



**RGWL/23-24/**

**27<sup>th</sup> April, 2023**

<b>To</b> <b>BSE Limited</b> <b>Phiroze Jeejeebhoy Towers</b> <b>Dalal Street</b> <b>Mumbai 400001</b> <b>Scip Code – 517522</b>	<b>To</b> <b>National Stock Exchange of India Limited</b> <b>‘Exchange Plaza’, C-1, Block G,</b> <b>Bandra Kurla Complex,</b> <b>Bandra (E), Mumbai – 400 051</b> <b>Symbol - RAJRATAN</b>
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**Subject – Transcript of the earnings conference call for the quarter and financial year ended 31<sup>st</sup> March, 2023**

Dear Sirs,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter and financial year ended on 31<sup>st</sup> March, 2023 conducted after the meeting of Board of Directors held on 21<sup>st</sup> April, 2023, for your information and records

Kindly take the same on your records.

Thanking You,  
Yours Faithfully

**For Rajratan Global Wire Limited**

**Shubham Jain**  
**Company Secretary & Compliance Officer**



**“Rajratan Global Wire Limited  
Q4 FY 23 Earnings Conference Call”**

**April 21, 2023**



**MANAGEMENT: MR. SUNIL CHORDIA – CHAIRMAN AND MANAGING  
DIRECTOR – RAJRATAN GLOBAL WIRE LIMITED  
MR. YASHOVARDHAN CHORDIA – EXECUTIVE DIRECTOR –  
RAJRATAN GLOBAL WIRE LIMITED  
MR. HITESH JAIN – CHIEF FINANCIAL OFFICER – RAJRATAN  
GLOBAL WIRE LIMITED  
MR. PRANAY JAIN – CHIEF FINANCIAL OFFICER –  
THAILAND, RAJRATAN GLOBAL WIRE LIMITED**

**MODERATOR: MR. SAILESH RAJA – BATLIVALA & KARANI SECURITIES  
INDIA PRIVATE LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to the Rajratan Global Wire Limited Q4, FY'23 Earnings Conference Call hosted by Batlivala & Karani Securities India Pvt Ltd. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sailesh Raja from Batlivala & Karani Securities Private Limited. Thank you and over to you, sir.

**Sailesh Raja:** Thank you, Tanvi. Good evening all and thank you for joining us for Rajratan Global Wire Limited Fourth Quarter of FY'23 Earnings Conference Call. From the management side, today we'll be hearing from Mr. Sunil Chordia, Chairman and Managing Director, Mr. Yashovardhan, Executive Director of the company and Mr. Pranay Jain, CFO, Rajratan Thailand and Mr. Hitesh Jain, CFO from Rajratan India. I would now like to turn the call to Chairman sir for the opening remarks followed by Q&A. Sunil sir, over to you.

**Sunil Chordia:** Yes, thank you, Sailesh and thank you all the investors for participating in this conference call. I am happy to be talking to you all again today after, our board meeting where we have declared a performance of last year. Unfortunately, this year has not been a big growth for Rajratan and more particularly for our Thailand business. The India business has grown in volume by about 8%. So volume in India, sales have from 55,000 tons is close to 60,000 tons. So we are satisfied with that.

Thailand business could not grow, rather there was a de-growth in tonnage from 35,000 tons last year. We have been able to do around 30,000 tons. The obvious reasons for poor performance of Thailand was the well-known problem of, Ukraine-Russia war, which reduced the exports to Europe and also to America because of the recession in America. The tyre companies which are producing tyres in Thailand were not operating at full efficiency. They were operating at 50-60% efficiency level, so their demand was low.

Our direct sales of bead wire to America, which was very robust before last year. So in last year, we couldn't do much of sales to American market of wire. Also the Europe demand was muted, so there was very little export of bead wire to Europe. So these were the reasons for lower performance in Thailand. We, of course, have some learning from this last year, okay, because we were very motivated and we were, before last year's performance, where company was not able to supply to customers and fulfill the requirement and demand. But we have recently in last two quarters, we have seen China coming back in the business.

So there is one Chinese company which has also started supplies to Thailand market. And somehow we decided that not to drop the prices, okay, so volume suffered. But taking a learning from there, this year our strategy will be to use the capacity. It is not wise to not use the capacity and focus only on the price. So this year we have decided to go full blast wherever we are getting contribution, we will continue producing and selling to capture the bigger market share.

India I'm hopeful of growth this year also. We are projecting a growth of around 15% in India. From current year of close to 60,000, we are talking of 70,000 tons total production in FY'24. In Thailand, our strategy is to use the enhanced capacity of production, which has now become 60,000 tons and we plan to do minimum 40,000 tons in Thailand. So from the current last year's 30,000 tons, we will minimum do 40,000 tons, even if it requires compromising on the price.

But we will make up in the bottom line by lower cost of production at high productivity level, continuous production. And that is what we want to do. And I'm optimistic for the next year. I'm also satisfied with the last year's performance because there was a turmoil in the global market. Okay. So if you compare our performance with the competitors globally, I keep doing that regularly. I'm satisfied with the performance of Rajratan.

So I'm here to answer your questions. My team is here. Yashovardhan is also on the call. He'll answer the specific questions about Thailand. Our CFOs are here. If you have any questions on the financials or balance sheet, they'll be able to answer. Thank you.

**Moderator:** The first question is from the line of CA Garvit Goyal, NVest Research. Please go ahead.

**CA Garvit Goyal:** Hello, good evening. Am I audible?

**Sunil Chordia:** Yes. Garvit.

**CA Garvit Goyal:** So you mentioned some complications coming from the Chinese companies and this severe complication is basically leading to fall in the market. This quarter margins are basically below or almost equal to those who are in pre-COVID levels. So how do you see the change in the business economics of the company near to medium-term? And how do you see the margins shaping up from here with the entry of these Chinese players? And you are talking about the price, those are going forward.

**Sunil Chordia:** Yes. So as I told you, our learning from last year's performance is that, some of the customers asked for lower price and we didn't agree and we lost that counter or we lost those volumes. Okay. So the overall profitability in the company comes from not only price, it also comes from volume and bead wire is a product where if we run the factory continuously, the cost of production goes down.

So we will strike a balance between these two. And of course, our selling price will have to become more competitive to get a larger market share. But there will also be a saving in the cost of production. So we will balance between this two and longer run, it is advisable to continue with the market share. So that is going to be cover.

**CA Garvit Goyal:** What is your EBITDA margin guidance for FY'22?

**Sunil Chordia:** In Thailand, we will be able to do around 14%, 15%.

**CA Garvit Goyal:** And in India?

- Sunil Chordia:** In India, it will be above 18%. That is, we have this year also been able to do and I don't see that competition in India. We are busy in India. We have operated the plant at a good operating level.
- CA Garvit Goyal:** So how do you see this competition coming in? Like, is it a temporary one or is it going to affect the long-term structural changes in the industry...
- Sunil Chordia:** No, I don't see it is going to make a big change in long-term, because in 25 years of this product, I have seen China coming and going back. Okay. Many times. So we are not sure, what happened in China, they were closed because of COVID. They opened up, their government also pushed them to, revive the economy. So they again become aggressive.
- How long that will continue? There is the Indian and the Chinese economy is also opening up. So they will have their own consumption. So but I'm not sure how long this will continue. But even at that price, we are profitable. So of course, the percentage of profit will reduce, but volume should make for it.
- CA Garvit Goyal:** So what is your earnings growth guidance for FY'24? Overall earnings growth guidance?
- Sunil Chordia:** Overall earnings growth guidance remains the same ballpark number of 18% EBITDA consolidated.
- CA Garvit Goyal:** No, I'm asking for the bottom line aspect like we did around 102 CRO fact. So how do you see this growing up in FY'24?
- Sunil Chordia:** No, we are talking of, 15% to 20% growth in business and EBITDA margin of 18%. I think you can do the calculation.
- CA Garvit Goyal:** Overall EBITDA margin will still remain 18%?
- Sunil Chordia:** Yes.
- CA Garvit Goyal:** Okay, right. And so we started supplying Michelin. Currently, they are having their plant in India for truck and bus tyres. And they are also considering passenger car tyres manufacturing in India, in Chennai particularly. So how do we look at this as an opportunity for us? Any development or any update that you wish to share...
- Sunil Chordia:** We are the only supplier to Michelin in India. Last quarter, we got approval and we are supplying 100% of Michelin's requirement. So any increased requirements for passenger tyre will be supplied by Rajratan only. But, this kind of news is more about tyre products and all that. That it is not multiplying the demand, it is going to be percentage incremental demand from those customers.
- CA Garvit Goyal:** Okay, understood. That is it from my side. Okay. Thank you.
- Sunil Chordia:** Okay.

- Moderator:** Thank you. The next question is from the line of Amey Mittal from Nvest Research. Please go ahead.
- Amey Mittal:** Hello, am I audible, sir?
- Sunil Chordia:** Yes, Amey.
- Amey Mittal:** Yes. Sir, can you give some flavor on the recent conversations that you told in an interview that you had with your customers, prospective customers? And what is the feel that you are getting in terms of demand, outlook and stuff?
- Sunil Chordia:** You know, recently I attended two ATMA conference, Automotive Tyre Manufacturer Association. In one of the conference, I was a speaker on availability of bead wire and because they also want to ensure availability of raw material. So the interaction and the presentations made in those conferences were very optimistic, very bullish. They are talking of the Indian tyre market to grow to 165,000, sorry, 1,65,000 crores from the current level of 65,000 crores. So what it is 65,000 crores in FY'23 will grow to 1,65,000 crores in 2030.
- That is the minimum they are saying. And they are all aligning their production capacity, keeping in mind that. We also see a very strong demand in quarter 4, in tyre and our interactions with customers is positive. They are also anticipating bigger, doubling the export of tyres from India. So we are going by what our customers are saying.
- Amey Mittal:** Okay. And sir, you also spoke about the increased intensive competition from China, which has come up. And you have also articulated that range of measures that you are taking, including, I think, going for volume rather than the particular rate at which the customers are asking for. So you are saying that this rate would continue for a near term or a midterm level, or do you think that this might change? This competition that you are speaking of?
- Sunil Chordia:** It is always difficult to predict Chinese behavior. So it is equally difficult today also to predict how long they will try and sell. But they have not been able to take market share from premium customers. Where the prices are better. I am talking about losing volume in certain counters in Thailand, which are Chinese companies who were buying from us before last year, but last year they didn't buy. They bought from Chinese suppliers.
- So there is a learning. We would like to start supplying to them also to fill up our capacity. It is not wise. And that capacity is also contributing something. It is not a loss making. We are not losing anything. So that is the conscious decision we have taken.
- Amey Mittal:** Okay. And what about this, your effort on finding new customers at other geographies? For example, you are speaking about looking for customers in Europe and stuff. Well, I understand that there are some problematic times that we are facing in Europe, but are we proceeding ahead in terms of de-risking our exports, focusing only on a specific geography?
- Sunil Chordia:** Yes. So, you know, Yashovardhan will talk in little detail about a specific customer, but I can say very encouraging response from customer. Yashovardhan, can you elaborate?

**Yashovardhan Chordia:** Yes, I'll do that. So just a small clarification I wanted to make on the Chinese competition. It's not something which has happened suddenly. The supplier has been there since multiple years. So there's not that any new supplier has come in and there is something of a surprise right now. I think it's more of a demand supply situation. The demand in the last two, three quarters internationally has been very bad. And specifically, Chinese big-wire companies also face issues of lockdowns and their domestic economy not running well.

So definitely, we are seeing a pickup in first quarter in Thailand and things should be much better from now on in the Thailand market. Regarding the new prospective customers, as we mentioned in the couple of previous calls, we are doing extensive work in reaching out to global customers. And let me tell you that the results are really encouraging. It is slightly beyond what we had expected in terms of how things are developing with multinational companies. We are in discussion with the Michelin Europe for global supply. We are in discussion with Bridgestone, Continental and Goodyear.

And at all these three places, we are under approval. So it has moved to the next step. Plus, we had not expected the Korean Tyre Industry being open for us, but we are at a much advanced stage of approval with three, four Korean Tyre companies. So all of this is definitely encouraging. This is giving us more plants or in South East Asian region for immediate supply. And for long term, which is maybe next year, we will see a lot of volumes going to Europe and America. So the development with new customers is quite good. But it is not...

**Sunil Chordia:** We have also started a marketing office in Europe for last three months and as you know, the bid-buyer approval process is long. So it will take about a year to start volumes to Europe.

**Yashovardhan Chordia:** So what I was saying is we have not taken any incremental volume increase of new prospects within this year. Conservatively, we have kept it for futuristic fates. We consider it in the next year's business plan.

**Amey Mittal:** And any idea like who would be supplying to them, say for in Europe, it would be China isn't it? Competitors?

**Yashovardhan Chordia:** Yes. So we have had detailed discussions. Last six months discussions were more strategic, more long term, more to understand, like customers wanted to understand our capability. So the recent line that we have installed in Thailand, most of the MNC companies have already visited. And I am happy to share with you that they find it really impressive. And they are looking at Rajratan as one of the only bid-buyer companies who is investing into new technology at the moment, right now, because globally there is not much investment happening in bid-buyers. All companies are strategically talking of de-risking themselves from China. So dominantly China was supplying to multiple locations in the world. And now many companies are looking at India and specifically Southeast Asian countries as an alternate location.

**Amey Mittal:** Okay. And one last question. So what about that new plan coming up in Chennai? I know that when we spoke about all this expansion, one of the drivers for that is your customers who are

asking you to increase your capacity, isn't it? So how are you looking at this facility shaping up and contributing to the MNC?

**Sunil Chordia:** Yes. So when I'm saying this, I'm giving projections for volume this year. We are not considering any volume from Chennai, but we have a definitive plan to start production in second half of this year. So the building is ready, machines have started reaching there. The installation work is on. We are not rushing up to start production because anyway, we have open capacity in Thailand, which has to be filled. We also have some marginal capacity available in India, which can be utilized for customer servicing. And to start with, we have started supplies from that factory, the material which is produced in Indore, but we are supplying from Chennai location so that we get bigger counter share of tyre companies around the Chennai area. Okay. So those things are happening. Yes.

**Amey Mittal:** Okay. Thanks. That's it from me.

**Moderator:** Thank you. The next question is from the line of Sanjay Shah from KSA Securities. Please go ahead.

**Sanjay Shah:** Yes. Thank you for opportunity. So first, Yasoji, congratulations for promoting yourself to executive director. You really deserve it. So you explained very well about what are the opportunities coming to our way, like growing domestic demand by tyre industry by 2025, 2020, 2030. And the other thing is that demand coming from customers who want to deal with themselves from China. It's a very positive what we have been hearing. Is there anything else which we find where we can fill in our Chinese, Chennai capacity as early as possible? And when do you see that? And number two, what are the challenges you see for next two, three years, which we have to take care of?

**Sunil Chordia:** So you know, the China, the Chennai plan has been well thought of. It is a long term plan to have three viable capacities in the world to supply 15% of the global demand. We are in the lowest cost country. So viable, even the discussions with the European customers, of course, the business will come after one year, but the price and the indication of price is very profitable. So we are continuing on that. And I have in every call said that we are in a competitive business.

And we are in a difficult product, where approval takes time, where we also have competition. Okay, but we have certain advantages in terms of profitability, in terms of cost of production, because of our location, because of our low cost of capex and because of the innovation, we have been doing for several years. If you have gone through our presentation, which is uploaded on the website and stock exchange site, this year, we have spent a lot of time on adopting digitalization. So the Rajaratan Pitampur Mother Factory is now a digital factory, we are not using registers and papers to collect data.

So all that is saving huge time of supervisors and managers. We have also we are also working very seriously on TPM, which is which we think is the ultimate, system in production manufacturing. So we target to get TPM certification by 25th, okay, 2025. Last week, we have



signed an MOU with the Ceat, they were visiting us, they have again chosen Rajratan to become the partner in their Grand Deming Journey. Okay, we have also signed the agreement with JK tyres, who are also who have decided to go for a Grand Deming Award. So you know, this speaks about our quality. Okay, so that we have the partnerships with the key company for developing better product for becoming their partner for the bead wire supply.

**Sanjay Shah:** Right, right. And so, my question was regarding challenges, what are the threats which we see and we'd like to work on?

**Sunil Chordia:** Sanjayji, the challenge is that there can be a slight delay. I am thinking of some things like last year, it happened. Okay, we got, geopolitical problem, Ukraine war happened, economy of Europe went down, import became less, okay, fuel prices went to sky high, transportation cost across the globe went to you know, five times, a container cost to America was \$25,000 more than the cost of Bead wire we supplied to them. Now, during the same year, it has come down to one fifth again. Okay, so this major changes in the transportation costs, major bottlenecks in the geopolitical situations have hampered our performance also. So with all those challenges, if any such challenge comes, we don't know, okay, which can delay our plan. Otherwise, I don't think a major challenge.

**Sanjay Shah:** Sir, our aspiration to have a 15% global share with all three units, what is our current global share any involved?

**Sunil Chordia:** The current global share is close to 8% today. 8% yes, the global demand is supposed to be 1.2, 1.3 million tons and we have done 90,000 tons.

**Sanjay Shah:** Thank you, sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

**Jinesh Gandhi:** Hi, sir. Just some clarification. For the India business, we have seen volume going up by 20% vis-a-vis previous quarter, that is December quarter. But despite that, margins have corrected by about 130 basis points. So any one-offs there or this is just general cost pressure, which we have seen?

**Sunil Chordia:** No, this is because of the change in the raw material price. Okay. Okay. So, Yes, but if you look at the beta, the delta, which is the cost difference between the wire rod and wire, we have remained the same.

**Jinesh Gandhi:** Yes. Okay. And this should be, I mean, the current cost should be stable going forward?

**Sunil Chordia:** It has further softened in first quarter. And the market outlook going forward is also soft. So now steel companies are not talking very high. They are under pressure now, cost pressures or price pressure, I would say.

- Jinesh Gandhi:** Yes. Okay. And secondly, you talked about not expecting any contribution from Chennai factory in FY'24. So does it mean that we will also not be claiming PLI incentive in FY'24? Would that be right, assessment?
- Sunil Chordia:** Yes, you have said right. I was in Delhi last week. There was a steel conference in which there was one session on PLI on steel products. And we have made a presentation to shift, one year. So production date should be shifted by one year because our agreement and bank guarantees are linked to starting production and claiming PLI in the current year, which we have requested them for obvious reasons to shift from next year. But it will be available within five years. So instead of one, two, three, four, we'll take two, three, four, five.
- Which has been agreed upon by the steel ministry. And even if we make production, even if we make production of five, seven thousand tons, we will not claim PLI this year. PLI has made such rigid agreements that if I'm claiming 14,000 in the first year, I can claim 14 only, not 15, not 13. And the next year growth should be 25% of the previous year. So we have written some data that we will do it this way. So that goes well from next year onwards now.
- Jinesh Gandhi:** Got it. Yes. And lastly, with respect to capex, so this year we had about INR110 crores in India and about INR55 odd crores in Thailand. How do we expect to spread this in FY24 between India and Thailand?
- Sunil Chordia:** Thailand with major capex is not required now. All that has been done. If the market is very buoyant, we have to install few more midrange machine, which may be INR5 crores, INR7 crores maximum capex required. But in Chennai, we will start production with some more capex. So, we are committing a capex of INR160 crores total to start production. And then the remaining will come in the next year.
- Jinesh Gandhi:** So, in the INR160 crores is not for FY'24 for Chennai, but overall...
- Management:** We have out of INR160 we have done. 135 has been done. So maybe another INR30 crores, INR40 crores of investment and will start production.
- Jinesh Gandhi:** Thanks and all the best.
- Moderator:** Thank you. The next question is from the line of Radha Agrawal. Please go ahead.
- Radha Agarwal:** Yes, Hi, sir thank you for the opportunity. So, my first question was with respect to Thailand gross profit. So, the gross profit per ton has fallen on a Q-o-Q basis significantly. So, one, could you explain the reason for this? And by when can you see sequential improvement in this?
- Sunil Chordia:** Yes. So, I told you the reduction is because of lower volume. And we are facing price pressure in Thailand. We have not been able to achieve the required volume. That is the reason. The strategy this year is to continue working on volumes, not to lose the market share. So, you won't see a big jump in the volume, in the margins in Thailand, but you will see a bigger jump

in the volumes, overall business there, which we should be able to maintain the profitability and overall performance will be better.

**Radha Agarwal:** So, the previous price range that we were supposed to take because of pricing steel prices. So normally, we take it with the lab. So, as of now, have you taken all the previous price I think of the India and current business?

**Sunil Chordia:** Yes. But that is a dynamic situation. Currently, the prices have come down. So, there is nothing pending from customer. Rather, we are supposed to now correct the prices.

**Radha Agarwal:** Understood, sir. And sir, on Thailand, this quarter, we were supposed to start supplying incremental capacity, incremental supplies to Bridgestone and Continental. So, I mean, because of lower volumes, can we assume that, that has been delayed to next few quarters?

**Sunil Chordia:** Yes, Yashovardhan should answer that.

**Yashovardhan Chordia:** Yes, I think there is no delay as such. But the overall requirement from these companies have also come down a little bit. So, we have got more allocation from Bridgestone but not from Continental. So, there is a delay for one quarter in that aspect.

**Radha Agarwal:** Understood, sir. And sir, you mentioned that Chinese are selling at competitive prices. So, after that 13% rebate was removed, so that gave us a huge benefit in the Thailand business. But now that China has reopened, so still like more companies are getting their supplies from China. But can you give us, I mean, what kind of price realization per ton they are selling their production in Thailand?

**Yashovardhan Chordia:** See, structurally, to be honest, nothing has changed. The 13% rebate is still not there. So, policy-wise, I'm not seeing anything which can have a bigger impact on us in terms of future terms. Today, I think it's purely a demand supply situation. But because China has opened up and domestic consumption will improve. And expecting prices will improve. Now what prices China is selling at, it's sometimes unimaginable. They are also selling at a price of \$900, \$950 in many locations.

But somewhere, we have to compete somewhere we will also leave because we always aspire to find customers who would give us a better realization. And all the approvals that we are talking of for all the discussion that is happening with multinational companies. They are not the counters who are selling or who are buying at this price. So, only a few Chinese tyre companies buy at a very, very aggressive price. But other places, prices are much better than this.

**Radha Agarwal:** Sir, from current levels, do you expect that they can drop their realization even further, given that, I mean, the sales price, we are expecting softening in steel prices. So, can they drop the prices even further from current levels? And if so yes, then do you think it would be viable for them?

**Yashovardhan Chordia:** No, no. It's not viable at these prices also. And I think the worst is already over. I don't think there is any chance of it going further lower. We are already seeing, as I mentioned in quarter one. Our prices are more competitive than Chinese at some counter. So, we are able to get back the volumes from customers. But I think the priority is to be present in all counters, and we don't want to lose any customers right now. But price-wise, there will be an improvement only. I'm 100% sure things will not go more south now.

**Radha Agarwal:** Understood, sir. And sir, from the guidance perspective, you mentioned that Mr. Chordia mentioned that Thailand will do 14% margins and consolidated basis 18% margin. So, and India business also, we are seeing 18% margin but if Thailand will do 14%, I'm unable to get how on a consolidated basis, we'll still to 18%?

**Sunil Chordia:** No, no India is doing better. India is doing 20%. Volumes are bigger.

**Radha Agarwal:** Understood. And so from the customer perspective, with the incumbent customers, which customers are we expecting an increase in share of business for FY'24 in India as well as Thailand?

**Sunil Chordia:** In India, overall, like I was with Ceat, they are saying that our business plan is 10% higher than last year. And similar is the case with other companies. So, I'm expecting at least 10% increased volume from Indian counters. Apart from that, we have also seen import coming from Vietnam and Malaysia last year to the tune of 20,000 tons, 25,000 tons. So, we are discussing with customers, meeting their requirements and ensuring that, that import is reduced.

So, this will give us additional business what we are thinking of 10,000 tons is not difficult, yes. And for Thailand, we've already spoken that new approvals are happening. We are also, we have taken a conscious decision not to lose the market share even if we have to drop the prices a little bit. Yes.

**Yashovardhan Chordia:** So, most of our yes, in Thailand, most of our prime customers and specifically one of the biggest customers that we have with Sumitomo. July onwards, these tyre companies were operating at almost 40%, 45% of their capacity. July till almost January. February, March onwards, there is a pickup in many counters in Thailand. So, to be honest, almost six months in the last year, these companies were operating at half the volume. Even if that improves this year, it will be a rise, which does not include any new approvals that we are targeting. So, definitely, I think it cannot be such a bad long period for the tyre companies who are operating in Thailand.

**Radha Agarwal:** I understood, sir. Just one last question. So, both in the India and Thailand business, I wanted to understand what is the inventory levels at the distributor level? And also, could you talk about the current capacity utilization of tyre companies in India?

**Sunil Chordia:** Difficult for us. You have to go to tyre companies to ask that question. We can talk about the demand projections from them, not beyond that.

- Radha Agarwal:** Thank you so much for answering my question.
- Moderator:** The next question is from the line of Shikhar Mundra from WeWork Commercial. Please go ahead.
- Shikhar Mundra:** What was the market share in Thailand this quarter? And like what were the overall volume in Thailand?
- Yashovardhan Chordia:** Do you mean the last quarter?
- Shikhar Mundra:** Yes, the last quarter because I believe there must be a dip in the market share in Thailand, right?
- Yashovardhan Chordia:** Yes, there was a dip in market share. I think our market share was, when we compile accurate data of the import of bead wire. I think our market share would come out to be about 16% to 17%. And generally, we do about 24%, 25% market share in Thailand.
- Shikhar Mundra:** So, this dip in market share was due to the one major customer shifting to Chinese players? Or it was...
- Yashovardhan Chordia:** This was because there are five Chinese tyre companies. who buy very huge quantity. So, we lost on a lot of volumes in those countries, which is a big volume. And this was also because of one of our main customers, Sumitomo operating at a lower level. So, these would be prominently two reasons broadly affecting the market share.
- Shikhar Mundra:** Okay. And how are the Chinese realization as of now in the last quarter, I understand like they were around, how much percent below our realizations, the Chinese players?
- Yashovardhan Chordia:** No. It came as a surprise. The same companies were selling, if I give you a broad idea at about 45,000, 46,000 baht. And we were also equally selling at those prices but within the quarter, the prices came down by almost 8,000 baht, 9,000 baht from quarter-on-quarter. So, that was not something which was justified. And but these Chinese companies have some kind of an understanding with the local Chinese company. So, there is also a play there. But that was the change which happened from quarter three to quarter four.
- Shikhar Mundra:** Okay. So don't you see that the risk of these same Chinese players dumping in India also and threatening our market share over here?
- Yashovardhan Chordia:** No. exporting from China to India is not that easy. Thailand has been importing from China since ages. But most of the import today is to Chinese tyre companies. not the Thai tyre companies or Japanese tyre companies. In India, we don't have any tyre companies like that would aggressively buy 100% volumes from China. And logistically, also, it is not as viable as it is for a Chinese company to sell to Thailand.

- Shikhar Mundra:** Right. Perfect. And how soon do you think you can scale up this new facility in India, the 60,000 tons because we already have a 50% market share in India. So, how soon do you think you will be able to scale up this facility?
- Sunil Chordia:** No. I have been telling about three years. It will take three years to achieve full capacity utilization in Chennai.
- Shikhar Mundra:** Okay. And how fast is the market growing in India?
- Sunil Chordia:** I talked about that. They are projecting a 65,000 tons market will go to 165,000 tons in market, INR165,000 crores market by 2030. This is based on the economic growth projection or GDP growth, we are talking of.
- Shikhar Mundra:** And how is the situation in US and Europe looking now because I think a lot of demand was affected last quarter.
- Sunil Chordia:** So look US problem was that the customers were sitting with high cost inventory for a long time because they had bought a lot of material, which lended to them at a very high cost. And it was not only the cost of product, it was cost of logistics also. Both have come down. Now the stocks are depleting, and we have seen some inquiries coming in. I think this year they'll start buying again. Europe, now the war, nobody's talking about war. Nobody's talking about energy crisis. So Europe demand is picking-up. So the tyre companies have started exporting big way. As I told you, our customers are saying that their exports is picking-up. Now also passenger car and truck car, all that, OTR is still under pressure. This is what we hear from our customers.
- Moderator:** Thank you. The next question is from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Yes. Thank you very much for taking my question. Sir, my question relates to Thailand. What is the margin, EBITDA margin was there in Q4 for Thailand?
- Management:** Pranay?
- Pranay Jain:** Yes. So EBITDA margins for quarter 4 was around 8.5% as the quantity was very low, volumes were low, so we could achieve only 8%, 8.5% in quarter 4.
- Sunil Jain:** So we are not talking about gross margin increasing from here and with the volume, we will be able to reach to 14%, 15% margin in the coming year?
- Sunil Chordia:** No, we are not talking of 14%, 15%. We are talking of maximum 14%, which will come from increased volume and improved prices. I think 8.5% or 9% is the worst possible in current scenario.
- Sunil Jain:** And this strategy what you are talking of now changing in Thailand, is that already implemented or you are thinking of it?

- Sunil Chordia:** It is implemented, but we did not get volume because it is implemented late. So quarter 4, in spite of dropping prices, volumes were not available, but we have good order book for quarter 1, much improved volume for quarter 1.
- Sunil Jain:** Okay. So you were talking about around 40,000 volume for current year. So that will be gradual uptick or it can step up because of your change in strategy?
- Sunil Chordia:** No, it will be gradual. So if we break it down to four quarters, I think it is 8,000 tons in quarter 1 we are talking of and then I think 10,000 tons in quarter 2 and 10,000 tons, 12,000 tons subsequently.
- Sunil Jain:** Okay.
- Sunil Chordia:** Yes.
- Sunil Jain:** Is there any restriction on Chinese company to enter into India or it's just because of logistic reason and you need a lot of approval before entering into any particular country?
- Sunil Chordia:** There is a lot of approval required with that, but everybody in India has burnt fingers with Chinese suppliers. Okay. And I don't see there are sentiments to buy from China. Okay. As it is, bead wire is only 3% of tyre cost. So people are not thinking much about it. There are four or five, as I told you already in Thailand, there are four or five big Chinese companies who have a very strong connect with China. So sentiments will always be to buy from China. Okay.
- Sunil Jain:** So anytime in past, these bead wire used to come to India from China or no?
- Sunil Chordia:** Yes, it used to come when there were 13% subsidy given by Chinese government, it used to come to India also.
- Yashovardhan Chordia:** But purely this China situation is more of a demand supply situation. We are in connect with the Chinese tyre companies also and strategically for the long term, they are committed and we have that understanding that they want to source from the local supply. But you know, during this period, tyre companies were also into tremendous pressure when they were operating at 40%, 50%. They also took a lot of desperate measures to reduce cost. So I would term all of the situation as a temporary situation with no permanent damage in the strategy. Maybe last two quarters were bad, but from here on, we definitely see an improvement.
- Sunil Jain:** And last question about the raw material, we are seeing a decline in the raw material prices in the current quarter Q1, or is this stable?
- Sunil Chordia:** Sorry, can you come again?
- Sunil Jain:** Yes, about raw material in India, are we seeing a decline in raw material prices or it's these are stable?
- Sunil Chordia:** No, little correction in the price. I'll take 2% reduction in this month, we have bargained with raw material supplier.

- Sunil Jain:** Oka,. Great. Thank you very much for answering the question.
- Sunil Chordia:** Yes, thank you, Sunil.
- Moderator:** Thank you. The next question is from the line of CA Garvit Goyal from NVest Research. Please go ahead.
- CA Garvit Goyal:** Thanks for the question, hearing. I would just ask, your realization in this quarter was somewhere around 95,000, 96,000. So do you think these levels will sustain going forward?
- Sunil Chordia:** Depends on the raw material price. If raw material is at current level, I think this price will sustain. And if there are corrections in the raw material price, we'll have to pass on the corrections. If there are increases, which has happened in the past. But currently the outlook is that steel prices will remain more or less stable. So we can assume.
- CA Garvit Goyal:** You are saying 95,000, 96,000 levels is nothing to do with what the China is doing, right?
- Sunil Chordia:** Sorry?
- CA Garvit Goyal:** No, I am talking about the overall level.
- Sunil Chordia:** Different, but you know, two companies and two geographies are very different. So I answered about India.
- CA Garvit Goyal:** Okay, and what about Thailand?
- Sunil Chordia:** Thailand, we have talked in detail about Thailand pricing, that we have taken a conscious decision to take a bigger market share, but not at that price. \$950 or \$1,000 is not our target. We are selling at \$1,300 also to our premium customers. But some counters where we left because of the competition, we will go back to them.
- CA Garvit Goyal:** And so you are saying one major Chinese customer that is getting the bead wire and at the same time you are saying Sumitomo is not operating, is operating at a lower level. So that is the overall...
- Sunil Chordia:** That was overall last year.
- CA Garvit Goyal:** I was talking about this particular Chinese player you are mentioning that is getting the bead wire from China? And the other player is your customer like Sumitomo, he is operating at a lower level. So this Chinese player is getting the bead wire, that means is that player getting the demand or Sumitomo is not getting the demand? Can you through some light here?
- Management:** No, so those Chinese companies are also operating at a much lower volume. It is not that Chinese companies are running at higher volume. As I told you, tyre companies also were in a very bad state. So that was the situation.
- CA Garvit Goyal:** And now the volume is improving for both, right?



- Sunil Chordia:** No, Garvit, there is a very big difference in Thai tyre companies and Indian tyre companies. Indian tyre companies are selling 80%, 85% of their products in Indian markets. It is reversed in Thailand. In Thailand, companies are selling 70%, 80% outside Thailand. So they are exposed to global changes, global pressure. Indian market, Indian economy, Indian consumer, Indian demand supply is not exposed to global changes so much.
- CA Garvit Goyal:** Thank you very much.
- Moderator:** Thank you. The next question is from the line of CA Vipul Makwana, Individual Investor. Please go ahead.
- CA Vipul Makwana:** Good evening to all of you. Sunil, one question. In quarter 4 of financial year '22, we informed there is no structural change in the bead wire. So, within the whole year, do you see anything, any update on that or we are good to go with that?
- Sunil Chordia:** Structural change means technological change you are talking about?
- CA Vipul Makwana:** Technological, yes, technological change in the bead wire?
- Sunil Chordia:** So, I don't foresee any major disruptive change. Of course, there are improvements happening in the product quality. The quality requirement is changing, which is a continuous process. They want higher tensile material with better adhesive strength. All that is happening, but there is no disruptive change in technology we are seeing right now.
- CA Vipul Makwana:** Okay, perfect. And one last question. The Thailand capacity utilization as we see in the presentation is around 67% for quarter 4. So what do you foresee for the next financial year? Where can it?
- Sunil Chordia:** Yes, we are targeting 70% capacity utilization of increased capacity. So you have to calculate that Thailand has also increased capacity to 60,000 tons. And we are targeting 40,000 tons of minimum sales from Thailand.
- CA Vipul Makwana:** Okay. Thank you. Thank you so much. That's all from my side.
- Sunil Chordia:** Yes.
- Moderator:** Thank you. The next question is from the line of Muthu Kumar from Fidelity Ventures. Please go ahead.
- Muthu Kumar:** Thanks for the opportunity, sir. What are the structural changes you do expect from EV ship that will be a boon or ban for your company?
- Sunil Chordia:** Sorry, can you repeat your question? Structural change in?
- Muthu Kumar:** EV ship, EV vehicles ship into the...

- Sunil Chordia:** No, EV. EV vehicles will have tyres, which will be made of rubber, okay, they will continue to use pneumatic tyres. The only little change we are seeing is that they want lightweight tyres. They want tyres not to make noise because EV vehicle is noise proof. There is no noise. So even tyre noise and tyre vibration makes a lot of noise. So tyre companies are working on those lines and there is no change in the requirement of bead wire in those tyres also.
- So as such, we have not -- the only big change will be when the population or the number of EV vehicles increases because there is initial data which suggests that the tyre consumption increases in an EV vehicle because of the dead weight of the battery. So if that is the case, future requirement of tyres will grow at a higher pace. But nothing can be said really definitely, definitively today.
- Muthu Kumar:** Okay, and when you expect that demand will pick-up from India, Indian contacts?
- Sunil Chordia:** No, India demand is there, good demand. The projections for this year, as I said in the earlier question, is the business, tyre business is likely to grow by 10%. This is based on our discussions for annual business plan with all of our key customers like MRF, CEAT, Apollo, everybody. So they all have a business plan which is 10%-plus last year.
- Muthu Kumar:** In the last year annual report, you told that total capacity will be augmented to 1,80,000 metric ton. I just want to know what is the total capacity now you possess both in India and in Thailand?
- Sunil Chordia:** No. So we have installed capacity of 120,000 tons, 60,000 tons of bead wire in Thailand, 60,000 tons of bead wire in India and 10,000 tons of other wire. So and we have done 90,000 tons this year. We are projecting to do 110,000 tons next year.
- Moderator:** Thank you. The next question is from the line of Shikhar Mundra from Vivog Commercial. Please go ahead.
- Shikhar Mundra:** Just a follow up question, can I know the name of the Chinese tyre companies to which we lost the market in Thailand?
- Management:** You want to know all five counter?
- Shikhar Mundra:** Yes.
- Yashovardhan Chordia:** So there are five Chinese companies. One is Prinix, the other is Zhongce Rubber, the third is Sentury, there is Ling Long and there is Double Coin.
- Shikhar Mundra:** And the Chinese bead wire companies which won the market share for us, do they operate at a similar scale to us or they are much smaller players?
- Yashovardhan Chordia:** No, they are much larger players as such in one location. They have much bigger capacities in China.
- Shikhar Mundra:** And which are these companies and what are their capacities? Can you give me an idea?

- Yashovardhan Chordia:** So dominantly there are two major companies. One is dominant in bead wire, the other is dominant in steel cord. There is a company called Shandong Daye, who is one of the major suppliers to many companies in many countries. And knowing about their capacity is little difficult because what we hear from the market is very different from what is written in their annual report. But I would broadly say they must be making about 3 lakh tons or 3.5 lakh tons of bead wire.
- Shikhar Mundra:** Okay. And is this the largest?
- Yashovardhan Chordia:** They are listed companies.
- Shikhar Mundra:** Okay.
- Yashovardhan Chordia:** Yes, I would say they are the largest capacity in one location.
- Shikhar Mundra:** Okay. And what is our number in like globally in terms of capacities in the world?
- Yashovardhan Chordia:** As in the previous question, we said we will be 180,000 tons in three locations.
- Shikhar Mundra:** Yes, that's true. I mean, what number is that?
- Yashovardhan Chordia:** We would be the fourth or the fifth largest.
- Shikhar Mundra:** Okay.
- Sunil Chordia:** No, we never include China in our dictation. Okay. The Chinese numbers are never reliable and you can never cross check what they are writing on their website, what they are writing in their balance sheet and what they are telling customers. You will hear very, very different numbers. So other than China, we will be second biggest in the world.
- Shikhar Mundra:** Second biggest.
- Sunil Chordia:** After 180,000 tons. This is not including Chinese capacity.
- Moderator:** Thank you. The next question is from the line of Suruchi Parmar from NX Wealth Management. Please go ahead.
- Suruchi Parmar:** Yes, thank you for the opportunity, sir. Just wanted to have a clarification on what you said on the Thailand part. That for maintaining or getting more market share, you will be doing competitive pricing with that Chinese player. So just wanted to know that to other tyre companies which you are selling in Thailand, so for them also the pricing will be cut down or you will maintain the same pricing with them and other prices for the other Chinese?
- Sunil Chordia:** It won't be cut down for other customers. We will not leave the customer where the prices are low. If it is contributing to our bottom line, we will start supplying to them also, which we have refrained last year. And I think that is the learning from last year.

- Suruchi Parmar:** Okay. So like, means like you are selling to Sumito, so whatever pricing you have agreed with the Sumito, that will continue?
- Sunil Chordia:** Yes. That will continue. Those orders are six monthly basis anyway. So we fill up the RFQ and we get order and pricing confirmation for six months. But this Chinese player, what we have been continuously talking about, they bargain every month. Okay. So last year we refrained from that competition, but now we have decided if it contributes to bottom line, we will continue. Yes.
- Suruchi Parmar:** Okay. Just one more clarification. This Chennai plant, you will start from next year, means FY '25?
- Sunil Chordia:** No. It will start in the second half of this year.
- Suruchi Parmar:** Okay. Second half of this year means FY '24, correct?
- Sunil Chordia:** Yes.
- Suruchi Parmar:** Okay. And commercially it will be like starting the Chennai plant from next year?
- Sunil Chordia:** No. We will start trial production sometime in August, September. So let's see closer to that quarter.
- Suruchi Parmar:** And this Chennai plant will, like the product will be sold in the Indian market or you will take it to outside India?
- Sunil Chordia:** No, it will be for customers in southern India and also, customers outside India. It is a port location, so we'll be able to export also from there.
- Suruchi Parmar:** Okay. Thank you so much, sir.
- Sunil Chordia:** Thank you very much.
- Moderator:** The next question is from the line of Devansh Shah from Niveshaay Investments. Please go ahead.
- Devansh Shah:** Good evening, sir.
- Moderator:** Sorry to interrupt you. Devansh, there's some disturbance coming through. If you can speak to the handset, please.
- Devansh Shah:** So my question is, what is the time lag of raw material changes which is passed to the customers? Can you please elaborate?
- Sunil Chordia:** I have answered in the past also. It is, we buy raw material on a monthly basis and we have price agreements on a quarterly basis. So there is a time lag of 1.5 months, two months in passing on the price increase on it.

- Devansh Shah:** Okay. Thank you, sir. The rest of the questions have been answered.
- Moderator:** Thank you. The next question is from the line of Amey from Banyan Capital. Please go ahead.
- Amey Chheda:** Yes, thank you for the opportunity. So just thinking from the perspective of Chinese tyre players in Thailand, so you mentioned that bead wire cost is like 3% of the total tyre cost. And say we have a 40%, 50% differential when it comes to Chinese players. So we are supplying at maybe \$1,300 and they are supplying at \$950. So 50% differential is there. So, sir, if I see it from the tyre manufacturer's perspective, that 3% cost will increase to maybe 4%, 4.5% of my total production cost. So is that a large enough difference for me to change my supplier?
- Sunil Chordia:** No, look, there is no account of Chinese. They don't do all this projections, calculations. Their product also says like this. A Michelin tyre will be, say, a good tyre of a big car will be \$1,000, but a Chinese tyre for the same car, SUV, will be available for \$600. So we can't do this equation for them.
- Amey Chheda:** So from what I understand is maybe it is not about the price, but more about favoring their Chinese companies only that since I'm a Chinese, I'll buy from Chinese and not so much a factor of...
- Sunil Chordia:** Look, frankly, they are not friends of anyone. There is no such thing as long-term partnership, long-term relationship. They take quotations every month. And if you give this price, send the goods. So I'll give you the price. They are more of opportunists. So we will also be opportunists. We have the spare capacity. We'll give you as much as is viable.
- Amey Chheda:** Right. Okay, thank you so much, sir.
- Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sailesh Raja from Batlivala and Karani for closing comments.
- Sailesh Raja:** Thank you all for attending this session. We especially thank the Rajratan team for their time. Sunil sir, would you like to make any closing comments?
- Sunil Chordia:** Yes, thank you once again for your interest in Rajratan. Okay, we are a company which is working on a lot of other things, improvement in business internally. We are focusing on a lot of improvements which will give results in the long term. So, and we are also a company which is learning, learning from our mistakes also. So, this year you will see a growth in business, definitely for some reasons we have not been able to grow last year. So keep watching us and keep looking at Rajratan. Thank you very much.
- Moderator:** Thank you very much. On behalf of Batlivala & Karani Securities India Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- Sunil Chordia:** Thank you. Bye.