JTL INDUSTRIES LIMITED
(Formerly known as JTL Infra Limited)
STEEL PIPES

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BSE Scrip Code: 534600	**NSE Scrip Code: JTLIND**	**MSEI Symbol: JTLIND**

REG: Transcript of Earnings Conference Call on Unaudited Financial Results for Quarter/ Half Year ended 30th September, 2023

DEAR SIR,

This is further to our intimation regarding Conference Call for Analysts/Investors with respect to the Unaudited Financial Results of the Company for the Quarter/ Half Year ended 30th September, 2023.

The transcript of the conference call held on 12th October, 2023 with investors/analysts to discuss the financial performance of the Company for abovesaid period is enclosed herewith.

Kindly take note of the same.

Thanking You,
For JTL Industries Limited
(Formerly known as JTL Infra Limited)

Gurinder Singh Makkar
Digitally signed by Gurinder Singh Makkar
Date: 2023.10.17 16:40:56 +05'30'

Gurinder Makkar
Company Secretary & Compliance Officer
M.No. F5124

"JTL Industries Limited Q2 FY24 Earnings Conference Call"

October 12, 2023

MANAGEMENT: **MR. ATUL GARG – VP (FINANCE)**
MR. PRANAV SINGLA – WHOLE-TIME DIRECTOR
MR. DHRUV SINGLA – WHOLE-TIME DIRECTOR & CFO

MODERATOR: **MS. SNEHA TALREJA – NUVAMA WEALTH MANAGEMENT**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY24 Earnings Conference Call of JTL Industries Limited hosted by Nuvama Wealth Management.

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

I now hand the conference over to Ms. Sneha Talreja from Nuvama Wealth Management. Over to you ma'am.

Sneha Talreja: On behalf of Nuvama Wealth Management, we welcome you all to the JTL Industries' Q2 FY24 Conference Call.

We are joined today by the Senior Management of JTL Industries represented by Mr. Atul Garg – VP (Finance), Mr. Pranav Singla – Whole-time Director, and Mr. Dhruv Singla – Whole-time Director and CFO.

We will now start with the opening remarks by the management followed by a Q&A.

I would now like to hand over the call to Mr. Pranav Singla for his opening remarks. Over to you Pranav.

Pranav Singla: Good afternoon everyone. Thank you for joining us today for this Conference Call. We welcome you all to our Quarter 2 Financial Year '24 Earnings Call. Today, we have gathered to discuss the remarkable journey of JTL Industries Limited, vision for the future, and the key drivers that have propelled us to success.

As you know, JTL is a growing Company and we have been in the industry for three decades. We have spread across four plants namely two in Punjab having a capacity of 1 lakh tonne in Dera Bassi and 2 lakh tonnes of capacity in Mandi, Gobindgarh and we have a 2 lakh tonne of capacity in Mangaon plant which is in Maharashtra and another 1 lakh tonne of capacity in our Raipur plant. Altogether, as a group, we have installed some 6 lakh tonnes of capacity.

Looking at our performance in this quarter for the first half of Financial Year '24:

We recorded a healthy growth in sales volume by 56% in Quarter 2 FY24 over Quarter 2 FY23 and by 55% in H1 FY24 to H1 FY23 making our highest quarterly and half yearly sales volume. This was complemented by a 50% increase in the volume of value-added products from H1 FY23 to H1 FY24, keeping our share of value-added products to 40%, keeping us in line with the targets of reaching the sales of 50% by FY25.

Our revenue grew by 37% to Rs. 5,000 million in Quarter 2 and 38% to Rs. under 10,000 million in H1 FY24, which was led by an increase in demand for our products.

Our EBITDA grew by 16.3%, close to Rs. 374 million in Quarter 2 FY24 and by 53%, close to Rs. 730 million in H1 FY24, which was led by an increase in scale of operations. In Quarter 2 FY24, we experienced a slight margin pressure due to volatile steel prices compared to the same period last year, but on a half yearly basis, we successfully recorded a growth of EBITDA margin by 76 bps, reaching towards 7.2% showcasing a robust and managerial expertise to manage the risk.

Improving our performance, we have significantly reduced our working capital cycle from 71 days in FY23 to 57 days in H1 FY24. We have also reduced our inventory holding period from 45 days in FY23 to a significantly down number to 28 days in H1 FY24, allowing us to hedge the impact of fluctuations in raw material prices. Furthermore, we have maintained our EBITDA per ton of around Rs. 4,600 for H1 FY24, which remained in line with H1 FY23 despite the volatility in steel prices and decline in realization per tonne from Rs. 72,000 per tonne in H1 FY23 to Rs. 64,000 in H1 FY24.

On the industry front if you talk about, we expect the demand for structural steel to remain strong for the next few years, surging approximately over 10% backed by robust infra projects such as warehousing, building of 100 airports, ensuring water sanitization and Jal Jeevan mission, and affordable housing. Moreover, steel prices are expected to stabilize by the end of FY24, which will further improve our margins and profitability.

Going forward, in order to capitalize the upcoming opportunities, we are aiming to reach a total manufacturing capacity of 1 million tonnes and that would be done by adding 2 lakh tonnes of capacity in Mangaon plant in Maharashtra and 2 lakh tonnes of capacity in Raipur which is in Chhattisgarh. Out of the total 4 lakh tonnes of capacity additions, 2 lakh tonnes would be deployed with DFT, which will facilitate us to produce various sizes of hollow section pipes without roll change, increasing our efficiency, capacity utilization, and enter new geographies.

In order to fulfill the desired targets, we have raised a total of Rs. 384 crores via allotment of fully convertible warrants. Post completion of expansion, we are expecting our cash flow levels to increase more than to meet our operational process and reducing pressure on cash availability and short-term borrowings. Also, we aim to increase our share of international sales to around 15% from the current level of 9%, which will fetch us better margins and revenue growth as well.

I am handing over to Sneha and we are open for questions now.

Moderator: We will now begin the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Piyush Mehta from Caprize. Please go ahead.

Piyush Mehta: The volume growth has been pretty impressive this quarter. What I was trying to understand is given the volume trend that we have seen in the first half, what could be the volume growth that we could expect for the full year Financial Year '24?

Pranav Singla: To comment on that about the volume growth, we surged over 50% year on year if you talk about the volume growth and there's a 50% increase in the volume of VAP products as well. So these are the numbers are coming by the demand of government push, infra projects and also our capacity additions which have happened all over – in Raipur as well, in Maharashtra as well, and Mandi as well. And talking about future additions, we think that the volume growth should be 30% higher than what we have achieved in the second quarter and first quarter. So you should expect a 30% surge in the volume in the following H2.

Piyush Mehta: I read through the note that is released and we mention that our share of value-added products has gone up while our EBITDA per tonne which was say Rs. 6,100 last year YoY has come down to closer to Rs. 4,500 to Rs. 4,600. Where is this large volatility coming in from?

Pranav Singla: There was a lot of volatility in the market last year and the prices were taking a toll. They were going extremely high and low in the previous year, and this year the prices have stabilized. So, the numbers that you see last year, there were a few inventory gains that happened. But this year, if you talk about the numbers, there is no inventory gain or loss that has happened to us or the Company has faced. These are the actual stabilized numbers and margins that you can look at. And also, if you talk about H1 numbers for financial year '23, we are well in line with the EBITDA per tonne and the EBITDA margins.

Piyush Mehta: With the increased better volume growth in the second half as well and better capacity utilization and the positive things that you mentioned, you believe the EBITDA per tonne could continue to increase from here over the next two quarters?

Pranav Singla: The EBITDA per tonne is totally dependent on the share of VAP. And as we go ahead, we have already mentioned that we are bringing in DFT technology. After bringing DFT technology, our VAP share is further going to increase. As the VAP share is going to increase, every quarter on quarter you should see an increase in EBITDA per tonne.

Piyush Mehta: When we compare ourselves to, say, integrated players like Hariom or Sambhav or a player like APL Apollo, where are we pricing ourselves? Like somewhere in between, at par, or how much discount to APL Apollo, and what is the premium it could be to, say, someone like Hariom?

Dhruv Singla: Piyushji, for the pricing as per se, we are one of the key manufacturers of value-added products in India; so we have our own pricing for our value-added products and we don't discount them according to other people's price list or pricing. As for the commercial-grade black pipe product, we have a key dealer network where we have been dealing for the last 3 decades. And moreover, the pricing is similar to most of the key players in the market. We don't compare ourselves with Hariom or Sambhav and, say, if compared to APL Apollo, then we would have a similar pricing in areas like Maharashtra and like Punjab where we are able to supply key materials to our key dealers. The pricing is fairly similar. Basically it depends upon the availability of and the kind of material that we are delivering to our clients.

Piyush Mehta: What would be the current dealer distribution strength? And what are the plans there? How do you grow this as you plan? As you said, you mentioned in the note as well that we want to expand into other geographies as well. How do you move ahead with this piece?

Pranav Singla: We have around 800 dealers under us right now, and these 800 dealers are spread all across pan-India in such a way that we are majorly covering all the dealers present in India right now. As there would be around 1,000 or 1,100 dealers in India right now and out of which 80% dealers are already tapped by us and the orders are being repeated by them as well. I would like to say that we are majorly catering to all the dealers and we are growing the dealers as well and the dealers are going with us as well. It's the kind of story that is building up as we expand our capacities.

Dhruv Singla: To add there, yes, when we grow ourselves, going forward, if you look for penetration more into the southern market, there would be certain dealers that we will be onboarding if we are able to open the shop in the southern part of India. At that time, we will be adding more dealers. But going forward, when we are adding technologies like DFT and more value-added products, certainly more dealers will get on board with us if we are able to supply higher number of SKUs with the same network that we are already doing.

Piyush Mehta: There are more players like APL Apollo expanding in Raipur plus GPIL coming in, there are other local competitors, and with you yourself expanding, just wanted to sense in terms of the demand that is there, if, say, there is a 10 lakh per month of demand that is happening, what is your sense in terms of the demand-supply gap? Is it that the more we produce, it will be easily consumed? What is the current demand? In terms of imports also, is anything happening on that front or largely this is whole domestic consumption and domestic demand-supply only?

Pranav Singla: From what we see and what we read, it's around a million tonne of demand every month that we cater to. And out of that, the market is growing at a rate of 10%, which was previously mentioned by CARE, and recently only there was a report mentioned by CARE which increased the demand from 10% to 12%. What we foresee, it's much more than that of 15%. That's the kind of demand the rate at which the demand is growing every year.

Piyush Mehta: Is the industry capacity matching this or there'll always be a shortfall?

Pranav Singla: There is always a shortfall right now. That's the major reason players like us can easily triple up. As we have mentioned to gain a capacity of a million tonne by FY25, these are the major drivers that encourage us to increase capacities and expand in all geographies.

Piyush Mehta: You had mentioned something about the hedging of some piece of our business. I wanted to know the costs associated with that.

Pranav Singla: No, we are not hedging any part of our business. I think there is some confusion in that.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analytics. Please go ahead.

Garvit Goyal: First question is on the EBITDA per tonne. Continuing with the earlier participant only, I want to understand what exactly drives your EBITDA per tonne. If I compare H1 FY24 with full year FY23, steel prices are down by 5%. But at the same time, our value-added proportion has increased to 37% - 38%. My point is, why our average EBITDA per tonne for H1 is down by 14% as compared to FY23 while you people were guiding for Rs. 5,300 to Rs. 5,400 kind of EBITDA per tonne? And to the earlier participant, you also mentioned in FY23, there were some inventory gains. If you were aware of those inventory gains, then why you guided for this Rs. 5,300 to Rs. 5,500 kind of EBITDA per tonne for FY24?

Pranav Singla: Let me just clear your doubts. First of all, if you talk about our VAP products, last year we did a volume of around 40,000 tonnes in Quarter 2 FY23. And this year we have done a volume of around 82,000 tonnes in Quarter 2 FY24. And if you talk about the VAP products this quarter, it is around a ratio of 38% totaling to a quantity of 28,200 metric tons. And if you talk about the quantity of last year, that's around 24,000. Although the VAP production has increased, but the percentage of VAP was a little higher last year. That's why the margin is a little higher as compared. As the Company is growing in a phased manner, we have to increase our black pipe capacity simultaneously every quarter. And as per that, the galvanizing that is being set up as well and along with that DFT is coming up as well. So, a major portion of the EBITDA per tonne was driven by the gain in inventory and along with that there was another reason to explain is 50% share of VAP which was in Quarter 2 last year, which has come to 40% this quarter and quantity-wise it has increased by 4,000 tonnes. These are the explanations which played out the math for the EBITDA per tonne. And also if we talk about the average realization in Quarter 2 last year, it was close to Rs. 70,000, but it has dipped significantly by 10% to Rs. 62,000 in this quarter. That's the kind of realization that has fallen down as well.

Garvit Goyal: That thing I agree, but what kind of sustainable EBITDA per tonne now from here going forward?

Pranav Singla: As we have mentioned that we have industry leading EBITDA per tonne already in the previous quarter as well and going forward as well, we think we should be in line to be in the industry leading EBITDA margin. It will be safe to say that this year we should be working at EBITDA margins of around Rs. 5,000 range.

Garvit Goyal: In H1, it is approximately Rs. 4,600 and you are saying on a full-year basis, it will be Rs. 5,000. That means you must have to cross Rs. 5,000 mark in H2, right?

Dhruv Singla: Yes, you are correct. We are guiding for those numbers like we previously guided. All these guidances are on the basis of our previous performance and the market pricing thereon. You need to understand we are only converters of steel. We are not manufacturers of steel. It's a semi-engineering industry which supplies material to further engineering industries for further processes. We have a fixed amount of conversion that is available, which slightly dips when the market is not performing well and slightly improves when the market is performing well in terms of demand and supply. We have to live with all those things and the guidances that we provide are between EBITDA of a value-added kitty of about 45% to 50%. Then, the guidance is around Rs. 4,800 to Rs. 5,300 of EBITDA per tonne. These are guiding numbers. We always strive to give better numbers, but we also have to live with the market and see where the market is taking us. All the practices that we do are based to achieve the higher part of it. But yes, then again, if the market performance is a little stringent, then we have to live with it.

Garvit Goyal: On the industry level, how do you see demand outlook for the second half? Is there any fear of slowdown expected in terms of execution due to elections getting announced in different states, due to the restrictions imposed by the Election Commission on public spending? Is there any fear?

Dhruv Singla: We don't really see any demand slowdown right now in the second phase as well. We, on the contrary, believe that the demand is going to pick up because historically speaking, the first two quarters of our ERW pipe industry are always slower than the second two quarters. Reason being the new tenders have to be floated. The new projects have to be done in the first quarter. They take a little bit of time. Then the monsoon hits. No work can be done at that particular point of time. Right now, the festive season is arriving. We anticipate that the third and the fourth quarters are going to be better and we are really able to achieve our next H2 with all-time high levels and achieve our volume expansion as guided earlier between 3.2 lakh tonnes to 3.5 lakh tonnes.

Garvit Goyal: To the previous participant, you mentioned in H2, volumes will be higher by 30% as compared to H1. Going by that, I think you should do somewhere around 3,70,000 kind of volume for the year, right?

Dhruv Singla: Again, those are guided numbers. We mentioned that 30% will be increased for the entire year, not from the H1 numbers, from the entire year. Last year we did about 2,40,000 tonnes of material in volume and this year with a year-on-year growth of about 30% to 35%, we are anticipating between 320 to 350. I will clarify this again that 330 to 350 is the number that we are targeting. Of course, we will be trying to achieve a higher number if possible.

Moderator: We have the next question from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: Congrats to the team for a good growth in the sales volume. A couple of questions. One is on the VAP share. There is a drop in the VAP share. Is it due to any market creation efforts from our side which we have to do to increase this VAP share in the coming quarters or it will naturally increase as we install the DFT or some seasonality factor is also there in this quarter because of that the VAP share has come down?

Pranav Singla: To answer your query, basically, this quarter, there is a shortage of 2,000 tonnes of VAP share as compared to the first quarter. And this small dip has come because the orders that we had in this quarter were particularly of smaller sizes. Although they command a better margin – the smaller sizes – but as you know, they are light in weight; the metric ton volume is not fetched from that particular segment. For that reason, although the EBITDA margins were stable in the first quarter even after having a dip in percentage-wise of VAP share, going forward, as I mentioned before as well that we will be bringing in DFT by the end of third quarter or beginning of fourth quarter, we should be all set to increase the VAP share, as mentioned, to 40% by year-end and further down to increase it by 50% by FY25 end.

Aditya Welekar: And second part is, there is some slight increase in the short-term borrowings. If we compare with the fiscal '23, short-term borrowings have slightly gone up. I guess is this due to the working capital debt because of the higher sales volume which we did or is there anything else here?

Pranav Singla: Yes, it's totally in line with the increase in working capital leverage. So, there's a slight increase and it's just increase in the working capital. Otherwise, there's no long-term debt the Company has increased or has to increase.

Aditya Welekar: One last thing. Pranav, anything on the long-term growth outlook which you guys are thinking from 1 million tonne to 2 million tonne post our 1 million tonne expansion? Any initial thoughts you have?

Pranav Singla: We are in pipeline and the management is constantly making endeavors every day to play out the plan. There should be a formal announcement sooner or later. But we shall keep you updated with the same as and when it arises. It's a very organic growth that we are planning to do. As you know that we have ample land bank in Mangaon; we have 110 plus acres of land bank, out of which only 15% to 20% is covered right now. So, ample land bank of expansion in Mangaon itself. Along with that, in Raipur as well, we have 35 acres of land bank, out of which only 50% is covered right now. So, we have a lot of scope for expansion in the area already we have. It should be an organic expansion which should be happening, but everybody shall be benefitting from the expansion as the management takes a decision closer to the date.

Aditya Welekar: From a demand perspective, you don't foresee any gap, right? I think you said previously in the call that demand is exceeding supply. If we look from that perspective, there is no concern. Our only concern is we have to ramp up the capacities, right?

Dhruv Singla: Yes, we have to ramp up the capacities organically. We don't see any lag in demand going forward. We have seen that there have been new usages of the ERW pipes, direct replacement of wood, new areas of usages coming each and every day. All these usages and end products of

ERW steel make it a more volatile usage product similar to wood being used earlier but without the drawback of disposable at the end of its life. All these things make us very bullish on the demand of steel, especially in India where a lot of work still has to be done. And by the initiative of the honorable Prime Minister, we have to become a developed economy by the end of 2047. All these initiatives will only be available by the building materials, by infrastructure, which we are directly related to and would obviously entail that a higher demand of steel needs to come up. We are only a very small chain of blocks in the entire set of things when talking about the ERW segment. We see expansions happening all over from iron ore to HR coil expansions from each of the leading companies. All these expansions are based out of the growth story of India alone.

Moderator: The next question is from the line of Bhavin Pande from Athena Research. Please go ahead.

Bhavin Pande: Pranav, I know you shed some light on the EBITDA per tonne being stable QonQ, but I am still confused about why our growth in revenue is close to 37% as compared to 50 odd percentage growth in volume even if we attribute around 7% to 8% decline in revenue per tonne. If you could just throw some light around it?

Dhruv Singla: The growth in volumes and revenue are directly related to the realization per tonne. In H1 last year, our realization per tonne was about Rs. 71,000. In the H1 of current year, it's Rs. 63,300. That is the reason even after growth in volumes, the revenue has not fared in the same manner as the 56% volume growth. As I said earlier, we are only converters of steel. We have to live with the prices that are present in the market at a particular point of time.

Pranav Singla: The relevance should be seen in the numbers of profit and the EBITDA that has been added compared to the numbers of volume that we have done. I would say that would be the correct measure to see the growth because in our business, the realizations totally depend on HRC prices. If they go up and down, it should not really matter. The top line should not matter. The margin profile that we keep, that's something that we have been maintaining and we intend to maintain as well in a highly volatile market. That's the kind of business that we are working at. We really don't see what realization is going up and down.

Bhavin Pande: Yes, obviously, EBITDA margin and profits have shown an uptick. Secondly, are we looking towards working on cost initiatives where there is some variable which is in control and we are sort of immune to HRC prices moving up and down? Are we working on some cost saving initiatives or some advancement that we are doing?

Dhruv Singla: There is no fundamental of saving losses from the fluctuation of HR coils. The benefit of being a processor is that when the prices are going up, we are able to add on capacity of stocking and take certain advantages for production at that particular point of time. And at the same time, when the prices are going down, we are able to make ourselves leaner and become more cost effective. That is again seen in our inventory days being going down from 45 days to 28 days in H1 this year and working capital days going down to 57 days. These things are available as a processor of steel to us. But there is no fundamental in hedging of HR coil prices that is available to us at this particular point of time. We can only hedge ourselves by stocking up or destocking ourselves.

Bhavin Pande: That's pretty clear. But I was wondering if there is anything that we are doing to enhance efficiency of our production or sort of bringing employee cost down.

Dhruv Singla: Yes, we are always enhancing ourselves to increase productivity in our plants by bringing in greener processes in the plant and debottlenecking of production processes, bringing in economies of scale. We are also having processes of lean manufacturing being implemented. We are introducing DFT in the near future to decrease the time of roll change. All these things are now introduced so that we are able to better utilize the machinery and have better productivity in that sense.

Bhavin Pande: Just one your perspective on market share and if there is any incentive which we would be getting out of the expansion in Raipur. Along with it, the breakup of CAPEX that has been done and whatever is due.

Pranav Singla: If we talk about the market share, we hold around 8% to 9% market share in the industry right now. And after the onset of our Raipur and our Mangaon plant at which we are adding 2 lakh tonnes of capacity each, we should have a market share close to 18% to 19%. It should be a double up in the market share we have. That's the kind of growth that we are targeting right now.

Bhavin Pande: And how has the market share moved as compared to previous time?

Pranav Singla: From a market share of around 3% what we had in 2019, we have gained momentum and reached 9%. So, 3x already in four years. So, we should anticipate similar growth in the coming future as well.

Bhavin Pande: Is there any incentive that we are getting for putting up the facility in Raipur? Because, APL had recently announced the same thing.

Pranav Singla: We are in talks, but it will be very wrong for me to say anything conclusive right now. Any incentive that would be granted to the Company shall be announced publicly, online as well.

Bhavin Pande: A brief breakup on CAPEX that has been spent and whatever is due?

Pranav Singla: We have announced the CAPEX in which around Rs. 350 crores of CAPEX is being done in which 2 lakh tonnes of DFT and along with that 2 lakh tonnes of traditional machinery that we already have right now, the 6 inches would be implemented. And out of that, around Rs. 70 crores has been already put this year and the rest amount will be put in a phased manner in the coming year and the next year as well.

Moderator: We have the next question from the line of Yash Sonthaliya from Buoyant Capital. Please go ahead.

Yash Sonthaliya: The DFT plant we are coming up with, you said the capacity utilization will be higher. Can we quantify that number?

Pranav Singla: The capacity utilization that we are right now working at is around 63% if you talk about the year ending, previous year. And if you talk about the capacity utilization in DFT, in DFT the roll change is very less. So, the utilization in DFT because you don't have right now from what we read and what we anticipate, the average utilization on DFT is around 75% to 80%. As we go down and after we onset the DFT, our average realization should bump up by 7% to around 70% mark. That's the face figure for us to give you right now.

Moderator: We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, in your presentation, you did mention about our pipes also going through the Jal Jeevan Mission. If you could give further backup, what percentage of our sales are skewed towards the government projects?

Pranav Singla: Out of the total production that we have, around 24% was towards the government projects including Jal Jeevan Mission as well.

Saket Kapoor: And these are all through the EPC contractor? We are supplying to the EPC players?

Dhruv Singla: These supplies are directly to the government. EPC players we do not count them into government supply; we count them into OEMs and EPC players separately.

Pranav Singla: Basically, there are four modes of sales which we broadly classify our sales into, namely the dealer network, government sector, EPC players, and exports. As I mentioned to you, the entire kitty, around 24%, would be towards the government sector.

Saket Kapoor: Sir, on the order booking front, if you could throw some more light what percentage of your sales that are going to be executed for H2 will be skewed towards the Jal Jeevan Mission project?

Pranav Singla: As I mentioned, we aim to maintain the same particular percentage of government proportionate. We don't want to increase our product share towards the government anymore because it's only our Dera Bassi plant which is catering to the government, the plant in Punjab. All others are catering to EPC players and the export market as well. We have structured in such a way that only one plant would be supplying to the government and which is already happening.

Saket Kapoor: We are also not putting out any further capacity at the Punjab unit?

Pranav Singla: Particularly in the Dera Bassi unit, we are not doing any capacity addition for now. And we don't have any land bank over there. So, the major CAPEX which is happening in Mangaon and Raipur which is more cost effective for us as well and along with that better for our exports as well.

Saket Kapoor: When we look at the ERW segment, it generally works out to be a more commoditized part as you mentioned yourself that we are a pure converter. Now with the DFT technology coming into play, what kind of incremental EBITDA can we look for going ahead in the times to come? And from the DFT, what portion of the total 6 lakh capacity would be attributable? I think 2 lakhs you mentioned. Is that correct?

Dhruv Singla: We have already placed 6 lakh tonnes of capacity. Going from 6 lakh tonnes of capacity to 10 lakh tonnes of capacity, we are adding 2 lakh tonnes of DFT technology. DFT technology is essentially a value-added product from its inception. That will help us to achieve our target of 50% of value-added products from the entire kitty of products that we serve to the entire market. There will be an incremental increase in EBITDA per tonne, but our guideline for EBITDA per tonne will remain similar from Rs. 5,800 per tonne to Rs. 5,300 per tonne at the current situation. We have to look at the expansion in the DFT segment and also the utilization of DFT at various places to come back to you with a better number as and when it is implemented. With the current situation, it will be improving with the increase in value-added products, but yes, remaining in the bandwidth of Rs. 5,300 to Rs. 5,400.

Saket Kapoor: As of now with the commissioning of the new facility – I think at Mangaon – with 6 lakh capacity, what proportion is towards the DFT technology?

Dhruv Singla: Right now, we don't have any DFT technology. We are bringing in the DFT technology now and will be operational from the next financial year.

Saket Kapoor: Then, the incremental CAPEX that we are envisaging now, when it culminates, then only it will start contributing?

Dhruv Singla: Yes, absolutely.

Saket Kapoor: Sir, out of this, the CAPEX I think so outlined is Rs. 320 crores for this ramp up from 6 lakhs to 1 million?

Dhruv Singla: Yes, about Rs. 320 crores.

Saket Kapoor: Out of that, Rs. 70 crores has been infused through the promoter contribution, Rs. 250 crores is pending?

Dhruv Singla: Yes, close to Rs. 70 crores has been in the pipeline in the current year.

Saket Kapoor: This year, we have commercialized fresh 2 lakh capacity out of which I think that 186 has been commissioned and 14 is pending. What has been the contribution from the new 1,86,000 tonnes for H1 as a whole?

Dhruv Singla: We have been able to increase our volume by 56%.

Saket Kapoor: The major contribution has been from this 1,86,000 new facility only?

Pranav Singla: It's a very phase-wise expansion that has happened and the production flows in from all four plants. All the four plants are being utilized literally and to their max capacity till what we can utilize them. And you can see the numbers as well, it's around 55% growth year on year. That's totally in line with the capacity expansion that we have done.

Saket Kapoor: But as you mentioned very correctly that for our segment of ERW, the capacity utilization level is a misnomer if we take and it is the EBITDA per tonne that is more correct because if we take our capacity utilization levels, what is currently our capacity utilization levels with the nameplate that reflects for the first half?

Pranav Singla: It's around 60%. 60% would be the ideal utilization for our Company right now.

Saket Kapoor: And what should we be closing with H2? How will this shape up for H2?

Pranav Singla: Close to 65% is what we can aim to reach at for the full year net.

Saket Kapoor: Sir, a very short point is that when we are operating in the 62% to 65% band, we are putting up further facilities with further CAPEX. How does that math work? It is only for this DFT to come into play that is the sole reason? Otherwise, do we have sufficient capacity to cater from the existing facilities?

Pranav Singla: I'll explain to you about this. In our industry, in our ERW segment, if I have one machinery, the same machinery would be running a size of half inches and the same machinery would be running a size of 3 inches. To cater to the demand of every customer, dealer, state governments, anyone in the sector, every customer has a demand of kitty of products. And to serve that, I can't be running one particular size throughout the year. If I run one size throughout the year, I can probably exceed the capacity utilization of 100% as well, but it's not how we are structured. If we are making half inches pipe which is lighter in weight but is fetching me more EBITDA per tonne, I will be making that as well. And to serve the same customer with a 3 inches pipe, which would be the same demand in his order, I have to make that product as well which although demands a lower EBITDA per tonne but has to be served because I aim to be a one-stop solution for every size. That's why I'm creating a size range further down as well. In DFT what happens is the roll change time from half inches to 3 inches and also in bigger sizes because DFT would cater to bigger sizes; the roll change time in DFT is much less than what we've already seen in our existing machineries. That's the reason the bump in capacity utilization would happen.

Moderator: The next question is from the line of Yash from Stallion Asset. Please go ahead.

Yash: Sir, I have two questions. First, on the value-added product. I just wanted to understand the kind of SKUs that you have over there. If I compare with the market leaders, one of the SKUs that they have is a color-coated structural steel tube. Do you also have some of the SKUs like those kind of the products that the market leader has? That's my first question. And second question would be, what would be your freight cost per tonne on average this quarter?

Pranav Singla: In our kitty of VAP, the major two products that we cater are the galvanized pipe and solar structures. These are the two major products that we cater in our VAP kitty. We also have a product of road crash barriers in our VAP, but we are not actively doing that. So, I would rather not count it in our VAP products.

Dhruv Singla: For the freight costs, the majority of our products that we sell are ex-works basis. So, essentially the outward freight cost if compounded altogether will not be more than Rs. 300 to Rs. 400 per tonne because since we are located in four locations in 3 states – Punjab, Chhattisgarh, and Maharashtra – we are supplying majorly to the localities that are close to us but since we are also supplying pan-India, majority of the material that goes to the longer distances are all on ex-works basis. So, we don't have any freight cost in our net realization that we have mentioned.

Moderator: The next question is from the line of Raj from Arjav Partners. Please go ahead.

Raj: Your sales per tonne for half year 1 FY24 till now is Rs. 63,722. Right? So do we expect the sales per ton to remain in same range for FY24?

Pranav Singla: Raj, to answer your question, the revenue per tonne right now, to be exact, is Rs. 63,316. Going down further line, we anticipate some price increase happening in the beginning of this month and if that shall continue in the near future H2, it shall be going up. It's very hard for us to comment on this right now whether the realization should be going up or not. Seeing the trend, it should go a little higher because the festive season is coming, but it's very hard to give you an exact number at what shall we be closing at?

Raj: Regarding your expansion of 4 lakh tonnes, it would come on stream by FY25?

Pranav Singla: Everything shall be set up by the end of FY25 including 2 lakh tonnes that would be set up this year itself and 2 lakh tonnes that would be set up next year. That's how we have structured it.

Raj: The first sale will start from FY25, right?

Pranav Singla: For the next 2 lakh tonnes, the sales shall start in FY25 first quarter itself and the next 2 lakh tonnes which would be implemented by FY25 end, the same shall be starting next year in the first quarter.

Raj: In the expanded part, sales per tonne and EBITDA per tonne, both will be comparatively higher. Right?

Pranav Singla: The revenue per tonne, again, would be a very hard mark for me to comment on right now because it's totally dependent on HRC prices how they fluctuate and go down in the coming two years. But seeing the trend, they should be rising and EBITDA per tonne should be increasing as the share of VAP is increasing as well.

Moderator: Ladies and gentlemen, due to time constraints, we will now move to the closing. I would now like to hand the conference over to the management for closing remarks. Over to you, sir.

Pranav Singla: Thanks everybody for taking out your time for this call. As we stand on the threshold of yet another promising year, I would like to express my sincere appreciation to all our shareholders, employees, customers, and partners. Your trust and dedication have been instrumental in our journey thus far, and we are excited to embark on the road ahead together. Thank you everybody. Thanks for the call.

Moderator: On behalf of Nuvama Wealth Management, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.