



SURYA ROSHNI LIMITED

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SRL/23-24/25
August 17, 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 first quarter ended 30th June, 2023.

Dear Sir,

This is with reference to the Company intimation dated 8th August, 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 first quarter of the financial year ended 30th June, 2023 scheduled for Friday, 11th August, 2023.

Further to the audio recording filed with the stock exchanges already on 11th August, 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 Q1 FY24 Earnings Conference Call”

August 11, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 11th August 2023 will prevail.

SURYA



MANAGEMENT: **MR. RAJU BISTA – MANAGING DIRECTOR**

MR. TARUN BALDUA – ED & CEO - STEEL OPERATIONS

MR. JITENDRA AGRAWAL – CEO LIGHTING AND CONSUMER DURABLES

MR. BHARAT BHUSHAN SINGAL – CFO & COMPANY SECRETARY

Moderator: Ladies and gentlemen, good day and welcome to Surya Roshni Limited Q1FY24 Earnings Conference Call.

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.

Raju Bista: Good evening and thank you. Once again on behalf of Surya Roshni Limited, I extend a warm welcome to everyone for joining us today on this call we are joined by Mr. Tarun Baldua – ED & CEO of Steel Operations, Mr. Jitendra Agrawal – CEO; Lighting and Consumer Durables, our CFO and Company Secretary Mr. Bharat Bhushan Singal and SGA our Investor Relationship Advisor.

I hope everyone had an opportunity to go through the financial results, press release and even Investor Presentation, which has been uploaded on the Stock Exchange as well as on our Company's website. The Company registered a marginal revenue growth of about 2% during the quarter due to lower steel prices and economic headwinds. For the quarter EBITDA and PAT grew by 65% and 166% respectively, on a year-on-year basis. This was largely driven by value added products once again and better volume off take and lower raw material prices.

During the quarter, the Company focused on innovation of new age product, premumization, strengthening its reach with dealers and distributors and extending market presence in the rural and semi-urban market through marketing and advertisement campaigns. The Company has been judicious, very careful in the budgeting and capital allocation resulting in lean and very healthy balance sheet. We firmly believe that our growth will be sustainable with a comfortable working capital cycle and balance sheet position.

The Company also witnessed a healthy improvement in gross margin due to the enhanced product mix. Over the past few years, Company has placed its emphasis on reducing the debt during the quarter, also the debt reduced by ₹171 crores and the debt-to-equity ratio stood at 0.12x.

With this the Company intends to become debt free by next financial year.

Coming to Lighting and Consumer Durables business, the Company registered a revenue growth of 11.5%, which was driven by favorable business environment for both B2B and B2C segments. Also, during the quarter, the Company executed various renowned projects which led to a growth of 27% in Professional Luminaire Lighting with multiple upcoming government and private infrastructure CAPEX. We are confident that our Professional Lighting division is poised to reap

significant benefits from this cycle. This division has and will continue to build a stronger order book in FY24.

EBITDA for the quarter stood at ₹33 crores registered a growth of about 52% and the EBITDA margin which is very important and stood at 8.8% and earlier same year-on-year it was about 6.48%. This improvement was supported by better product mix, backward integration attributable to the PLI scheme and premiumization with this expect our margins to improve further. With the anticipation of the upcoming festival season, the Company has taken proactive steps to enhance its product offering in the Consumer Durable segment by introducing a diverse area of items tailor to meet the preferences and need of consumers.

We strongly believe that these endeavors will not only augment our market presence, but also contribute significantly to enhancing our brand equity. The CAPEX under the PLI scheme is ongoing as per the plan which has benefited the Company in lowering the cost due to backward integration, nature of the CAPEX. The Company also reduces its replacement cost now at 4.17%, reflecting a significant reduction from 4.57% last year of the same quarter. The Company has been making sustainable investment to enhance its in-store excellence in store product display and in-house merchandising for customers. Concurrently efforts have been directed towards strengthening interactions with dealer, distribution and electrician through a series of campaigns.

In FY24, the Company plan to double the advertisement spend cost from the current level which will in turn help to build brand visibility and increase the market shares. With this, the Company plans to enhance the outreach program through various ATL and BTL campaign. 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 and Strip business, due to lower steel price throughout the quarter, the Company topline remain almost flat. Nonetheless, we expect raw material cost to stabilize over the next couple of months, but the Company increased its volume by 20% in the quarter with domestic businesses increases by 27% and export business increasing by 7% in the volume and we expect the overall performance to accelerate towards H2 FY24 as a lot of infrastructure projects whether it is private or a public, will pick up execution phase post monsoon session.

EBITDA was ₹83 crores during the quarter of steel business showing a 70% increase and EBITDA per ton of ₹4,388 per ton. Volumes, premium product and a diversified product mix drive this performance. The Company has witnessed a steady order inflow in API pipe and other value added product from Oil and Gas, CGD, water transportation sector as well as export market. With this the order book is above ₹500 crores as of 30th June 2023.

The board of directors has approved a CAPEX of about ₹45 crores mostly for the Cold Rolling modification and small amount of about ₹5 crores for the PVC business. While CAPEX for large-dia pipe at Anjar and GP and CR coils pipe in Hindupur is ongoing. With this CAPEX plan in coming years, the Company anticipates this segment to achieve revenue growth of about

10% to 12%. 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.

And lastly, there is a small announcement of splitting of adjusting equity share to enhance the liquidity in the capital market to widen the small shareholder base and to make the share more affordable to retail investors. The board has approved sub-division of 1 equity share of face value of ₹10 each into 2 equity share of face value of ₹5 each. So, now I will like to request our CFO Mr. B B Singal to share his thoughts.

Bharat Bhushan Singal: Thank you respected MD, sir and very good evening to all participants on the call. The Company's revenue reported a sustained growth momentum during this quarter. Revenue stood at ₹1,875 crores, a growth of 2% year-on-year basis. The quarter EBITDA and PAT grew by 65% and 166% respectively, on a year-on-year basis to ₹116 crores and ₹59 crores respectively. EBITDA margins improved by 235 basis points to 6.2%.

In Lighting and Consumer Durables, for this quarter the revenue stood at ₹374 crores, a growth of 11.5% year-on-year basis. EBITDA and PBT stood at ₹33 crores and ₹26 crores, a growth of 52% and 88% Y-o-Y respectively. This revenue growth can be attributed to the PLI scheme backward integration and by increased demand for value-added products.

In the Steel Pipes and Strip segment, during the first half of financial year 24, the Company's EBITDA and PBT grew by 70% and 237% to ₹83 crores and ₹55 crores respectively. EBITDA per metric ton stood at ₹4,388 compared to ₹3,103, a robust growth of 41% year-on-year basis. As of 30th June 23, the Company has reduced debt by ₹171 crores and continues to remain long-term debt free. Debt equity reduced to 0.12x as on 30th June 23. The Company continued to maintain a positive cash conversion cycle. The working capital days stood at 64 days during first quarter. Working capital days for Lighting and Consumer Durable stood at 63 days in first quarter while Steel Pipes and Strips working capital days at 64 days in first quarter. As on 30th June 23, return of capital employed improved by 750 basis points from 8.2% to 15.8% and return on equity (ROE) improved by 680 basis points from 5.7% to 12.5%. With this, I conclude the presentation and we can now open the floor for further questions and answers.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Shreyans J from Svan Investments. Please go ahead.

Shreyans J: Sir can you help me with the EBITDA per ton for the year, as well what is your guidance on that? And the growth that we can expect in steel business?

Raju Bista: You have asked 2 things, once again I want to remind all my investors that the cyclone that came in June in the Western part and Southern part had a very big impact on our exports and API from our Bhuj plant. The plant remained disturbed for almost 15 days, along with the falling prices, but in the whole year, on revenue terms there will be a growth of 10% to 12% in steel division

and as far as EBITDA per ton is concerned, as you must have noticed that in Q1 it was near ₹ 4,400, last year which was ₹3,103, so there is an improvement of almost 41%. On annual basis, I believe right now it is very difficult to predict in Steel and HR coil, but still I can give confidence to my investors that last year our EBITDA per ton was almost ₹6,500, so this year also we will be near that only or we can surpass that also means overall, in 50 years history last year's Steel business and Pipe business was very good. We will not go below that, this is only what I can say right now, but precisely it will be very early to exactly quote any numbers. In that per ton EBITDA will be substantially on the higher side.

Shreyans J: Sir I want to understand that we have seen a fall Q-o-Q, we did an EBITDA per ton of ₹9,800 in Q4 and steel prices is obviously corrected, so would you attribute all of that to steel prices only or there is some change in our mix also?

Raju Bista: See there was a good number in Q4, but it was for one quarter only, overall, for full year we will try to be around ₹6,500 or also little above. But there are 2, 3 things, in Q4 steel price was on higher side, its positive impact was there in the balance sheet. Although, our API export and many other fixed price order, but in spite of that also routine trade which used to contribute near 60% in the overall business, had a little bit impact. So, in this quarter also the impact of EBITDA of ₹1,000 per ton on steel was due to correction in steel otherwise, it could had been ₹5,400 per ton EBITDA, it was the second reason. And third reason, as I said that due to cyclone, almost 10,000-ton quantity we could not do export and API where GP gross margin is near ₹10,000 EBITDA per ton. So, these were the main 3 reason, but as I told you that Q2 will be better than Q1 even though it is rainy season and overall, our annual target base is near ₹6,500.

Shreyans J: My second question is on FMEG business, how is it? Many companies and many brands have come in market and everyone is saying that we will expand our distribution, brand is strong, we will do distribution expansion, but there is a limit to expand your distribution and to get that growth, so according to you what will be the top 2, 3 things that you will have to do to gain the market share or to grow your business in that segment?

Raju Bista: See, you have said correctly that people say that we will grow, we will bring new numbers, will do brand building, will improve the distribution network, but it required 50 years for Surya Roshni to reach at this position. Across India there are almost 3.5 lakhs electrical outlet and it is not easy to reach at that level and make your position. It is possible that any Company can do a business of ₹100 crores to ₹300 crores, but it is not sustainable. You need a brand with network and with network you need innovation and product development and your plant and all this is required. It has been 35 years we have been doing Lighting business. Currently we have reached at a turnover of ₹1,500 crores, ₹1,600 crores, so I believe that in difficult times also we performed very well, so in Q1 we had a growth of 11.5% and we will grow by 20% in lighting business on annual basis.

Shreyans J: And my last question, sir any plans for demerger as your business is sustainably growing?

Raju Bista: It was not discussed in this board meeting. There was definitely a discussion about the split in this board meeting and the board has approved it. A long discussion was whether to do ₹ 2, or ₹ 5, but according to us and management, our share as compared to peers who have done less than ₹20,000 or did a split at ₹3,000 in comparison it was around ₹825. It is not very much, so we were saying that we have to grow in future, have to give performance, so we requested a board and the face value which was ₹10 became ₹5. Bank liabilities are almost finished and ₹230 crores is a working capital loan which means our long-term debt is zero. Hopefully, as we reduced ₹171 crores in this quarter and I am hopeful that growth will also come. This is our promise towards investors that next year's balance sheet will be a zero-debt balance sheet, we will not have to go the banks for internal CAPEX. The Company has completed 50 years and this year will be for the investors, that is all what I can commit to you and rest we have put before you whatever was decided in today's board meeting and will definitely share with you if anything like this happens.

Moderator: Thank you. The next question comes from the line of Avesh Chauhan from IDBI Capital. Please go ahead.

Avesh Chauhan: Sir in our Steel Pipe division we are expecting that EBITDA/ton can be of 6,500 to 8,000 in FY24? For the full year?

Raju Bista: Yes 6,500 or above that.

Avesh Chauhan: And sir in terms of volume growth, other companies in this business specially in Steel Pipes they grow north of 15%. What are we targeting for a volume growth of 10%-12%?

Raju Bista: We feel that there are 2 types of markets, one market is where work hard and keep the margins low, we do not believe in that and we feel that our focus is mainly on the premium segment for which Surya brand is known for and rest our CAPEX is also constant and you would have seen that in every board meeting we share everything with you, so in the coming times also we will do that. We believe that there are many products in the market, one product is there in which per ton EBITDA comes of ₹1,500 under round section, GI and round black pipe has EBITDA/ton of ₹ 3,000, galvanized pipe has ₹ 5,000, in API export it is ₹ 9,000 to ₹ 10,000. Our focus is on the premium which suits Surya Brand. There is no point of doing a business where hard work is done but not getting the money. And it is not like that under Section Pipe you make any brand equity, I have seen if you make it cheaper by ₹500 then its start getting sold because the source of HR coil is the same. Still, you will see in terms of revenue it is a big challenge to bring overall growth of 12% which is our internal target, and for that you have to do volume growth more than 20%.

Avesh Chauhan: Lastly, sir whenever there is a discussion in board regarding demerger, as you said that this time no discussion was there, but earlier it had happened, so what was the reason that demerger was not done earlier?

- Raju Bista:** It didn't come in the agenda, previously the discussion was done twice while I am the MD, so it was said in board that one committee should be created and that committee should be working on that and work was done to a large extent, but it didn't come in this time board meeting, so I can't share with you right now, whenever it comes we will inform you definitely.
- Avesh Chauhan:** Sir as you are saying that one committee is formed which is working on it?
- Raju Bista:** Committee has been made and committee has completed its work, I can share with you these things only if we get anything from the board to go further, so until then I can't tell you more on this.
- Avesh Chauhan:** Lastly, we are saying that next year our balance sheet will be debt free, so the CAPEX will not be more? I think then what will we do with the cash?
- Raju Bista:** See there are 2 things, whatever cash is generated will be used for Company's growth and then we will pay dividend and still anything remains then as I said whatever cash is generated either it will be used in business or will go to shareholders, can't go anywhere else.
- Moderator:** Thank you. The next question comes from the line of Rohit Mehra with SK Securities. Please go ahead.
- Rohit Mehra:** So, the first question is what kind of growth are we seeing in the Lighting business for FY24?
- Raju Bista:** As I told that almost 20% will be the growth in revenue in the Lighting and in Steel division growth of almost 12% is expected in FY24.
- Rohit Mehra:** And what products have we launched for festive? What kind of growth are we expecting in the second half?
- Raju Bista:** Launching of products is a regular process, in fact under Lighting we have taken almost 400 distributors, retailer abroad and a very big launching program was done. So in Lighting there is continuous innovation and improvement in product and quality. Looks and esthetic improvements have been done because competition is very much, so if you have to look, good variety of products and esthetic and look should also be nice also, so it is a continuous process. So, in this we have set our R&D in Noida, almost ₹10 crores investment we have made in that, almost 50 engineers day and night are working on it. So, assume that at least, we innovate and develop and do the designing for 5 new products in a month and yearly 60 to 70 products, so this is a regular ongoing process and in that we try that by doing some R&D we display some premium product to the market. As I told you that time, we are doing a very huge campaign across the country to strengthen our existing outlets, and to improve our position in big cities of Tier-1 and Tier-2. So across the country we are going to do seminars for 200 retail meet, retail outlets in which electricians will be there and we will do workshop with the electricians of each and every big cities under Tier-2. And because of that we feel that if our positioning is made in big cities under Tier-A and Tier-B because originally we were selling bulb, tubes, so in this

Downlighters and Smart Lighting, if I compare with our peers our market share is little low. If overall peers have a market share contribution of 30%, 32% from Tier-1 and from big cities then ours is 17%, 18% only, so there is a big gap and to bridge that gap we are going to do a very big campaign from 15 August till Diwali. I think there will be a lot of improvement because of that too. So, as told Lighting is very competitive and there is a lot of competition, but your relation with your channel partner is important. Here if anybody's credit note has to be gone in replacement, then within 30 days settlement is done, so many such small things are there due to which electrician and electrical outlet connection remains with the Company and we have maintained it till now, it has been a very big strength of Surya Roshni.

Moderator: Thank you. The next question comes from the line of Viraj Shah with Shah Investments. Please go ahead.

Viraj Shah: Sir how is the steel export performing? Are we receiving any orders?

Raju Bista: Export business is growing; in fact, we have added several new countries also. I will not name here publicly, but in the Western side many new countries are added and due to the cyclone orders were little less, but still now we have export orders of ₹350 crores, ₹400 crores in hand which will go within 1 month or 2 months. So, export is our regular business-like trade, regularly we are exporting 15,000 ton and for the last 3 months 20% contribution of our overall business size is done by the export business. Last year our segment size was 15%, 16%, which has now increased to 20%, so it is growing and the acceptance level is very high towards Surya and in fact in many countries there is a high-level competition to take our dealership.

Viraj Shah: On DFT plant, what kind of revenue are we expecting?

Raju Bista: DFT is like a new born child for us and our overall EBITDA is 4,500, so to place the material we are doing, so this year we will do a quantity of 30,000 ton and under it EBITDA is contributing nearly ₹2,000 per ton.. So in the coming years its quantity will be increased and margin improvement will be seen. This is a big size section pipe, distributors doesn't stock and sell, and very much is dependent that how is project cycle moving a lot depends on that. And it has a different market and we are working on it.

Viraj Shah: Sir what is the overall capacity utilization?

Tarun Baldua: If we consider all the plants, then capacity utilization on average is 72% for this quarter.

Raju Bista: Otherwise, on an average our capacity utilization is 78% to 80%.

Moderator: Thank you. The next question comes from the line of Chintan Patel with Abans Investment Managers. Please go ahead.

Chintan Patel: Sir can you tell me revenue breakup industry wise?

- Raju Bista:** Do you want our segment wise?
- Chintan Patel:** Yes, segment wise.
- Raju Bista:** As I told you, if I talk about quarters our overall contribution from trade was near 55% and exports contribution was almost 18%, cold rolling contribution is 12%, APIs contribution is 12%, actual user which goes to B2G or goes in projects contribution is 5%, like this is our overall segment percentage.
- Chintan Patel:** Sir the business which comes from this Oil and Gas industries, so how much percentage it is contributing?
- Raju Bista:** Oil and Gas segment contributes 12%. One thing you have to see that even though there is a 12% contribution in volume, in value terms its contribution is 20% in revenue and in margin also.
- Chintan Patel:** Sir which are other industries driving the growth except Oil and Gas?
- Raju Bista:** Trade is a regular business; export is a major chunk and the third one is the Oil and Gas itself. So, mainly we are into trade, export and API business and followed by cold rolling which contributes about another 11%-12%. So, majorly these are the 4 segments.
- Moderator:** Thank you. Ladies and gentlemen as there are no further questions, we have reached the end of the question-and-answer session. I would now like to hand the conference over to Mr. Bharat Bhushan Singal, for his closing comments.
- Bharat Bhushan Singal:** Thank you everyone for joining us today on this Earnings Call. We appreciate your interest in Surya Roshni Limited. I sincerely once again thank our MD and the CEO for sparing their valuable time and addressing queries raised by participants who attended the call. For any further queries kindly contact SGA, our Investor Relation Advisors. Thank you.
- Moderator:** Thank you. On behalf of Surya Roshni Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.