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SURYA ROSHNI LIMITED

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SRL/23-24/09
May 02, 2023

The Secretary
The Stock Exchange, Mumbai
New Trading Ring, 14th Floor,
Rotunda Building, P.J.Towers,
Dalal Street, Fort,
MUMBAI - 400 001
Scrip Code: 500336

The Manager (Listing Department)
The National stock Exchange of India Ltd
Exchange Plaza, 5th floor
Plot No. C/1, G Block
Bandra Kurla Complex, Bandra (E)
Mumbai – 400 051
NSE Symbol: SURYAROSNI

Sub: Transcript of Earnings Call with respect to Financial Results for the fourth quarter and financial year ended 31st March, 2023

Dear Sir,

This is with reference to the Company intimation dated 24th April, 2023 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the earning conference call to discuss the financial results for the fourth quarter and year ended 31st March, 2023 scheduled for Thursday, 27th April, 2023.

Further to the audio recording filed with the stock exchanges already on 27th April, 2023, we are enclosing the Transcript of the said Earnings Call.

The same is also being uploaded on the website of the Company under Financials in the Investor section.

This is for your information and records.

Thanking you,

Yours faithfully
For Surya Roshni Limited

B B SINGAL
CFO & COMPANY SECRETARY

Enclosed: as above.

SURYA

“Surya Roshni Limited Q4 FY23 Earnings Conference Call”

April 27, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 27th April 2023 will prevail.

SURYA



MANAGEMENT: MR. RAJU BISTA – MANAGING DIRECTOR

**MR. TARUN BALDUA – EXECUTIVE DIRECTOR & CEO
OF STEEL OPERATIONS**

**MR. JITENDRA AGRAWAL - CEO, LIGHTING AND
CONSUMER DURABLE BUSINESS**

MR. B. B. SINGAL – CFO AND COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to Surya Roshni Limited Q4 FY23 Earnings Conference Call. This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

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

I now hand the conference over to Mr. Raju Bista – Managing Director at Surya Roshni Limited. Thank you and over to you, sir.

Raju Bista: Thank you very much. Good evening everyone. On behalf of Surya Roshni Limited, once again I extend a warm welcome to everyone for joining us today in call.

On this call we are joined by Mr. Tarun Baldua who is Executive Director and CEO of Steel Operations, Mr. Jitendra Agrawal – CEO Lighting and Consumer Durables Business and our CFO and Company Secretary Mr. B. B. Singal, along with SGA, our Investors Relation Advisor. I hope everyone had an opportunity to go through the financial results, press release and Investor presentation which has been uploaded on the stock exchange as well as on our Company's website.

The Company reported a new record topline and profitability for FY23 with the revenue almost touching ₹8,000 crores mark. The Company continues to stride towards achieving its long-term goal and remains well positioned to continue the growth path for the future. During FY23, the Company continues to invest in innovation and efficiency along with focus on technology, talent and infrastructure to remain well ahead of the curve. The Company has been judicious in the budgeting and capital allocation, resulting in a lean and healthy balance sheet and we firmly believe that our growth will be sustainable with a comfortable working capital cycle and balance sheet position.

For the quarter, EBITDA and PAT grew by 64% and 88% respectively on the year-on-year basis. For FY23, the revenue was almost ₹ 8,000 crores as compared to ₹7,731 crores, a growth of 3% year-on-year. EBITDA and PAT has gone up to ₹ 620 crores and PAT is about ₹ 336 crores as compared to ₹449 crores of EBITDA and ₹205 crores of PAT. The Company also witnessed a healthy improvement in gross margin due to stable input cost and improved product mix.

Over the past few years, the Company has placed its emphasis on reducing the debt and completely repaid all long-term borrowings and with only ₹404 crores of working capital debt remaining, the Company intends to become debt-free by another one and half year to two years' time.

And now coming to Lighting and Consumer Durables, Q4 and FY23 revenue grew by 7% in Q4 and 16% year-on-year respectively. The new-age product line such as LED lighting continue to grow at a healthy rate and professional lighting which is also an institutional sale reported a robust growth of 28% and 38% year-on-year for Q4 and FY23 respectively in terms of revenue. As well as significant inflow of the order in hand, we are witnessing the multiple green shoots in the public as well as private CAPEX cycle. We firmly believe that our professional lighting will be one of the biggest beneficiaries of the improvement in the CAPEX cycle. The Company professional lighting continues to build a strong order book and will continue to fill this order book aggressively in coming times as well. We are confident that the Company's Consumer Durables will be a key growth trigger for the Company going forward. The Company is well positioned to scale up this business driven by well established distribution network and Surya Roshni's brand equity.

The gross margin has also improved due to operating leverage premium product stability in input cost and improving market realization. There is a scope to improve margin further. The CAPEX under the PLI scheme is ongoing as per the plan. This CAPEX will benefit the Company by lowering the cost and the Company also reduces its replacement cost, which stands at 4.57% only and last year it was 6.78%, so almost we saved like ₹11 crores, ₹12 crores annually. The Company is investing heavily in visibility enhancement through store excellence in house merchandising in store display and direct engagement with electricians.

In FY24, the Company plans to double the advertisement spends, cost from the current level of ₹20 crores, which will be in help to build brand visibility and increase the market share. With the Company plan to enhance the outreach program through various ATL and BTL campaigns, the Company will also strengthen the semi-urban and urban distribution network which is now one of the largest in the industry.

Now moving to the steel pipe industry, the Company topline was affected due to fall in global steel price during the quarter, however the Company reported the highest ever EBITDA per ton of ₹9,868 per ton during Q4 FY23 compared to ₹5,605 on year-on-year basis. The robust growth in realization were mainly driven by the higher share of value-added products such as API coated, GI and export. As communicated in the earlier earning call, the Company reported EBITDA per ton at ₹6,496 for FY23 far exceeding the guidance of ₹5,500.

FY23 saw a robust growth in EBITDA level will serve as well as it will be benchmark for the Company's future growth. With robust profitability growth, the board of director has recommended a final dividend of ₹4 per equity shares on the paid-up equity capital of the year 22-23 subject to the approval of shareholder, the management remains committed to create wealth for their stakeholder, so total it would be 3 plus 4 which will be ₹7 per share. Lastly, we remain confident about the opportunity that lies ahead of us. The Company is focusing on geographical expansion, innovation efficiency enhancement infrastructure and human capital to deliver the best class solution to our customers.

Now I would now like to request our CFO, Mr. B. B. Singal to share his thought.

B. B. Singal:

Thank you respected MD, sir and a very good evening to all the participants on the call. The Company reported a good set of numbers for Q4 as well as of financial year 23. For the quarter EBITDA grew by 64% and PAT grew by 88% respectively on year-to-year basis. EBITDA to ₹254 crores and PAT to ₹156 crores. For financial year 23, the revenue stood at ₹7,997 crores compared to ₹7,731 crores during FY22, a growth of 3% year-on-year basis. EBITDA and PAT stood at ₹620 crores and ₹336 crores, a growth of 38% and 64% year-on-year respectively.

In Lighting and Consumer Durables for the quarter, the revenue stood at ₹431 crores a growth of 7% year-on-year basis. EBITDA and PBT stood at ₹42 crores and ₹35 crores, a growth of 23% and 36% year-on-year basis respectively. For FY23, the revenue stood at ₹1,545 crores, a growth of 16% year-on-year basis. EBITDA and PBT stood at ₹122 crores and ₹90 crores, a growth of 15% and 25% respectively. Revenue growth for the quarter as well as the financial year was driven by value-added products such as LED lights, downlighters as well as professional lightings.

In the steel pipes and strips during Q4 current financial year FY23, the Company's EBITDA and PBT grew 76% and 110% to ₹212 crores and ₹181 crores respectively. EBITDA per metric ton stood at ₹9,868 per metric ton compared to ₹5,605 a robust growth of 76% year-on-year basis. For financial year 23, revenue grew by 1% year-on-year to ₹6,452 crores while EBITDA and PBT grew by 45% and 80% year-on-year respectively. EBITDA per metric ton stood at ₹6,496 compared to ₹4,648. The Company has reduced debts by ₹176 crores in financial year 23 and continues to remain long-term debt free. Finance cost has reduced by 30% in FY23. Debt equity ratio reduced to 0.22 against as on 31st March 23 as compared to 0.37 as on 31st March 22. The Company continued to maintain a positive Cash Conversion Cycle. The working capital days stood at 60 days during Q4 financial year 23. Working capital days for Lighting and Consumer Durables stood at 53 days in Q4 financial year 23 compared to 60 days in Q3 financial year 23. While steel pipes and strips working capital days at 61 days in Q4 financial year 23 compared to 62 days in Q3 financial year 23. For Q4 financial year 23, ROCE improved by 16.5% from 23.6% to 40.1%. ROE improved by 12.8% from 22% to 34.8%. Similarly for financial year 23, ROCE improved by 670 basis point from 16.2% to 22.9%. ROE improved by 560 basis points from 14.1% to 19.7%. With this I conclude the presentation and we can now open the floor for further questions and answers.

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia:

Sir my question is regarding the CAPEX announcement that you guys have just put out for the ₹75 crores I think in Madhya Pradesh or I did not read exactly where Anjar district Kutch Gujarat? So, I would like to understand what is the revenue potential that comes out of this 100,000 metric tons per annum ERW pipe plant? What would be the peak revenue potential at 100% utilization?

Raju Bista: Thank you, this point was left from our side, this point was missed, so this investment of ₹75 crores that is basically for ERW, API and water pipe and this plant will come up in existing Bhuj facility, so there will be ₹75 crores of investments and in peak a turnover of ₹600 crores will be generated and the main reason behind it is that today in India there is no other competitor besides one Company whose name I will not take, has the technology for making 24 inch ERW pipes and in API we are already doing well, so this API and our existing coating facility will also get its advantage and another big market is export market under which US, Canada and Middle East is a big market and keeping that in mind we have made our investments and third thing is that almost in all of our factories our capacity has reached that level, so on regular basis we try that on quarterly basis or at least in alternate quarter we do some investments. The main reason is that in the last 10 years we have done a lot of improvement in debt reduction, efficiency cost cutting and debottlenecking and its impact can be seen in the balance sheet, but going forward now it is very important for us that in the next 2 to 3 years we do a CAPEX of ₹300 crores to ₹400 crores, so this is one of them and in a previous board meeting and call we have told you in Hindupur we have started the facility process of GP line and GP pipe. It will be a very unique kind of investment and exclusive investment and a high margin product will be made from it.

Manan Poladia: So, I am aware about which Company you are talking and secondly, I would like to congratulate you on the fantastic set of result that you guys have put out. I genuinely appreciate the effort that you have taken in cleaning up the balance sheet and in doing CAPEX that is really showing on the numbers as well that is fantastic, sir also I have one more question for you we have discussed the demerger several times on the call and I know you usually don't comment on it, but I would just like to know as has it been discussed by the board at all?

Raju Bista: See I will tell you; I will answer it in detail. This is a golden jubilee year of Surya Roshni, the Company has completed 50 years and we have a lot of aspirations and as I told you that we have made very serious CAPEX plan and we wish that this golden jubilee year along with the performance it should be a good year for the shareholders also and whereas demerger is considered, I am also tied up because until and unless the board does not clear it I cannot communicate it with you.

Manan Poladia: I am completely aware, sir. My question is only based on fundamental fact.

Raju Bista: Serious discussions have been held on that and when we get approval from the board then I will be very happy that instead of sources, the Company's Managing Director itself communicates with you.

Manan Poladia: Correct, sir. We would also like to hear that from you obviously and my question was only based on the fact that there were some rumors lying around the press today in the afternoon that I am sure you are aware of?

Raju Bista: Yes I also got that, but see what rumors are there in the market it does not affect us.

Manan Poladia: Sir I don't expect you to comment on it. I completely understand. My question was based on the fundamental fact.

Raju Bista: But I am with you and this year the performance will also be very good and will be a good year for the shareholders as this is a golden jubilee year.

Manan Poladia: Thank you so much, sir and I really appreciate your answers to my questions.

Moderator: Thank you. Our next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Bhavesh Chauhan: I would again like to congratulate you on stellar performance, margin performance in steel pipes division. Sir I would just like to understand that even in ours in product mix I can see that API spiral is giving you ₹12,000 EBITDA per ton, but even black pipe is yielding you ₹5,000 per ton is very surprising, I would like to know the management's comment whether this kind of margins are sustainable?

Raju Bista: See it is like that you have asked a nice question because at one time before 1 to 1.5 years under section pipe, we used to get EBITDA of ₹2,200 to ₹2,500, black pipe used to be ₹ 3,500 to ₹4,000, so you have asked these things by going and seeing very deeply. I want to tell you that as we have said that overall, this year various factors were there in which you can see EBITDA margin improvement. There are 4 to 5 factors in which biggest factor is that in America our export for API has started that is a very big reason, API which we supply in India to Oil and Gas in that margins have been quite good and besides this under shipping cost we have received much reduction, but surprisingly overall market realization has improved in steel pipe segment and we have seen this improvement from ₹1,000 to ₹1,500 in the market in the last 6 months and I will say that this is sustainable because the numbers which we have achieved today for us that is a minimum benchmark, but whereas for the next full year I don't want to tell any specific numbers in today's commentary because it is a little volatile because there are some issues in Europe, so I can definitely assure that at least in next 2 to 3 years you can see a growth in our CAGR 12 to 15% basis and for Quarter1 numbers we can say that it will be significantly very good and not only this, Company's aspiration is that before I used to say that in 25-26 balance sheet you will not see debt, but we are preponing that to one and a half years from today to next one and a half year, there will be no working capital debt on the Company completely. As I said it is a golden jubilee year where we don't have debt, can manage CAPEX easily then money is of promoter and shareholders.

Bhavesh Chauhan: You explained it very well, sir our volume growth of steel pipes has been very low as compared to our competitors, so what will be the guidance for it for the next 2 to 3 years?

Raju Bista: This year we have made 785,000 ton. Next year's target which we have kept is close to 900,000 ton which is almost 13%, 13.5% of growth numbers. In market 2 types of products are sold, growth can come from low margin products very easily, but we have diverted our focus from

there, so ours is like that if we sell our goods 100,000 ton less it will be okay, but if we see substantial improvement in EBITDA margins then I think that business model is much better. Still between 12% and 14% volume growth will be minimum for the next year will be there. This year if you see trade in India whose market share is 65% in steel pipe in that our growth is 19%, but this time even though revenue is flat, but much growth in volume is not seen which you want to ask. Two main reasons are there for it, one is under export there is much substantial de-growth. In Europe and UK, we could only supply almost half of the material and I believe that this year it will improve, US market has opened for us in export and secondly in India the API which we have supplied although margins were better, but in comparison to previous year there was a 30% de-growth. Currently pipeline stock and our order booking is in good position, so I believe that export and API will do better growth and in domestic trade we are already doing it.

Bhavesh Chauhan: Lastly, sir I want to ask that as you said that for next year EBITDA margin you will not give the guidance, but we have set our benchmark very high in this quarter, so do we have to give a big range that the number will not go below 5,000 or 6,000 for next year?

Raju Bista: No, as I told you that this year what we have achieved will be the minimum target for the next year, so if I say that in long term in FY25, ours is that we will sell 1-million-ton steel pipe and minimum of ₹7,000 per ton of our EBITDA margin will be there and I told that in 2 to 3 years on CAGR basis 12% to 15% growth will be there and our aspiration is that as soon as possible instead of ₹620 crores, we reach to the EBITDA of ₹1,000 crores.

Moderator: Thank you. Our next question is from the line of Mr. Rahul Jain from Systematix. Please go ahead.

Rahul Jain: Congratulations on a good set of numbers, sir. The kind of performance that we have seen on the operational front, are we working on the working capital side as well because as the inventories go up and the prices are a little bit high, so on the cash generation aspect, do we have a plan to bring it down from 61 days that you mentioned in the presentation to somewhere where the competitors are, so are we working on that direction as well? That is my first question.

Raju Bista: I would like to tell you that in the previous 10 years, substantially if we have improved ourselves then it is in working capital front. We have come to almost half level from 110 days working capital and very efficiently we are managing our working capital and in Q4 also you can see that little bit of working capital has increased because the cycle for steel was like that knowingly we have increased our quantity, so nearly reduction of ₹150 crores in working capital will be seen in Q1, so this working capital is very much in control and under lighting division if you see net working capital has reduced from 60 days and we have come to 53. So, in steel division NWC instead of 62 is 61 and little bit inventory is 44 days instead of 40 days and debtors are also 24 days instead of 26 days in Q4.

Rahul Jain: Sir also you have mentioned about some PLI scheme that we have an opportunity and sir you are investing very substantially I think on the advertising also you mentioned in your call on the lighting side, so what do you see the roadmap because we really haven't done much on the lighting segment in the last five years the EBITDA is kind of flattish, so where do you think where the bottlenecks are to see some good growth coming in this side also?

Raju Bista: Overall for the previous 3 years the lighting division is not quite good, I would like to mention it. There are many factors for it, today ₹25,000 crores lighting industry in which today also ₹9,200 crores market share is with unorganized sector and of ₹15,800 crores market share in which nearly ₹10,000 crores trade segment B2C and the rest around 6,000 is institutional. If we compare it with industry then also 16% growth has been in topline. Sale of LED is almost ₹1,000 crores. Today also we are selling conventional light because through it we can reach to village to village, in that despite taking a little impact of de-growth still we are at 16% growth. With 11% market share today also in lighting industry leaving 2 companies, we are at third place and I believe that unorganized sector and with little bit imported material who does 100-150 that brand will shift towards organized sector and a little bit in the LED segment now the maturity is seen in market and prices are also stable now, so I hope that we have done an EBITDA margin of ₹122 crores which at one time we have crossed almost ₹180 crores EBITDA also. So, my next target will be 10% of EBITDA margin and next we will be touching ₹160 crores of EBITDA. In this due to ATL and BTL along with our reach, with us a big problem is that Surya Roshni used to be a bulb and tube light Company as a result premium product like we sell low margin products by taking that to the shop in which you get volume and other companies sell their premium product there, so we are working in this also from a long time, so you can see improvement in that because in premium product we are...

Rahul Jain: Regarding PLI can you tell something?

Raju Bista: Regarding PLI, in 5 years we will make a small investment of ₹25 crores. In 2 years ₹10 crores investment has been made and we get paybacks in as many years as we invest, so mainly we are driving into innovation and do all the investments towards these smart lighting.

Moderator: Thank you. Our next question is from the line of Mr. Dhananjay Kumar Mishra from Sunidhi Securities. Please go ahead.

Dhananjay Kumar Mishra: Congratulations on a very strong set of numbers. Last time before 1.5 years you gave a road map on lighting and electrical business of reaching ₹2,500 crores within 3 years, so right now what is its vision? How will we reach ₹2,500 crores?

Raju Bista: No, our vision is of ₹3,250 crore instead of ₹2,500 crore for the next 3 years and with an EBITDA of ₹450 crores, but the previous 3 years of COVID and in the industry the overall cycle that was there in the lighting industry due to that our 3 years got spoiled and I agree with that, so next ours is of ₹2,500 crores for lighting and we will include one new product and its sales will be almost of ₹500 crores, ₹600 crores and doing so ₹150 crores OEM sales we have taken

the target of ₹3,250 crores in sales in 2026. For this we have to build up a team in the markets where we are weak and efficiency of salesforce our CEO is already working very deeply on it.

Dhananjay Kumar Mishra: So, do we want to bring new team in lighting or in this segment?

Raju Bista: This is a continuous process otherwise we keep on doing investment on humans and I think that if he is good person even though he is expensive, difference is clearly seen in the Company's performance, so it is our continuous process and we keep doing that.

Dhananjay Kumar Mishra: And secondly, sir last time you also said that now you will be focused on this FY24 fully on Company and may be you will not keep your political aspirations from 2024, so what is the current status of it?

Raju Bista: I enjoy serving our country and it is my commitment towards the nation and my first commitment is towards the Company because I draw my salary from the Company and you just tell me if you see any effect on the results of the company because of this in the last four years I have been associated with the company. Everybody has a lot of time and if we manage it correctly then I think that how much work we are doing today, we can do much more than that, so I like to be among the public and work for them, so I haven't thought about contesting in the next election.

Dhananjay Kumar Mishra: Lastly, sir you told 1 million volume, your aspiration for next year and will do EBITDA margin of at least ₹7,000 in steel pipe?

Raju Bista: Absolutely.

Dhananjay Kumar Mishra: Thank you, sir and all the best for your team.

Moderator: Thank you. Our next question is from the line of Mr. Manish Bhandari from Vallum. Please go ahead.

Manish Bhandari: Good evening Rajuji and the whole team and thank you for this electrifying performance. I have seen this Company for 5 years more than that, so what I see today is hard work of yours. So, I have 2 questions, your Bhuj plant which is an export-oriented plant and you are doing more capacity expansion there, I thought that to save the logistic cost you will put the plant in Maharashtra or anywhere else, so at least that will make you more competitive. And second question is that you told API pipes are going to America, so this is a tender business and may go in few days, the biggest boom which I see is in the Middle East. So, what would you like to say regarding exports? And secondly, the plant location in the coming time, what would you like to say regarding that?

Raju Bista: As I told you, our 10 years were very good, but in that 10 years we have not done any big investments, so serious CAPEX plan is with us because growth story of India is clearly visible and we have taken good projects in our hands because in the last board meeting one thing we have approved of almost ₹75 crores, in this board meeting also we have done the same. Our presence is there in PAN India, we are not there in East, our working is going on regarding

Bombay and in fact our cold rolling business also demands little modernization, so today we have put all of these subjects in detail in board and few plans were also discussed in board for capacity improvement under few existing plants, but one thing board has approved for this 24 inch ERW mill, so hopefully by next board meeting we will be in a position to announce few more CAPEX plans, so we will do that on a regular basis because our capacity utilization has increased and now we don't have any more choices for growth. Secondly you asked about exports, whereas US API pipe is concerned that is not any tender business, the material is supplied regularly through our stockist and as you said for Middle East there our market share is quiet good under non API and under oil and gas with this big size mill a good opportunity is there, so we are exploring all that, but geopolitical issues that are globally going on, we all know that for people buying gas is very important rather than buying pipes, so under this situation we came to see its impact last year, but I think that this year there should be a substantial improvement in that.

Manish Bhandari: Sir one small question, does the Surya brand is sold at premium in market as compared to other competitors?

Raju Bista: Are you asking for pipe or lighting?

Manish Bhandari: Yes in domestic for pipes.

Raju Bista: See it is like that different things go in different regions for example if I go to South then under South I use to get 5% to 12% premium in comparison to our competitors. Few particular regions are there like Jammu and Kashmir which are hilly area of India or some Madhya Pradesh area, so few markets are there where we get premium and galvanizing pipe overall is sold nationwide equal to the competition or at a premium of 1% or 2%, so everything has their own market specific or product specific, but we can assume that with Prakash Surya brand its worth increases and its respect is high to far flung farmers. And under export our competitors who are supplying from India, so their market price which when they sell they have a simple calculation Surya minus \$50, so we get an overall premium of \$50 per ton in export market.

Moderator: Thank you. Our next question is from the lines of Nikhil Gada from Abakkus AMC. Please go ahead.

Nikhil Gada: Congrats on a very strong set of numbers. Sir specifically I have 2 questions. First of all, sir this DFT line in that how much is our EBITDA per metric ton? And at what utilization are we operating?

Tarun Baldua: Basically, you see in the section pipe, the normal section pipe EBITDA is almost ₹4,500 to ₹5,000, but in this we are getting almost ₹2,500 EBITDA higher than the normal section pipe, so that is there. Number 2 is the capacity utilization has been in the last 11 months when we have started the production has been 25% overall for the year, so initial period it was lower now it has been increasing because at many other places we did the approvals and those are picking up very

fast, secondly we have received good order from the export market also on large DIA section pipe and that will also be increasing, so next year we are expecting the normal capacity utilization for DFT section pipe.

Raju Bista: Specifically what Tarunji said our CEO, EBITDA of section pipe margin is ₹3,415 and its EBITDA margin is ₹6,000 which is close to ₹2,000 to ₹2,500 then we get a premium of ₹2,500, but ₹6,000 is less in this because to increase the capacity utilization we have given discount of ₹1,000 to ₹1,500 to increase our presence and capacity utilization is definitely in the coming times will increase because in big pipes any stockist by purchasing pipes and by stocking will not sell it to the consumer. It is project oriented, so much of it depends on the project.

Nikhil Gada: Secondly, my question is on this quarter and overall, your full year's EBITDA per metric ton specifically. This number, which we have seen some 9,800 sort of a ton may be due to the product mix is little better and you also told that realization is also getting little better ₹1,000, ₹2,000 benefit has come in EBITDA, sir because there is improvement in trade, is there something because of inventory benefits which is not seen in numbers? Or it is all Company driven through product mix?

Raju Bista: As I told you there are 4, 5 reasons, one is API export is one factor, oil and gas pipe's margin is another factor, overall there is improvement in margins of every product category and under Q4 almost ₹30 crores, once steel prices from 70, 75 became 55 then increased a bit and its impact was there and our shipping cost has substantially reduced. Due to these 5 factors substantial improvement is seen in this EBITDA margin and to sustain at ₹10,000 per ton EBITDA in today's date is a very tough job, so we believe that last year we did ₹6,500 is minimum, but our target will be close to ₹7,000 for the future.

Nikhil Gada: Sir last question on pipes, sir this realization which you told like from ₹1,000 or ₹1,500 has increased in 6 months, is there any specific reasons? Is it that there is some shortage in the good quality vendors like Surya may be others? Any specific reasons why we have seen this improvement?

Raju Bista: See in this it is like that we have been little selective and worked for a specific market and product that is one factor, but I think publicly in concall I don't want to go in very detail but definitely there is improvement of ₹1,000 to ₹1,500 under that in every product category.

Moderator: Thank you. Our next question is from the line of Reshabh Sisodia with Sameeksha Capital. Please go ahead.

Reshabh Sisodia: Sir obviously you have answered on the EBITDA per ton guidance as well as the recent jump of that has happened, so as you mentioned that the ₹10,000 per ton which we have done in this quarter that is not really sustainable number and you are targeting somewhere around 7,000, so especially in the API and the spiral, the oil and gas pipe there we are doing close to 12,000, so

how do you foresee that going ahead the target of 7,000 which we are keeping will it be driven by majorly by API and spiral pipes or the DFT section?

Raju Bista: See what happens as I told I don't want to say on next year's specific numbers the reason for it is that the market is very volatile and we would like that the numbers which ever we tell you is ours business experience till now based on market condition or on seeing everything we can say one direction based number only rest specific is not there, but obviously the best which we have done will be our benchmark for the next time, so our effort will be definitely be there, but if you compare in industry then you can say extraordinary number which is very difficult to sustain, so gradually we will go in that direction because our aspiration as I told when we have to do EBITDA of ₹1,000 crores then we have to go for ₹10,000 per ton, so for that there should be 24-inch mill, DFT should be there, for that US market should be there, for that export should be there, so for that whatever should be done we are doing according to that.

Moderator: Thank you. Next question is from the line of Mr. Kuber from AnandRathi. Please go ahead.

Kuber: Congratulations on good set of numbers. Sir I have 2 questions, sir we see in segmental side that there is de-growth in the steel division in Y-o-Y level, so as you have said that global steel prices have fallen then what you think in Q4 what type of scenario are you seeing? And secondly the CAPEX of ₹75 crores which we are going to do, so when will it reflects in our turnover? And when peak capacity will come?

Raju Bista: See as I told you that in volume growth under Q1 you will see substantial improvement and steel prices are very uncertain, so today also it is very tough to predict full year's number, but I believe that in the next 2 to 3 months or by the next concall I would be in a position to tell the specific.

Kuber: From when will revenue turnover will start of the Anjar plant?

Raju Bista: It will take about a year because the imported machine has to come from outside, so it will take one year at least, it will be ₹500 crores, ₹600 crores and already its market is there, so utilization will not be a factor once it comes. And there will be one biggest advantage that Surya will have of that because today we have spiral mill. We make spiral mill from 18 inch to 24 inch. When 18, 20, 22, 24-inch small pipes are made in big mills then our productivity remains one third, so due to that other advantage is that our spiral mills capacity will increase because when we make in this mill then in this when you do rolling of 18, 20, 22 and 24 then high productivity product will be there for this mill, then we will get advantage and synergies of that in spiral as well.

Kuber: Sir any new launches in steel and lighting divisions? Something that you see in next 1 year or 1, 2 or 3 quarters.

Raju Bista: As I said, every quarter making some investments is one of our serious plan and in golden jubilee year we want that our promoter and shareholders should get its advantage and we are working in that direction.

- Moderator:** Thank you. The next question is from the line Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Congrats on great sort of numbers. Sir in starting commentary you told that Q1 and FY24 will also be strong, sir we want to know that the benefit which we have received in the reduction of the freight cost and a benefit of the high realization, so month of April how was the start of the FY24 for us because you are saying in first quarter would be also stronger, so roughly can you tell that in April what would be the realization and what is the decline in the freight cost that we have seen?
- Raju Bista:** See overall as compared to last year Q1 in its comparison this year's Q1 you can see substantial growth in volume and improvement in margins can be seen, but I don't think it would be right to say the specific number and rest full years number I think till then may be this volatility reduces and after that in the next concall may be I would be in the position that I may tell you some serious numbers.
- Jatin Damania:** Sir second question which I wanted to know that in the starting you told that you are looking for a serious CAPEX plan of ₹300 crores to ₹400 crores, so are we looking to increase the overall capacity when it will become 1.3 our new CAPEX which we announced after that are we looking to increase the capacity to 2 million ton or what is the roadmap going ahead, can you tell the roadmap?
- Raju Bista:** See immediate plan is that the setup for GP plant we are bringing in Bhuj and the DFT has come in Gwalior 25%, 30% capacity utilization is there and this 24 inch mill with all this we can reach to 1 million and our CAPEX of ₹300 crores, ₹350 crores taking all of them together we can say that in the next 4 to 5 years we can reach the level of nearly 1.5 million ton in steel pipe segments. There will be 2 sort of targets, one would be very immediate and another one be 4 to 5 years with a long-term view.
- Jatin Damania:** And what will be the focus in lighting?
- Raju Bista:** Lighting is fully focused means Indian market is not small, in terms of population we have surpassed China, issue is that instead of us government started to sell the product and due to all that reasons some difficulties came in lighting industry, so we have no shortage of capacity. This ₹25 crores investment which we are doing in PLI as I said that we have full capacity, so we are making more investments in innovation, R&D and new product launching in technology front. We are ready, but the market is not conducive but still I will appreciate our team for 16% growth which Surya Roshni has done which is against the industry single digit growth and this numbers tell you that and I think in that also 3, 4 years cycle is completed so perhaps there will be some rise in market comes. We have said that trade is a segment under which this year also we have made a good growth, but if you see our data with our competitor then you will find that this professional luminary or institution sale in which margins are also good that in comparison to our trade is almost one third, but almost rest of the competition under both businesses equal turnover is there. In that we are far behind although we have started very late, others were there

in that business in early 90's, so our focus has been there and last year we have made a growth of nearly 40% in professional luminaries, so I think that is one area and rest in consumer durable and fan appliances we have done a growth of 25% that is one new segment, so in the coming times we are thinking of addition of few more products.

Moderator: Thank you. The last question is from the line of Mr. Vivek Gautam with GS Investment. Please go ahead.

Vivek Gautam: First of all, fantastic numbers in the best in the sector and industry it seems. I wanted to ask what are we doing that is much better than previous years? What has been our learning due to which we are able to give such good numbers and under your leadership and sir in future will it be sustainable? That is the first question. Second question is on India, in India Modiji's many schemes are going on PNG and CNG supply, in North-East we hear about Indradhanush pipeline and some emphasis is going on oil exploration under the leadership of Mr. Puri so can we see the better opportunities for us in India sir?

Raju Bista: So, I can tell only one answer for coming of good numbers that we are doing better from others and 24 hours our team is seriously thinking that how can we do improve and secondly I would like to say that the drive that we started 10 years ago that at low cost we have to make high quality product, so we are successfully doing on that. Sometimes I am surprised when we were giving 14% replacement cost and today it is 4.5% and in comparison to 14% if I see then I am saving ₹30 crores annually in one LED product itself and secondly you told that government thrust is there, let me tell you that under one district ₹3,000 crores to ₹3,500 crores pipe are being installed under Har Ghar Jal scheme. A small state like Meghalaya whose population is 27 lakhs there ₹3,500 crores 'Har Ghar Jal' projects are installed, so say it a small state or say big district of India, investment of several lakh crores rupees is there in it and in this GI pipes are also going, PVC pipes are also going in this, its demand through trade segment and through distributor can been seen and in oil and gas sector India's thrust is there that today the cost involved in transportation and which is a nation crime in itself so we have to remove that and drive of directly providing the gas pipeline to the homes due to that companies like Surya because 4 to 5 companies do that work and due to that companies like Surya will definitely get the advantage. So, I feel that pipe is now not just a commodity, pipe is now to an extent has become engineering, so according to that numbers are coming from the market.

Moderator: Thank you. Due to time constraints that was the last question.

Raju Bista: Lastly, I will just like to say one thing and thank you very much to all the investors, shareholders and I come before you and our team comes, we commit and go then it is compulsory for us to do that number and you motivate us and come in front of you with good numbers and for that we are very much excited. See you again after the next board meeting. Thank you very much.

Moderator: Thank you. On behalf of Surya Roshni Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.