



BMW Industries Ltd.

Date: 23-07-2024

To,
The Manager
Listing Department
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400001
Scrip Code: 542669

To,
The Manager
Listing Department
The Calcutta Stock Exchange Limited
Lyons Range,
Kolkata – 700 001
Scrip Code: 12141- CSE

Dear Sir / Madam,

Subject: Post Earnings Call - Submission of Transcript

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on July 18, 2024 at 3.30 P.M. (IST) organized by Arihant Capital Markets Ltd, on the interaction of the Company's representative(s) on the un-audited financial results of the Company for the quarter ended June 30, 2024, is also uploaded on the website of the Company.

We request you to kindly take the same on record.

Yours faithfully,
For **BMW INDUSTRIES LIMITED**

Vikram Kapur
Company Secretary



“BMW Industries Limited Q1 FY 2025 Earnings
Conference Call”

July 18, 2024



MANAGEMENT: **MR. HARSH BANSAL – MANAGING DIRECTOR, BMW INDUSTRIES LIMITED**
MR. ABHISHEK AGARWAL – CHIEF FINANCIAL OFFICER, BMW INDUSTRIES LIMITED
MR. SANJEEV SANCHETI – INVESTOR RELATIONS (URITUS ADVISORS), BMW INDUSTRIES LIMITED

MODERATOR: **MR. MIRAJ SHAH – ARIHANT CAPITAL MARKETS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the BMW Industries Limited Q1 FY '25 Earnings Conference Call, hosted by Arihant Capital.

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

I will now hand the conference over to Mr. Miraj Shah from Arihant Capital. Thank you and over to you, sir.

Miraj Shah: Good afternoon, everyone. Thank you, Neha. Good afternoon, everyone, and welcome to the Q1 FY '25 earnings conference call of BMW Industries. Today, from the Management, we have Mr. Harsh Bansal – the Managing Director; Mr. Abhishek Agarwal – the CFO; and Mr. Sanjeev Sancheti – Investor Relations, Uritus Advisors.

Without further ado, Sanjeev sir, I will hand over the conference to you.

Sanjeev Sancheti: Thank you, Miraj. Good afternoon to all the participants. It is my pleasure to introduce to all of you the Senior Management Team of BMW Industries today. With me are Mr. Harsh Bansal – Managing Director; and Mr. Abhishek Agarwal – Chief Financial Officer of the Company.

Before I hand over the call to Mr. Harsh Bansal for the Opening Remarks, I would like to draw your attention to the Safe Harbor statement in the earnings presentation. Request you all to go through the Safe Harbor statement as it is extremely important.

Over to you, Mr. Bansal.

Harsh Bansal: Thank you, sir. Good afternoon and a very warm welcome to the Company's Quarter 1 FY '25 earnings call. I hope all of you are well. I will guide you through the “Key Business and Operational Highlights” of the past quarter. And as usual, our Chief Financial Officer – Abhishek Agarwal, will share the financial performance metrics.

For those new to the Company, here is a brief “Overview” of our operations:

The Company focuses on adding value to semi-finished steel products. This strategic approach allows us to maintain stable margins and protect against the volatility of steel cycles. By doing so, we ensure sustainable margins and a reliable cash flow, mitigating the impacts of demand and supply fluctuations as well as market-related risks.

Our strong track record is demonstrated by a 30 year plus relationship with our customers. Our unique selling proposition lies in offering a comprehensive suite of services covering the entire value chain, and benefits from our advantageous, geographical proximity to our customers. Additionally, our fleet of long-haul trailers enhances our end-to-end solution delivery capability, providing us with a strategic advantage.

We are pleased to announce that our Company achieved its highest ever quarterly profit after tax in Quarter 1 FY '25, reaching Rs. 22 crores, surpassing last quarter's record. Additionally, we set record production volumes across the verticals. We are pleased to report an operating revenue of Rs. 174 crores in Quarter 1 FY '25, resulting in a year-on-year growth of 10.20%.

As discussed in our previous call, the Company is actively pursuing its growth opportunities. As planned, we have expanded our pipes and tubes segment throughout FY '24 and will continue this in FY '25, driven by a strong demand in the sector. Phase-1 of this expansion is currently underway, increasing our capacity to 534,000 metric tons by Quarter 2 FY '25. Additionally, the agreement for the conversion of GP/GC sheets through the CRM complex has been extended till September 2024. The agreement for MS pipes has been extended till August 2024. We are hopeful of a long-term arrangement for both the processes to continue.

Our strategy for establishing our own brand includes key several initiatives, adopting an asset-light model, developing a strong distribution network, expanding into underserved markets, enhancing our in-house logistics capabilities, and actively building our brand value. We are committed to achieving sustained growth and maximizing capital efficiency.

In addition to the above, we seek to strengthen our conversion business by utilizing our current facilities, and if needed, developing new plants. By proactively identifying growth opportunities, we aim to establish a unique market presence. This strategy positions us to seize opportunities in the B2B2C segment and reinforces our status as a leading provider of comprehensive solutions to the Indian market.

I am pleased to announce the successful commissioning of our solar energy project at the Calcutta plant in line with our commitment to sustainability and reducing our carbon footprint. We are launching a second solar energy project in Jamshedpur with an approximate capacity of 6 megawatts. The capital expenditure for the project would be about Rs. 30 crores funded 75% by debt and 25% by internal accruals. Our main focus remains on optimizing capacity utilization and reducing our net debt. Together with our ongoing expansion efforts, we are well positioned for strong revenue growth and sustainable margins.

I now would like to hand it over to Abhishek – our CFO, to provide updates on the financial numbers. Thank you.

Abhishek Agarwal:

Thank you, sir. Wishing you all a very good afternoon. We greatly appreciate your presence at the Q1 FY '25 BMWIL Earnings Call.

Before we start the Q&A session, I will provide you with a concise overview of the “Financial Figures” for the quarter:

During the quarter, our Company's operating revenue grew by 26.5% quarter on quarter from Rs. 137 crores to Rs. 174 crores. Our gross profit grew by 10.5% year on year to Rs. 113 crores, leading to a margin of 65.2%. Our operating EBITDA grew by 15.5% year on year to Rs. 42 crores, while

the operating EBITDA margin expanded significantly by 112 basis point year on year, reaching 24.4%.

We reported our highest ever quarterly PAT of Rs. 22 crores, registering a growth of 43.5% year on year. PAT margins stood at 12.7% as against 9.8% in the previous year. ROE and ROCE for the quarter ending June '24 stood at 13.3% and 16% as compared to 10.1% and 12.5% in March '24.

Net debt remains at a stable level and stood at Rs. 117 crores in June '24 as compared to Rs. 221 crores in June '23. Net debt by equity stood at 0.17 and net debt by operating EBITDA stood at 0.69 in June 24. We have seen a steady improvement in our cash conversion cycle from 130 days in June '23 to 53 days in June '24.

Our Managing Director – Mr. Harsh Bansal, has already discussed the pipe expansion plan. Out of the proposed capacity of 5,34,000 metric tons by the end of March '24, we have successfully installed and commissioned 4,14,000 metric tonnes. The CAPEX for the remaining 1,20,000 metric tonnes has been incurred with commissioning expected in Q2 FY '25.

We released our mid-term guidance in the last quarter, and for those who were not able to attend, I will share the same once again. We expect to achieve a top line CAGR of around 17% to 18% and an operating EBITDA margin of approximately 27% to 28%, and a PAT margin of about 12.5% to 13% by FY '26. We remain focused on our long-term goals of sustainable growth and profitability.

With that, I open the floor for Q&A and hand over the call to Mr. Miraj Shah. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Gunit Singh from Counter Cyclical PMS. Please go ahead.

Gunit Singh: I am new to the Company, so I firstly would just like to understand that we were doing revenues of about Rs. 950 crores in FY '18 and around Rs. 615 crores till COVID struck, and our margins were in the range of 16% to 18%. Whereas post COVID our revenues went down to Rs. 400 crores and now they have recovered back to FY '20 levels, and the margins post COVID have been about 25%. So, I just want to understand what was the structural change which led to a decline in revenue firstly, and this rise in margins?

Abhishek Agarwal: Previously pre COVID we used to have our own B2B and B2C business where the revenues were high since we were booking the total sales in our revenue and the margins in percentage were on the lower side since the numerator was high. After post-COVID, we have been focusing more on the conversion business. As a result, capacity utilization is high resulting in a higher revenue. But since the conversion incomes are only booked in the revenue, the revenue in absolute numbers is not increasing though the productions are higher than pre COVID. Similarly, the absolute margins have increased. But since, again, the numerator is low, the margins have increased significantly.

- Gunit Singh:** So, pre-COVID were we involved in trading by open source?
- Abhishek Agarwal:** Small quantity, to fulfill the basket of B2B business, some quantity needs to be traded so that the basket is full, so that was being traded.
- Gunit Singh:** What gives us the confidence to maintain 25% or 27% margins going forward? And what are the threats? What are the downside risks that we see to our margins?
- Abhishek Agarwal:** See, we are doing a conversion business where the cost of goods sold, I mean, the raw material cost is not in our books. So, as stated by our MD sir already in the call, we are not affected by the steel cycle. So, maintaining the margin with 1 basis point plus/minus is very much possible in our business. And seeing the trend since the last three to four years post COVID, you can have a feel that the margins are stable. Apart from this, the cost of goods sold consists of zinc basically, which is a pass-through cost again. So, the margins are not impacted for the change in the steel prices or change in the major raw material cost. So, we are confident of making the margin stable going forward.
- Moderator:** Thank you. The next question is from the line of Aditya Singh from Robo Capital. Please go ahead.
- Aditya Singh:** Sir, we believe that this galvanized pipes and MS pipes are sort of a value-added product and should command some better realization. So, in this regard, can you please share what is the current realization of these two products? And also, what would be the sustainable realization for both galvanized and MS pipes?
- Harsh Bansal:** Hi, this is harsh. Thank you for the question. Just to clarify, we have very actively stayed away from giving very, very specific vertical details. So, I am sorry, I cannot share that specific for MS pipe with you. However, to the first part of your question, I do understand that these are value added products, but for those people who are actually branding and distributing it. We as a Company do not do that, our pipes and tubes business is focused towards conversion for our primary customer, who then distributes and brands and everything else. So, I am sure there is a margin and there is a premium in it for them. However, like mentioned by Abhishek in answer to the last question, we work on a flat processing fee with a multi-year contract. So, whether the markets are up or down, that really does not affect our margins or our revenues.
- Aditya Singh:** And regarding our CAPEX, so how much time would it take us to reach the optimum utilization and what would be the optimum utilization for us?
- Harsh Bansal:** So, we assume optimum utilization to be anywhere in the 70% range. And typically, it would take anywhere between one and two quarters to scale it up. But however, having said that, please appreciate that these are typical numbers. We are reliant on a different party for helping us ramp up. And so, while typically it may be one to two quarters, I would also like to put a disclaimer over here, it can go longer.

- Aditya Singh:** And just to clarify the previous point, so it does not matter much to us whether we convert normal pipes, or we convert galvanized or MS pipes? Is that the fair understanding?
- Harsh Bansal:** That is true.
- Moderator:** Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** Sir, I have a couple of questions, first related to our EBITDA margin for this quarter. So, we delivered quite good EBITDA margins this quarter, so can you please explain the reason why the margins expanded?
- Harsh Bansal:** So, thank you for the question and also thank you for the good comments. I think the EBITDA margins expanded because we are very efficient. Sorry, sorry jokes aside. But as the benefit of volumes kick in, you will see some of these numbers, right? If you recall the last quarter that we had, while the expenditure had been made and the lines had been commissioned, the volumes had not kicked in. So, this we had mentioned even then that you will probably see the effect of the volume kick-in in the following quarter and that has actually happened. So, you are seeing an expansion of the EBITDA margins.
- Pradeep Rawat:** And the guidance that we are giving, long term guidance for EBITDA is 27% to 28%. So, that is primarily from operating leverage, right?
- Sanjeev Sancheti:** Operating leverage and obviously better utilization as well, right, both, it's a combination of both.
- Pradeep Rawat:** And my next question is regarding our zinc cost. So, what is the percentage of zinc cost in our cost of goods sales mix?
- Harsh Bansal:** So, we have actually stayed away from specifying the exact zinc numbers. But needless to say, it's a pass through for us.
- Pradeep Rawat:** And with regards to our pipe and tubes business, so the expansion that we are making, so do we see any kind of offtake risk with the increased capacity?
- Harsh Bansal:** We actually don't see that. We are doing this based on certain assumptions and discussions with our customers. So, we actually don't see that risk.
- Pradeep Rawat:** And with regards to pipes only, do you see any kind of oversupply situation in the near future given the expanding capacity in the industry?
- Harsh Bansal:** Not for the foreseeable future.
- Pradeep Rawat:** So, not for any one to two years' time frame, right?

- Harsh Bansal:** No, I mean, at least you can see two years down, I can't even see that much. But I don't foresee a oversupply situation. I think we are a growing economy; steel plays a very large part in that. And as the economy continues to grow, uses of steel, fabrication, structural will continue to grow. So, unless something drastic happens, I don't see a saturation of demand.
- Moderator:** Thank you. The next question is from the line of Miraj Shah from Arihant Capital. Please go ahead.
- Miraj Shah:** Sir, just one quick question regarding the guidance that you gave that top line you are expecting a growth of 17% to 18% with an EBITDA margin of 27%, 28%, and a PAT margin of 12.5% to 13%. I was just looking at our current figures that come after EBITDA, I believe that there is some disturbance here, there is a huge difference between EBITDA and PAT because our interest costs are currently roughly Rs. 18 crores to Rs. 20 crores, our depreciation is roughly Rs. 40 crores to Rs. 50 crores. And going ahead, if I do this brief numbers also, I believe that either the EBITDA margins would be a bit lower or the PAT margins would be a bit higher. So, can you just clarify a bit on this?
- Abhishek Agarwal:** Thank you, Miraj. Going forward, our revenue consists of two portions, basically. It consists of a portion of zinc and the conversion. The conversion is almost fixed over the tenure. Zinc, as said by the MD sir also, it's a pass-through cost. So, it's a pass-through cost which is there in the cost and the revenue. So, once you go with the margins, the margin changes with the change in revenue. Like in the last Quarter '24, the prices of zinc, the commodity was very low. So, the top line was not there, the margins were quite lucrative.
- We clarified at that time also the margin might change, but the absolute numbers will increase. In the first quarter the rates of zinc have increased a bit, fallen in the second month in May, again in June it rises. So, the revenues were also good. But going forward, our guidance was based on a zinc rate which was based on the last year. Suppose this year the commodity performs very well, but naturally our revenues will increase. But the absolute profit will be in the same line what we have given in the guidance, which might result in a change in the margins as given in the guidance, but the absolute numbers will increase with the production volume increasing.
- Sanjeev Sancheti:** Let me also explain it very simply. When you have a pass-through item in your revenue which does not results in a profit, because pass through is always a pass through, right, it will be sitting in the revenue and the cost. So, what will happen is that pass through, because the commodity will change, if the pass through let us say zinc cost goes up, then my revenue will go up, my cost will go up, but my margin will go down because my PAT will not change because of that.
- Similarly, when there will be a reverse cycle of zinc prices, my revenue will go down, my cost pertaining to zinc will go down, my profits will anyway remain the same, and the margins will increase. So, we have to see in this business where there is a pass through, whether my absolute number or a per tonne conversion profitability is decreasing or increasing, that's more important. And as we said, because of better utilization of our capacities, because of our high capacity and significant operating leverage, and tearing down of our debt in future, you will definitely see an improvement in margin, at least per tonne basis definitely so your profitability and ROCE will go

up. But as far as the PAT or the operating margin or EBITDA margin is concerned, the margin per say can fluctuate because of the zinc pass through prices going up and down.

Moderator: Thank you. The next question is from the line of Mahesh from Ved Capital. Please go ahead.

Mahesh: Sir, I had some few questions. So, the first one is, so we have done about broadly 414,000 tons of volumes of pipes and tubes in FY '24, production. But by Q1 FY '25 itself we have done about 47,000 tons. And at this rate, our capacity utilization is around 46%. So, can we assume production of 200,000 tons in FY '25?

Harsh Bansal: Yes, I think that's a safe assumption.

Mahesh: And sir the next question is, so we wanted to take the capacity of pipes and tubes to 534,000 tons by FY '24 end. But in the last call you said that we were at 414,000 tons. So, have we added the remaining capacity?

Harsh Bansal: It should be operational during this quarter.

Mahesh: And sir for TMT bars we aim to achieve around 82% utilization by FY '26, and we have already done that in Q1 FY '25. So, can we expect to deliver 82% utilization in FY '25 itself? Or if I can reframe that, can we do around 250,000 tons of production in FY'25?

Harsh Bansal: So, based on our assumptions, we expect the numbers to hold for the rest of the year. However, should there be any material change on the customer side in terms of steady supply, we will keep you guys updated in the following quarters. But as things stand now, I think it is a very safe assumption to meet the numbers for the full year.

Mahesh: And also wanted to understand sir, how are the negotiations going on for the extension of CRM Complex contract? So, when we say we will sign long term contract, what will be the duration of it?

Harsh Bansal: So, the long-term contracts are anywhere in the range of three to five years. And negotiations are never good or bad, they're just ongoing. So, as far as we are concerned, so long as the negotiation is going, it's just ongoing. We are hopeful of closing individually all of them anytime soon.

Moderator: Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Congratulations sir on great set of numbers and thank you for the opportunity. So, I was seeing this pipes and tubes, the sales number we have posted in terms of volume, around 46% utilization on annualized basis. So, as to the understanding we are targeting to have an installed capacity of 5,34,000 primarily coming in Q2, around 1,20,000. And we have a targeted production of 3,46,500 for the year. So, I just wanted to understand, do we have a commitment of certain orders going ahead? Or what is the rationale behind, how do we see this market, I mean, if you could just help me understand?

- Harsh Bansal:** Number one, have contracts, like with any other contracts there are no commitments. My assumption is that you mean a take or pay kind of an arrangement in the contract, there is nothing like that. On the second part of your question, I think we are a very economical option for anybody to produce pipes. So, so long as there is a healthy market situation, there is a demand situation, the customer has adequate raw materials, I do not see any reason for the capacities to not be utilized. Having said that, the market is anybody's guess, so I do not want to kind of jinx anything over here.
- Vignesh Iyer:** So, basically when I said, do we have a commitment action, is there any client who has said that if you put up this plant I will take 50% of the order that way?
- Harsh Bansal:** Yes, so these are all on verbal, right, so there are no written contracts and commitments. So, long as it's not on writing, it has really very little value, right?
- Vignesh Iyer:** That is true. So, again, coming to the revenue guidance, what is our near-term guidance like for FY '25 and '26?
- Harsh Bansal:** I am not very good with the numbers; I will let Abhishek take that.
- Abhishek Agarwal:** Our revenue for FY '25 is expected to be somewhere around Rs. 690 crores to Rs. 700 crores. And in FY '26 it's around approximately Rs. 850 crores.
- Vignesh Iyer:** Rs. 850 crores, right?
- Abhishek Agarwal:** Yes.
- Sanjeev Sancheti:** Generally, we do not buy the absolute numbers, but nevertheless.
- Vignesh Iyer:** Yes, just a ballpark number, I mean. Understandable because the item prices could change in exchange as well. So, very well, yes. Thank you.
- Abhishek Agarwal:** So, we expect about a 17% CAGR, 17% to 18%.
- Sanjeev Sancheti:** Yes, that's sticking to that only.
- Abhishek Agarwal:** Correct.
- Moderator:** Thank you. The next question is from the line of Miraj Shah from Arihant Capital. Please go ahead.
- Miraj Shah:** Just a couple of things. In pipes and tubes, do we manufacture seamless or stainless pipes also?
- Harsh Bansal:** No, Miraj, we are only in MS, CRW.
- Miraj Shah:** So, in MS, CRW, beyond HR coil, anything else would be our raw material as well?
- Harsh Bansal:** No, no, only HR coil and CR coils.

- Miraj Shah:** So, could you just guide how have the prices been in the past two quarters, like in the past six months? And how they've moved in, let us say, from the start of this quarter as well in the past 18 days?
- Harsh Bansal:** You are talking about HR coil prices?
- Miraj Shah:** HR coils, yes sir.
- Harsh Bansal:** So, Miraj, we do not buy the HR or the CR, right? It's free, supplied by the customers. So, I do not think any of us are adequately qualified to answer that question.
- Miraj Shah:** And sir, I also read this one part that we have set up a second solar energy project, roughly 6 megawatts. So, what was the size of the first one?
- Harsh Bansal:** It's about 5 megawatts.
- Miraj Shah:** And does this adequately be used for our captive use only? Or is there still any other posting also left?
- Harsh Bansal:** So, this is completely for captive use. The issue here is that even though we may have more space, regulations are a bottleneck. So, we have installed as much as we are allowed to install currently. And we will be on the lookout however the regulations move. If in the future we are allowed to install more, we will do that.
- Miraj Shah:** So, as per regulation 11 megawatts is all that we can do?
- Harsh Bansal:** It's actually location based, so in West Bengal I can only do 5 megawatts, and in Jamshedpur currently with the mix of space and regulations, I can only do 6 megawatts.
- Miraj Shah:** And sir, how much cost saving are we expected to generate from this by moving to solar?
- Harsh Bansal:** We will have to actually wait to see. But like with any other project, a lot of the savings are based on assumptions. Part of it is also our commitment to the green thing, so it's not completely a rupee play. However, I am sure in the coming quarters you will be able to see the effects and we will be better able to talk about it. I mean, once the commissioning is done and we are able to see the benefits concretely consistently over several months.
- Miraj Shah:** And sir, the gross debt figure that we have given for Q1 FY '25, roughly Rs. 107 crores, does this include the debt for Phase-2 or is it excluding the debt for Phase-2?
- Harsh Bansal:** It's excluding the debt for Phase-2.
- Miraj Shah:** Okay, so meaning you will separately take, understood. Okay, thanks a lot, I will get back in the queue.

- Moderator:** Thank you. The next follow up question is from the line of Mahesh from Ved Capital. Please go ahead.
- Mahesh:** Just wanted to understand if you could throw some light on our current order book and what is our time frame for execution?
- Harsh Bansal:** So, we do not have specific order books per say, we have long term contracts for the entire capacity that we operate for the customers. And so, in some way if my tubes capacity is 530,000 tons, that's the expected order load. But like I said, let us say 70% of that to be practical, so I am not sure if I am clear. But we do not work on a project-light system with a specific order book, we operate the entire capacity for a specific customer.
- Mahesh:** And my next question was a bit broad question. So, we have three subsidiaries, we have one steel service center, BMW Iron & Steel and Nippon Cryo. So, if you could throw some light on what are the operations of these three entities?
- Abhishek Agarwal:** Nippon Cryo is basically 100% subsidiary, processing for TATA Steel, (inaudible) coils they are processing. And BMW Iron & Steel is again 100% of BMW Industries Limited where we are doing MS and GI pipes. We have one joint venture with SAIL where 60% ownership is with BMW and 40% is with SAIL. There we are doing a steel service center job, basically, a blanking line and flat product.
- Mahesh:** And sir lastly on Bansal Super, have we laid out a growth plan for that or will that be done post negotiations are complete with TATA Steel?
- Harsh Bansal:** No, Bansal Super has nothing to do with negotiations with TATA Steel. As we mentioned in the past, we will continue to nurture and grow this vertical of our business because it's a very slow and steady and a long process to build a brand and a distribution network. Currently our focus remains on ensuring that we are cash positive in our sales, and we do not bleed. So, we continue to grow the network, we continue to nurture this product and brand. And we hope to create a sustainable supply chain, robust supply chain soon. But other than that, I do not know what to say.
- Moderator:** Thank you. The next question is for the line of Pradeep Rawat from Yogya Capital. Please go ahead.
- Pradeep Rawat:** Sir, we have dedicated facilities to our customers, so in case of lower offtake, our capacity remains idle, or we like use it for some other customer?
- Harsh Bansal:** So, there are different contracts in different plants. In some cases we can use it for others, in other it's an exclusive arrangement.
- Pradeep Rawat:** And my other question is regarding our margins. So, in our contracts our margins are fixed, so is it fixed in percentage terms or absolute terms?
- Harsh Bansal:** Absolute terms. The margins are not fixed, the compensation of the contract is fixed.

- Pradeep Rawat:** So, it is absolute on the basis of per tonne, right?
- Harsh Bansal:** Correct.
- Moderator:** Thank you. The next question is from the line of Rakesh from United Infracore Limited. Please go ahead.
- Rakesh:** I have got two small questions. Number one, because I have been following with what TATA Steel has been doing. So, I just wanted to know when that contract would be renewed? Because as far as my understanding, this contract has still not been renewed.
- Harsh Bansal:** So, like mentioned earlier, the negotiations are on and we are hopeful of renewal. We have already extended a number of times the current tubes contract has been extended up to August, and the CRM contract is up to September. The TMT contract is up to November 25.
- Rakesh:** Sir, my apologies if I intrude, because as far as my understanding goes, so there is a lot of pressure on TATA Steel to improve upon its margin. And the way they are negotiating with other contracts, everything is going into limbo, sir. That is why as an investor we were a bit concerned to ask this question, sir.
- Harsh Bansal:** No, thank you. And I am sure you then definitely know something which I do not. But like with any other buyer/seller negotiation, everybody is always in the pressure, right? I mean, the buyer will always be in pressure to reduce the price, the seller is always in pressure to increase the price and that's why it's a negotiation. If there was no pressure, then it would be a cake walk.
- Rakesh:** Yes, I understand, but this has been extended quite a bit, because the number of exchanges given has been like never before. Like anyway, you know the business better sir, we are only investors. Second question is, sir, if TATA Steel tomorrow decides to set up its own setup, then do we have another venues or opportunities because we are long term invested with BMW, so are we building another line of opportunities to derisk this?
- Harsh Bansal:** I think we will cross that bridge when we get to it. We do not think about that part of it right now. We have been doing this for the last 30 years. Out of it, for the last 25 years people have been asking us this question. So, because it's TATA, I think it's very safe to say that there is a very little chance of them doing anything irrational and doing whatever is fair. So, we will cross that bridge when we get to it.
- Rakesh:** Thank you so much, sir. You used two keywords which give us satisfaction, one will be very rational and second is fair. So, we absolutely have faith in your abilities and capabilities, sir. Thank you so much, sir.
- Moderator:** Thank you. The next follow-up question is from the line of Miraj Shah from Arihant Capital. Please go ahead.

- Miraj Shah:** Sir, just one clarification. I think in one of the earlier questions you spoke about what kind of tonnage you could do in pipes and tubes in the full year, so I believe it is likely close to 2,00,000 tonnes or something that you can do. What I want to understand is that that is based on only the current capacity that is 4,14,000 tonnes. Once we add another 1,20,000 tonnes, which will come in next quarter, won't this figure actually go up because this is just under 50% utilization?
- Harsh Bansal:** So, welcome back, Miraj. And I think if you go back to that answer, you will see that I said it's a very safe assumption, I did not give a number. The gentlemen asking the question had said that, can we assume you will do so and so? And I said, yes, that's a very safe assumption.
- Miraj Shah:** Is there any plans in TMT to increase the capacity or will that decision only be taken after negotiation in 2025?
- Harsh Bansal:** So, there are currently discussions on, because we are looking at the customers also increasing their capacity for semis and raw materials. And so natural progression, they will also be looking to increase downstream capacities, either directly or through converters like us. So, we are already in discussion with them on that. When that will fructify is anybody's guess.
- Miraj Shah:** And the contract you said was three to five years, right, general three to five years?
- Harsh Bansal:** The execution time is generally two to two and a half years. The contract tenure could be negotiated up to five years.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Miraj Shah for closing comments.
- Miraj Shah:** Yes, thanks a lot for allowing us to host you again, sir. Yes, that's it. And back to you Sanjeev sir.
- Sanjeev Sancheti:** We thank a lot to everybody, thanks a lot to all the investor community and all the analysts from Arihant Capital, and the management team for joining this call. Really appreciate your time. And wish you all the best. Thank you.
- Harsh Bansal:** Thank you, Miraj ji. Thank you to everyone and for keeping us on track. Thank you.
- Moderator:** Thank you. On behalf of Arihant Capital and BMW Industries Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.