. Then we placed orders for a Kocks block and for a reheating furnace with a total Capex of about 140 crores. The Kocks block should be in place by later this year by December or so, by March hopefully it would have stabilized. And the reheating furnace will come up in FY‘25, somewhere around June and we will maybe stabilize by September-October. We will get advantage of that in the second half of next year.

In addition, already approved earlier we are planning on a second NDT line. So, a lot of investments which were planned earlier from our earlier planned CAPEX have started process and invest expenditure will happen in this year and the next year primarily and then go over to the year after that. We have announced a new CAPEX of 33 crores which will increase our capacity. As we said earlier, we had tested the capacity of 260,000 tons of billet making which was our earlier stated capacity which meant about 230,000 tons of saleable product. We had a license of 3 lakh tons. So, we had regulatory approval, but we didn't have the ability to reach there. I said earlier that once we reached 260,000 tons, we will start looking for improvement opportunities to increase this further. We feel reasonably confident that we should be able to hit 285,000 tons in the next 2 years with this CAPEX of 33 crores. Now this 33 crores is primarily investment in environment because with the increase in production, the environment will deteriorate in the plant and therefore we will be adding almost about Rs. 12 crores to improve the environment in the electric arc furnace, we are adding ETP, we are adding some other environment. So, about Rs. 14 to 15 crores out of the 33 is an environment area.

The other investments are in building some redundancies, building some spare capacities so that the maintenance can be done offline rather than online. Those kind of investments and of course, since our test production increase will mean far more testing, far more sophisticated testing also. So, we are also investing more in our R&D area and small debottlenecking investments here and there. But the large three chunks are one environment, the largest chunk. R&D investment, the second largest chunk.

The third largest chunk is in building redundancies and building offline maintenance possibilities.

The fourth is some debottlenecking here and there. So, those are the main highlights of last year.

One more thing that we have been saying all along is that our stated EBITDA per ton is Rs. 7,000 to Rs. 10,000 a ton. Last quarter we have had a good quarter. We got Rs. 11,000 a ton. It is beyond our normal range. So, please don't calibrate us on this kind of expectation for the future. However, I think we become pretty boring. The last three years we've been saying our range is Rs. 7,000 to Rs. 10,000 a ton and I've said that we will be wanting to up this range. I think we are ready now that once this expansion investments of next year the Kocks block and the shutdowns which happened because of Kocks block because again we will have a one-month shutdown of rolling mill next year. Once that gets over by December, by March it will have stabilized. So, the year '25-26 we want to up this guidance to Rs. 8,000 to Rs. 11,000 a ton. We hope the year after that after the stabilization of our reheating furnace and further increase in capacity we will be able to up the range to 9 to 12. So, 8 to 11 is now our guidance from the year '25-26 onwards and aspirationally '26-27 onwards we hope to change the range to 9 to 12. We are not ready just now to confirm that but I guess somewhere a year down the line as we develop the confidence we will come and state clearly that we are ready to change our range to 9 to 12. These are as far as our opening remarks go.

And of course, dividend, we have maintained the same dividend. There was thought of it increasing the dividend but since the profits were down from last year despite the strong recovery in second half primarily the fourth quarter, we decided to maintain the dividend. Our debt equity of course is at our lowest ever at 0.12. It is way lower than what it should be, and we will correct that for the further capital investment that we plan and then eventually when we are ready to announce the new plant.

So, these are, I have my opening remarks. I think this is the longest opening remarks I have given in a long time and my CFO was reminding because I was absent last time. So, you are given two calls worth of opening remarks today. So, we are open to Q&A. Thank you ladies and gentlemen.

Moderator: Thank you very much sir. We will now begin the question-and-answer session. We have our first question from the line of Roshan Shah from Valcore Cap.

Sachit Jain: Roshan before you begin your question, I think one more thing which I forgot to share. On a personal note, I became a grandfather on 6th of April. My daughter Soumya, our Executive Director gave birth to a baby boy Suveer. That's on a personal note just sharing my promotion from father to grandfather. Anyway, go ahead please.

Roshan Shah: Moving on to the business. During the opening remarks there was some disturbance with my line. I heard that you have you've planning for a CAPEX of 33 crores. So, could you just help me with what our installed capacity will reach to now?

Sachit Jain: So, this is an incremental new announcement of 33 crores. We already have ongoing project of 260 crores which was announced in 2022. And then another 140 crores project which is the

Kocks block and the reheating furnace which was announced in July'23. So, these two are already announced. In addition to that this is 33 crores because now all our capital investments have been made. This is only marginal. And out of the 33 crores large chunk is going in environment to improve the fume extraction system. That is the largest chunk of it. The second chunk is in R&D equipment and the third chunk is in building redundancies. Some areas adding some extra spares, adding in some parts which can be removed, so maintenance becomes offline rather than online maintenance to improve the uptime of machines to increase production. So, those kind of investments, all small nothing major. The fourth bucket is in terms of small debottlenecking here and there.

Roshan Shah: The next question was, also Kalyani has been adding some capacity as well. So, are we seeing any great increase in demand?

Sachit Jain: The demand is going to continue to grow in the car segment as the cars grow. The second area where demand is likely to increase is as global majors are building plans to make India the major manufacturing hub. As you saw in today's business standard already Kubota has announced that India will be like that. Of course, we have information for a couple of other global Tier 1. I am not at liberty to share their names out here but as some of them are customers who are talking of building India as a global hub. All these portend to a stronger demand going ahead. But currently there is a weak environment, currently, primarily because tractors, there is a slowdown in tractors. So, there is a little slowdown and there is a slight slowdown in exports from some of our customers. That I believe is temporary. But as of now, which is why last quarter, in fact month of March the sales were way lower than what we estimated. So, despite sales doing a decent job in the last quarter to help recover part of our loss that we had in sales. But because of a weak March and we saw the weakness from February itself, we still ended up about 2.5% short, 5,000 tons short of the previous year. So, there is current weakness. But I am seeing things improving already. Cars are doing well; two wheelers are stable. It is basically tractors and commercial vehicles also improving already, I think. The tractors is the only thing which is little down. So, that should also pick up maybe in a couple of months. I guess everyone is waiting. Once the elections are over, we are all hoping demand picks up further. Already demand for construction steel is high. Construction steel prices have risen. So, that is showing a better demand.

Moderator: We have our next question from the line of Mr. Ritwik Sheth from One Up Finance.

Ritwik Sheth: A couple of questions from my end, just to get my understanding whether it's right or wrong. The billet capacity today is 260,000 which will go to 285,000 as you mentioned. The rolling mill capacity which is currently 2 lakh tons per annum will go to 250,000 of the CAPEX that we have already mentioned in the previous quarters, right?

Sachit Jain: So, 2 lakh it all it was, with the addition of these two stands because of which we took some shutdowns last year. This capacity has already gone up to about 215, 210 to 215. 210, sorry I stand corrected. So, 10,000 tons capacity has already gone up, so it's 210. And with this Kocks block and the reheating furnace, our capacity will go up to about 260,000 to 270,000 tons. So, then rolling will not be a bottleneck anymore. Just now rolling is still a bottleneck and which is why we have a lot of job work where we are getting billets rolled from outside. Then once this capacity comes up, all those billets which are getting rolled outside will get rolled inside. We will have better control on quality and there will be some saving of costs and improvement in margin because what is being rolled outside, there is freight cost as well as profit margin we transferred to other companies.

Ritwik Sheth: So, basically in 2 years we can sell 250,000 to 260,000 tons per annum finished products from our existing Ludhiana.

Sachit Jain: From capacity point of view yes, we will be able to sell but we always believe in gradually building up. So, our target will be 250,000 tons of sales is what we will target. I am not saying that we're committing that but we will target that in the year ‘26-27. For next year we are targeting somewhere between 210,000 to 215,000 tons, I mean for this year. We are already in next year, ‘24-25, 210 to 215.

Ritwik Sheth: So, we will not be needing any external rolling to be done by anybody.

Sachit Jain: This year also we will because we have one month of shutdowns and since the Kocks block will be not yet put up, we will not get the gains of that capacity. This year again we will have. Next year onward is outside rolling will go away and currently about 35,000 tons was rolled outside last year and about 8,000 to 10,000 tons we have some bottleneck of production because those are certain kinds, and we don't have that size range in our rolling. That will remain. But roughly 25,000 tons or the 35,000 tons will get rolled inside which is getting rolled outside. Now you'll be surprised this is for everybody else that when the capacity shortage is not as much why the job work amount is larger than the capacity shortfall that is for servicing reasons also when suddenly you get bunching of orders to meet service requirements, we need to do some job work from outside. With the Kocks block our capacity will go up and our servicing ability will also go up. So, the need to get any outside rolling neither for capacity reasons nor for servicing reasons, so we will be able to do all this rolling inside.

Ritwik Sheth: Second question is on the exports volume. Would it be possible to share the exports volume for FY24 and you know how we expect to see over next 2 years FY25 and FY in current year and then next year?

Sanjeev Singla: Last year we ended up total export volume of 7,300 plus exports to Aichi which are clubbed in the domestic sale which is about 5,000 tons.

Sachit Jain: So, total 12,000 tons and this year we are expecting about 16,000 to 17,000 tons.

Ritwik Sheth: And incremental I am assuming that it will be going to Aichi majority.

Sachit Jain: We don't share all those numbers now, so total about 16-17. The sales to Aichi are going a little below expectation and there are two reasons for that. One the Japanese yen has weakened so much that Japanese steel is marginally or almost the same rate as steel from India. But secondly also Toyota sales are bit down, Thailand the sales are bit down so that is the reason for lower and plans are being made to see how to make up this shortfall.

Ritwik Sheth: Two quarters ago you had mentioned that global OEM had taken some samples from our site for green steel. So, if you can share any updates on that.

Sachit Jain: That's a progress, all such things take a year, 2 years to happen. I am just saying it's a signal that global OEs are looking at India seriously, the idea was more a signaling impact. This is the direction where companies are going. Any impact of this you'll see only, some impact you'll see next not in this year, the next financial year which is '25-26 the real impact will be in '26-27. It's a slow process of getting into a global OE. It takes about 3 years minimum. But then once you get in then you can expand your footprint and then it's also difficult to get you out. It's a sticky business. But one interesting thing is, they have asked us that 100% of power for their manufacture has to be from renewable energy. So, this is a clear requirement of this OE.

Ritwik Sheth: But are we ready for 100%?

Sachit Jain: This is good for us. No, we will be ready, by the time the production requirements happen we will be ready with that.

Ritwik Sheth: So, just one last question from my end. You know you had mentioned a few quarters ago that our material to it Aichi which is the quality is little bit subpar than the Japanese material that they receive. So, you know how is the progress on that front? Are we happy, is Aichi happy and is it completely at par with Japanese material or there is still some scope for improvement there?

Sachit Jain: I think you have misinterpreted what I said. The quality, no customer will take any subpar quality. So, the quality that we are producing is equivalent to Aichi quality. However, what I said was, we are having difficulty making that quality and our internal rejections were and rework were significantly higher than we had anticipated. Those as our internal quality levels have improved, so those rework and rejection levels have come down. And that is also one of the factors which has contributed to the profitability being better in the last quarter. I am not saying that's the only factor but one of the factors. And one of the factors which has given us the confidence to change our forecast, our guidance to 8,000-11,000 from up till now range of 7 to 10. But again, I am saying this will be for the year '25-26 because next year again we have shut down and we still have some constraints and we still have some material being rolled outside, all those constraints are there. So, really '25-26 we will get the full impact. Again, we will not get full impact, but we will get most of the impact and '26-27 will have the full impact which is why 8 to 11 is the range we have said ‘25-26 and aspirationally we feel a Rs. 9,000 to 12,000 EBITDA per ton range in ‘26-27.

Moderator: We have our next question from the line of Angad Katdare from Sameeksha Capital.

Angad Katdare: My first question is related to the other income which includes the GST and electricity incentive. Can you share the outlook for FY25 for the same?

Sachit Jain: It will be in the similar numbers because there's nothing of the past year in this year. Last year we still had I think Rs. 7-8 crores of a previous year, 9 crores which means actually the EBITDA level though it seems lower this ‘23-24 compared to the previous year. It is at par with the previous year because in ‘22-23 we had 9 crores of a prior period. So, this year everything is of this year, and we can expect the same similar numbers going ahead. Which is why we have stated that we believe this is part of our income for our regular operations. It is not other income which has been. This is part of our costing structure.

Angad Katdare: My second question is related to the greenfield plant. Any development on the same, the forging plant integration and the greenfield?

Sachit Jain: All these areas we have started serious discussions and hopefully we will start looking for land soon. We started the process of thinking, which state to look at, all those things. So, in the next few months hopefully we will decide the state and then start identifying land parcels. But we’ve started the process now. It will take its own time and when we are ready to make an announcement about timelines and so on we will do that. As of now no concrete steps have been taken. We just started the process of discussion and thinking and planning and study. As the audience here would know, we are a conservative group, and we go slow and steady. So, we are a little patient and cautious and on top of that our partners are Japanese who are also slow and patient. But the beauty with our Japanese what I have seen is they take their time in planning and thinking and consolidating. But once the plans are made then they are firm, and action is fast.

Moderator: We have our next question from the line of Rohan Mehta, a shareholder.

Rohan Mehta: Just to build on the previous question regarding CAPEX if you could just shed some light on, if there's been any further discussion with Aichi about this CAPEX and how the entire CAPEX would be funded.

Sachit Jain: This CAPEX is a small 33 crores additional, easily internal accruals and little bit and payback will be, within 2 years it will be paid back. The company can take care of it.

Rohan Mehta: And beyond that nothing on the horizon with respect to Aichi management with a view for more CAPEX?

Sachit Jain: With this and all CAPEX as far as this plan is concerned is over. So, then after this any new CAPEX will only be once we take a firm decision on a new plant. And two when we decide on forging. In fact, we started the process of studying the forging industry, identifying suitable partners, identifying which OEs to work with. So, that process of study forging has also started. Decision will be taken at the appropriate time, but the process of study has begun.

Rohan Mehta: So, the mass production that we have begun for Aichi will be taken care of from the existing facilities, is that right?

Sachit Jain: Yes. All the plans that are there are from the existing facility. Once we have a new facility planned and it comes up then of course all these plans will change because one of the reasons the plans were not more aggressive was that we didn't have enough capacity. And two we have some limitations of what sizes we can make in this plant. So, in a new plant whenever we plan it, whenever we execute it all those limitations will be gone.

Rohan Mehta: On the billet capacity which has improved is it because of any particular debottlenecking that has happened? And maybe a year or two down the line what can we see in terms of our billet capacity?

Sachit Jain: No, this 260,000 tons was already announced. It's just that we tested it and found that in January, this month we hit the number of 22,000 tons for a month at a stretch and February also was good which gave us the confidence that 260,000 tons level has been achieved. And as we have said earlier that once we achieve this number then we look beyond that and from January we started looking at what more can be done. Then we found that we could go up to 285,000 which is what required the CAPEX that we have got approved now. Maybe many of it would anyway have to be done because I don't think environment expenditure is directly leading to capacity expansion. R&D investment was anyway required again. So, many of these investments were perhaps anyway required but we just clubbed it all together and helping us go to further capacity expansion. So, 285,000 tons will be the new capacity and we hope to hit this figure depending on of course our marketing that we are able to sell all this thing. By ‘26-27 or latest ‘27-28. Our target will be ‘26-27.

Rohan Mehta: You mentioned that Toyota sales have been relatively muted. So, if I may ask your take on what can be expected, does the industry look different in the fiscal or the next two quarters and whether that will impact our exports?

Sachit Jain: It's still a very small business, so it will not have major impact. One thing good thing about the Japanese is, once they have made a commitment and it is not working as per that commitment, they look for other opportunities to make good their commitment. So, they are examining other products that were to be localized into India which can be localized and some of them are being fast forwarded in. So, another year or two we will catch up with the targeted and committed volumes. So, I am not too worried about that.

Moderator: We have our next question from the line of Ms. Radha from B&K Securities.

Radha: I wanted to ask first question was that this quarter we had done 52,000 tons of volumes. So, previously we had done this kind of volume in 1Q FY23. So, if we compare 1Q with this quarter then the raw material cost for us is very low for us this quarter and which has benefited us a lot. However, the other expenses for this quarter is higher as compared to that quarter. So, wanted to understand why the other expenses have gone up in 4Q or we can say in FY24 compared to FY23.

Sanjeev Singla: In other expenses the higher expenses are because of two reasons. One is the job work charges which are higher than the Q1 of FY23 and secondly because in Q1 the prices of electrode were on lower side and earlier were storing at lower prices. So, the electrode prices were lower in Q1 whereas in this Q4 quarter the prices of electrode were higher. So, these are the two major reasons for other expenses to be on higher side.

Radha: So, going forward should we continue with these FY24 other expenses per ton number?

Sanjeev Singla: Yes, for this job work charges rolling out from outside it will continue for another three quarters more. And on this electrode prices they have started softening. So, they are coming down in the subsequent quarters.

Radha: In the opening remarks you mentioned that from FY23 onwards we had announced CAPEX 2X to 3X. So, total first is the 220 crores and 140 crores and now 33 crores. So, I think it's around 400 crores. So, out of that how much we have spent till now and how much we are spending and what is the timeline by when we want to complete the entire CAPEX?

Sachit Jain: So, roughly about 82 crores out of this has been spent. So, from the 260and 140,400 crores and this new 33 crores is 433 crores so, 82 crores have been spent. Everything else will be and 25 crores for land has been spent and we have allocated about Rs. 19 crores for our share in the renewable project, so those are in addition. So, all this CAPEX will be done in primarily the next 2 years, a little bit miss stretch into 3 years. So, in ‘24-25, ‘25-26 most of this investment would be done, some will spill over to ‘26-27.

Radha: Just to follow up on the answer that you gave on the export side.

Sachit Jain: Radha as I answered earlier to another question, repeating that. With this almost all our CAPEX plan for this unit is largely done. There will be only minor than normal CAPEX or little R&D equipment, some more testing and all those are the only kind of investments that will continue. But after this almost all our CAPEX plans are done.

Radha: Just a follow up on the answer that you gave on the electrode prices. So, just a small query that the electrode price is going up or any fluctuation in this. So, this should have been captured in the raw material prices, unable to understand why it's coming.

Sachit Jain: Electrode is not raw material. Raw material includes our scrap, pig iron, sponge iron, our alloying elements. Those are our raw materials. Electrode is consumable.

Moderator: We have our next question from the line of Akshay Thakur from Pico Capital.

Akshay Thakur: My question on the business. So, just to circulate back on the topic of electric arc furnace as a method of manufacturing specialty steel. We have heard a lot about the advantages on that. Are there any challenges as such about this method of making it?

Sachit Jain: Yes, challenges are there that the cost of steel making is higher with the electric arc furnace route as compared to a blast furnace route. But they damage the environment massively and they have a very high capital cost. You have to be today to set up a new plant under the glass furnace route you need to make it economically, it has to be at least 3 to 4 million tons. Whereas electric arc furnace you can put up 300,000 tons or 500,000 tons plant and the capital cost, so smaller capacity as well as cost per ton would be lower and environmentally far better. Worldwide in the special steel industry, almost all companies the good companies are all electric arc furnaces. India is perhaps one of the only countries where you have blast furnaces and many blast furnaces making alloy steel for automotive sector.

Akshay Thakur: Thank you for that information. One more question on the same, are there any structural changes happening for sourcing raw material that is the scrap steel for India as a country?

Sachit Jain: Yes. As the country is moving towards circular economy which is a hot topic being discussed by all OEs. As the government is pushing circular economy, so clearly scrap from the auto OEs is likely to start moving to people like us. So, there is this structural change that the auto companies will be looking at in the future to see how they can channelize their scrap to people like us.

Moderator: We have a follow up question from the line of Naitik M from Sequent Investments.

Naitik M: Just one question from my side. I believe we were in constant negotiations with OEM during Quarter 1 and Quarter 2 for price hikes. I think we have seen a positive effect of that in the Q4 numbers. Now post that the commodity prices are again shooting up and do we think that these prices we will be able to maintain the kind of EBITDA per ton or EBITDA margins that we did in Quarter 4 moving forward in Quarter 1 and thereon?

Sachit Jain: One thing please understand, we have anyway said this Rs. 11,000 EBITDA per ton that we got is beyond our normal range. So, in any case we will never say that those kind of numbers we can expect on an ongoing basis. One odd quarter again you can get it but this is not a sustainable number as of now. The second thing is whenever raw material prices rise sometimes what we asked always for a price increase. Let us see how the negotiations happen. And third is when raw material prices go up at least the quarter where the prices have gone up there are also inventory gains. So, one quarter in all could get protected. It is when the old inventory runs out that when the shock happens so without a price increase. So, Q1 for this year should be reasonably fine and if we don't get a price increase Q2 there will be some problem. But overall, for the year we will remain in the range of Rs. 7,000 to Rs. 10,000 our EBITDA guidance. Just to add more information, the letters that have gone through to the OEs from various steel makers have asked for between Rs. 2,500 to 3,750 I think as one company has said. But I am sure 2,500 to 3,500 is a range in which letters of increase has gone to the OEs and maybe 3,750. I am not sure of that number of 3,750.

Moderator: We have a next question from the line of Mr. Tushar from Phoenix Advisors.

Tushar: I was just trying to envisage the power saving that we could get from the new solar plant. So, if you could help me with some.

Sachit Jain: What about the solar plant?

Tushar: So, the power plant is what I know is for 55 MW and what PLF could we expect from the plant? If we have the numbers ready, the PLF plant load factor from the solar plant.

Sachit Jain: We will get about 8 crore units from that plant.

Tushar: That is the number that I could. And the current cost?

Sachit Jain: About 17.5%.

Tushar: And the current cost per unit is 7 per unit as from the last calls I could recollect, is it?

Sachit Jain: Yes.

Tushar: And what could be the cost that we could expect from the new plant?

Sachit Jain: We haven't shared that number as of now. But the range, we are all aware at induction point most companies are saying between Rs. 3.5 to 4 a unit and then there are some costs there. So, it's within the range at induction point.

Tushar: If we take Rs. 4 per unit, so the total….

Sachit Jain: But then in addition to that there are other costs, there are wheeling charges, there are T&D losses. There will be at least, our agreement is minimum 50 paisa saving or actual whichever is higher.

Tushar: We can expect savings from 5 to 15 Cr annually.

Sachit Jain: Yes, correct.

Tushar: And the new plant is coming live December ‘25 or December ‘24 if you could.

Sachit Jain: **Dec‘**24. It's all dependent on government approvals coming in place for the connectivity and so on. So, our contract is in December ‘24. But maybe there could be a delay of a couple of months. So, let's say safely by March ‘25.

Tushar: So, the benefits we can see from the next fiscal year, right?

Sachit Jain: This is why the confidence of increasing the range of EBITDA per ton.

Moderator: We have our next question from the line of Ayan Sharma from B&K Securities**.**

Ayan Sharma: Congratulations on the good news. I had a few questions regarding the gross profit per kg actually. We see that it has improved to be Rs. 35 per kg. So, how long do we expect this to continue and how much of this benefit is from lower RM benefit and how much is from a better mix benefit?

Sachit Jain: Very difficult, we don't share all those things. See each one factor leads to several other factors also. Lower raw material cost may mean higher power cost and lower yield, so all those costs change. It's a complex whole and we don't. That's why we don't share those numbers. We talk about a range, and we are saying whether the range is going up or the range is going down. So, our stated range is Rs. 7,000 to Rs. 10,000. This quarter we got Rs. 11,000 which is higher than our range and we are saying therefore do not look at 11,000. Go back to 7 to 10 as the expected range for this financial year.

Moderator: We have a next question from the line of Anike Redkar, our shareholder.

Aniket Redkar: Just wanted to understand as how does the current industry landscapes appear as we are seeing that the current anticipated demand from automotive sector is improving.

Sachit Jain: Correct. You are right, the automotive sector is improving. So, what is the question?

Aniket Redkar: What are our steps in terms of this improvement in the automotive sector? How are we going to take this?

Sachit Jain: We are improving our capacity. We are adding to our quality, capability, our quality sustaining and the measuring systems which have quality assurance. A new non-destructive testing line is in place. All the CAPEX that we're making is in line with that and more sophisticated R&D equipment that not many steel companies have. So, we have added those kind of equipment. Thanks to our partners Aichi we know what equipment to have and then we synchronize those equipment as per Aichi's readings and we get training from there Aichi people to run those machines, to use those machines effectively. So, that's what we are doing, preparing for more and more auto companies, more EV requirement which means better quality steels, cleaner steel, lighter steels. Similarly for hybrids also in the future. So, the requirement of steel is going to be lighter, stronger and cleaner steels. And that's where we are working towards. Have I answered your question?

Aniket Redkar: Sorry, this was not my question.

Sachit Jain: Anyway, I have probably answered the question. Next question please.

Aniket Redkar: Just to follow up on the power question on the solar front. As we see our total power and fuel cost, what all is included in that power and fuel cost if you could help me?

Sachit Jain: Primarily power and fuel, it includes gas that we use. Natural gas.

Aniket Redkar: That's all?

Sachit Jain: And last year there was some furnace oil and a little bit of diesel also was there.

Aniket Redkar: What ballpark number? What would be our power consumption units if you could any given point?

Sachit Jain: Power consumption roughly 800 units per ton of steel.

Aniket Redkar: I guess I missed on the debt question that I asked, what is the number?

Sachit Jain: Our debt figures are 0.12 debt equity.

Aniket Redkar: Yes. So, we have significantly paid off our debt in this financial year. So, what is the future outlook for debt?

Sachit Jain: CAPEX of about 370 crores pending roughly. About 380 crores CAPEX pending. So, of course we will have some incremental debt coming in.

Aniket Redkar: I hope we might not cross 0.2-0.3 debt to equity.

Sachit Jain:	Certainly not, we won't cross 0.3. And within 3 years we should be down to 0.1 in current CAPEX plans.
Aniket Redkar:	0.1 by?
Sachit Jain:	We will be back to 0.1 in the next 3 years. But I am repeating this is the current CAPEX plan. The moment we announce a new CAPEX plan which would perhaps be either forging or a new steel plant. Then there'll be separate CAPEX starting for that. Starting with purchase of land and then it's a different process to start altogether.
Moderator:	We have a next question from the line of Rahil Shah from Crown Capital.
Rahil Shah:	Just a question for the FY25 guidance, what have we guiding in terms of overall volume and revenue?
Sachit Jain:	Volume will be around 220,000 to 230,000 tons. We are seeing 210 to 215 in '24-25 and to 220 to 230 in the year '25-26 and about 235 to 250 in the year '26-27.
Rahil Shah:	And bright bars capacity currently I believe is it 48,000 tons per annum?
Sachit Jain:	Yes.
Rahil Shah:	And so, what are we expecting it to go to by next year?
Sachit Jain:	In the next 3 years we will take it up to about 60,000. Again, most will be done in 2 years' time, but it may spill over to the third year. Most of our CAPEX should be finished by the year '25-26.
Moderator:	We have our next question from the line of Anil Kumar, an individual investor.
Anil Kumar:	My question is regarding any plan for dilution of equity regarding the Aichi and by when we plan for our next green plant project?
Sachit Jain:	Anil, we have already committed to Aichi that whenever they want to increase their stake, they can increase the stake, so we have no plans. They have to decide when they want to increase the stake. So, that could happen later this year. It would happen next year depends on them. The company does not need any more equity at this point in time. However, once the CAPEX plan starts for the new project, hopefully my hope is by end of this year we will take this decision. We should be able to take the decisions, buy the land and then we start the process. And before we take significant CAPEX decisions, I would like to though we may not need to raise capital but I would like to secure our equity capital. But we will definitely need dilution whenever we put up a new plant. So, whether dilution happens just to Aichi, and we do rights issue, we do a

small QIP, all those things are factors which the board will consider. But clearly for the kind of CAPEX that we require we will need a dilution at some stage.

Anil Kumar: After this completion of this year the picture will be clear I think.

Sachit Jain: May happen this year itself. I don't know. I am just saying. But yes, you are right in all probability the clarity will happen more by roughly 9 months to 1 year from now we will be in a much clearer situation once we complete all our studies, and we are able to show. I mean I am convinced we need to put up a new plant. But we have to convince, have everything on paper, proper studies done and so on, so that everyone is convinced everyone in board.

Moderator: We have our next question from the line of Aman Agarwal from Avekshat Financial advisors.

Aman Agarwal: I am saying Aichi Japan has been working with us as strategically partners from last 3.5 years so that they have been guiding us to improving the capacity and all those things in training our employees and processes. So, my question is regarding that in future you have given guidance that you will improve the EBITDA from 7 to 10 to next 2 to 3 years by 11-12. So, my question is that will it possible to charge such kind of margins from our suppliers as they are on board strategically and all those things as from small OEMs to these global clients?

Sachit Jain: We are not charging anything from our suppliers. Similarly, we are not talking of increasing the pricing to any customer. We are talking about internal improvements and protecting the current spreads. If the current spreads between raw material prices and selling prices get protected then with the internal improvements that are already on the anvil then we should be able to reach these numbers.

Aman Agarwal: My understanding is that you are not increasing the charges from your supplier. You are improving internal processes and maintaining the spread between the commodity charges.

Sachit Jain: As long as the spread is maintaining. If the spread gets compressed because of market situations then we will be at the lower end of that range and if spreads increase because of market conditions and the range will be at the upper end of the range.

Aman Agarwal: That's why my question is that because commodity prices are not in our control.

Sachit Jain: That is why we always give a range. We are under pressure very often by analysts that 'please do wider range, give a narrower range or give a target'. So, we are very clear. Because of commodity nature of this industry and the variability, there will always be a range. Yes. As we improve operations and as we become more confident of our performance, we are able to increase this range. So, if you recall if you've been following us. For the people who've been following our company for some time, earlier our range was Rs. 4,500 to Rs. 6,000 of EBITDA per ton. Then we change it to 5,000 to 7,000. Then we change it to 6,000 to 8,000. Then we change it to 7,000 to 10,000 and now we are saying we are changing it to Rs. 8,000 to Rs. 11,000 EBITDA but from ‘25-26. We could have done it this year also. But this year since we have shutdowns coming, we are not that confident. And we still have a capacity problem in rolling. So, we will still have to go outside to do outside rolling. Some margin is going to go out there which will come back to the company in ‘25-26.

Aman Agarwal: As you said in future, we have a plan for forging and new steel plant. So, for that do we have any discussion with the existing partners and Aichi for these things or we will be looking for onwards only?

Sachit Jain: No. Everything that we do is do with our partner. It will be incorrect to say we have plans. I said you started studying, discussing these things. So, it will be incorrect to say we have plans to get into forging. We have started the process of studying.

Aman Agarwal: But then it will take 3 to 4 years.

Sachit Jain: I just said we have started the process of studies. If the studies conclude fast, we will take action fast, if studies take time we might take a decision later. We might decide after the studies. No, it doesn't make sense to go. The decision has not been taken. We have started studying these markets. So, that's why I don't have any timeline that I can share with you at this point.

Moderator: Thank you sir. We will take that as the last question for today. I would now like to hand the conference over to Mr. Sachit Jain for closing comments. Over to you sir.

Sachit Jain: Ladies and gentlemen, thank you so much for attending our call and for your confidence. I sincerely hope that this new benchmark that we are setting of Rs. 8,000 to Rs. 11,000 EBITDA per ton and then aspirationally 9,000 to 12,000, we are able to meet that. And I am confident with the good work our teams are doing, especially both our EDs Mr. Rewari and Soumya and the entire management team with them as well as our workforce. With this thing and with our partners Aichi, I feel pretty confident that with the demand situation improving, with this focus on green steel, we are sitting on a very interesting opportunity. So, we hope to take advantage of that, and we will be here to answering your questions over the next few years. Thank you so much.

Moderator: On behalf of Choice Equity Broking Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.