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

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Dated: 15/05/2024

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

REG: TRANSCRIPT OF EARNINGS CONFERENCE CALL FOR AUDITED FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31ST MARCH, 2024

Dear Sir/Ma'am,

This is further to our intimation regarding Conference Call for Analysts/Investors with respect to the Audited Financial Results of the Company for the Fourth Quarter and Financial Year ended 31st March, 2024.

The transcript of the conference call held on 13th May, 2024 with investors/analysts to discuss the Company's Q4FY24 Financial results is enclosed herewith.

Kindly take note of the same.

Yours Sincerely,

For JTL Industries Limited
(erstwhile JTL Infra Limited)

Amrender Kumar Yadav
Digitally signed by Amrender Kumar Yadav
Date: 2024.05.15 16:43:47 +05'30'

Amrender Kumar Yadav
Company Secretary & Compliance Officer

"JTL Industries Limited
Q4 FY24 Earnings Conference Call"
May 13, 2024

MANAGEMENT: **MR. PRANAV SINGLA – WHOLE-TIME DIRECTOR – JTL INDUSTRIES LIMITED**
MR. DHRUV SINGLA – WHOLE-TIME DIRECTOR– JTL INDUSTRIES LIMITED
MR. ATUL GARG – CHIEF FINANCIAL OFFICER – JTL INDUSTRIES LIMITED

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

Moderator: Ladies and gentlemen, good day, and welcome to the JTL Industries Limited Q4 FY '24 Earnings Conference Call hosted by Nuvama Wealth Management. As a reminder, all participants' lines will be in the lesson 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 Ms. Sneha Talreja from Nuvama Wealth Management. Thank you, and over to you, ma'am.

Sneha Talreja: Thank you, Manuja. Good morning, all. On behalf of Nuvama Wealth Management, we welcome you all to the JTL Industries Q4 FY '24 Conference Call. We are joined today by the senior management of JTL Industries, represented by Mr. Atul Garg, CFO; Mr. Pranav Singla, Whole-Time Director; Mr. Dhruv Singla, Whole-Time Director. We will now start with the opening remarks by the management, followed by the Q&A. I would now like to hand over this call to Mr. Pranav Singla for his brief opening remarks. Over to you, Pranav.

Pranav Singla: Thanks, Sneha and Nuvama, for hosting the call. Good morning, everyone. Thank you for joining us today. I'm delighted to welcome you all to the JTL Industries conference call, where we will discuss the financial performance for the quarter 4 year ending 2024 and for the whole year as well, in which we'll overview our current capacity expansion and recent acquisition as well.

Before we delve into the details of our quarterly results, let me briefly introduce our company to those who may be less familiar. With 3 decades of experience, JTL Industries has transformed into a rapidly expanding company in steel tube manufacturing. Our product lines include a variety of offerings, ranging from ERW black steel tubes to pre-galvanized and galvanized pipes, large diameter steel tubes and pipes, solar structures, and hollow sections. We specialize in crafting VAP products, with a focus on galvanized pipes, to ensure superior quality standards and impeccable finishing across all of our products.

JTL operates 5 cutting-edge manufacturing facilities across India, located to secure raw materials at competitive rates and facilitate our expansion into global and domestic markets. These facilities consist of 3 plants in Punjab, 1 in Maharashtra and 1 in Chhattisgarh, collectively capable of producing over 1 million tons as a whole. Recently, we acquired a controlling stake to the tune of 67% in Nabha Steels and Metals located in Mandi Gobindgarh, Punjab. The acquisition provides JTL with ownership of an advanced steel product manufacturing facility. The newly acquired plant boasts a manufacturing capacity of 2 lakh tons and specialises in coil and long steel products such as billets.

The strategic move enhances JTL's backward integration capacity, increasing coil production from 1.5 lakh tons at the Raipur plant to 2.5 lakh tons and augmenting long product output by an additional 1 lakh tons across Chhattisgarh and Punjab. JTL is set to enhance its production capacity in Maharashtra and Chhattisgarh through a substantial expansion initiative. The initial phase targets drive overall pipe capacity from 0.6 million tons to 1 million tons by incorporating DFT and traditional forming technologies for manufacturing galvanising steel tubes and pipes.

This move will enhance plant capacity utilisation and manufacturing efficiency and diversify our range of value-added products to new geographical markets.

Regarding our financial performance, JTL has achieved a remarkable milestone by attaining its highest-ever sales volume, reaching an unprecedented volume of around 3.4 lakh metric tons. This surpasses the sales volume of the previous year, which stood at 2.4 lakh tons, showcasing a robust growth of over 42%. Additionally, JTL experienced a significant rise in the sales of value-added products with a 35% increase, climbing from 74,000 tons in FY '23 to around 1 lakh tons in FY '24.

Our revenue grew 31% to INR2,040 crores in FY '24 compared to INR1,550 crores in FY '23. The company witnessed a significant uptick in revenue attributed to robust demand of products and strategic expansion initiatives undertaken during the year. On the profitability front, we remain committed to gradually increasing the same since EBITDA for the financial year -- the fiscal year was reported at INR153 crores, with an EBITDA margin which was healthy at 7.5%. The performance was supported by several critical factors, including increased VAP share, overall scale of operations and continuous focus on enhancing efficiencies across all our plants.

Turning to our future-looking guidance. We anticipate a 35% growth in revenue for FY '25 compared to FY '24 while maintaining an EBITDA metric ton of INR5,000 plus for the whole year. After this, CapEx remains consistent with expectations for the upcoming period. Thank you for joining us today, and I look for an engaging discussion.

Moderator: Thank you very much. The first question is from the line of Nitesh Dutt from Burman Capital. Please go ahead.

Nitesh Dutt: My first question is I want to understand what is your primary versus secondary mix? And also within secondary, are we manufacturing from patra re-rolling kind of material or sponge iron-based HR -- slit HR coil?

Pranav Singla: Thank you for your question. Our company's capacity is 50% primary and 50% secondary, and this year's output was in the same ratio. For secondary products, we procure billets and reroll them into narrow-width coils at our Raipur plant to the tune of 1 lakh MT

For our MandiGobindgarh plant, which has a capacity of 2 lakh tons, we procure our secondary coils from the local market players. For primary, we procure material from JSW and TATA at our Derabassi plant and our Maharashtra plant, each with a capacity of 1 lakh tons and 2 lakh tons, respectively.

Nitesh Dutt: Got it. That's helpful, sir. Secondly, I want to understand over the last 2, 3 years, has the secondary segment been a big driver of growth for us because the secondary prices have been lower than primary sales. And hence, there was a market sort of tailwind because of low prices. And also, one of our large, listed competitors has been claiming that the market is potentially shifting to primary because, number one, consumers' preference for better quality. And second, as the new HRC capacities are coming up, the primary steel prices are expected to go down. So just want your perspective on both of these things on how you see the market will move, if at all? And how you are prepared to handle that?

Dhruv Singla: Yes, to answer your question there, there has always been a primary and secondary market in the majority of the products in India, be it long products, such as TMT and I beams or other channels, so there has always been a primary-secondary divided into the Indian market. As for the ERW pipe segment, it is more of the usages of the product and the gauge of the product, which is available for a primary and secondary option.

In the recent past, lighter gauge structures have been required for, say, your steel gates, like load-bearing structures such as airports, sheds, or just a shed. So, all these applications require lighter gauge steel, which becomes even more expensive as a primary source of products with the deltas of thinner gauge.

The main utility of the secondary product is that it is a direct replacement for wood. With the increase in the usage of steel as regards to wood, we've already seen an increase in demand for secondary products in the last few years. That's why we've grown, say, equally in both segments. Yes, since we are expanding our product profile, we are going from -- earlier, we used to do only 5 to 6 inches.

Last year, we started up to 12 inches. Going forward, we're coming up with DFT, which is essentially a 20-inch mill. So we are going towards a broader product profile, wherein, yes, we have to use more of the primary product, so -- and for different users and applications. But it's safe to say that there will be a good demand for secondary products as well.

Nitesh Dutt: All right. That's clear. Just last question, sir, on this. In your -- in the secondary segment, who is your core competitors, right? Are these smaller players and, hence, you are able to take advantage of your bigger scale distribution, et cetera? And secondly, all the big players, right, at least in the prime -- on the primary side are putting up huge capacities. So everyone is on the listed side. Everyone is increasing capacities by at least 2x over the next 3, 4 years. And demand is not growing at 15%, 20% CAGR. It's likely growing at 8%, 10% or low teens CAGR, right? So do you see an overcapacity risk on both the primary and secondary side of the market?

Pranav Singla: In the secondary market, there are numerous players. Plenty of them are not in the listed space, and they are scattered across pan-India, so it's hard to name a specific person or a specific company. In the primary segment as well, the demand—maybe you forecast that in the low teens because of the whole election scenario, and the steel demand is low now. Otherwise, the market has been growing at a rate of 12%—13%.

And this is what we're expecting, or maybe higher than this is going to happen post-elections. So there is no tailwind that we are expecting in the market. It's a growing industry, and the use case scenarios are expanding as Dhruv mentioned. So the industry, for primary and secondary, both, is growing at a good 13%, 14%.

Nitesh Dutt: So basically, you expect that the incremental capacities that are coming up, for those capacities, there is enough demand in the market to absorb the incremental capacity?

Dhruv Singla: See, when we are increasing our capacity in the market, we are not increasing capacities in the product profile that we were doing previously or the same product profile over and over again.

So when we are going forward, we're focusing more on value-added products, which open up more space and more market for us to venture into.

For example, DFT will open up newer export markets for us and newer markets for structural applications and multistorey buildings. So, what we essentially are doing is not following the herd and just putting up capacities in the same black pipe manufacturing up to 3 inches or 4 inches, which is the lowest strata of the value chain of ERW pipes. So that is not what we are aiming for.

We are aiming to increase our product profile by increasing our size range in value-added products. So even if multiple capacities are being installed in India, only a couple of players are doing this in a value-added segment rather than more of the players going into the commercial grade pipes for volume increase.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: So my question is regarding the abnormal fixed asset turn that we generate right now. Can you shed some light on it?

Pranav Singla: Can you please repeat the question?

Pradeep Rawat: Yes, my question is regarding the fixed asset turn. It's quite high right now as compared to industry peers. Can you like shed some light on it?

Pranav Singla: Thanks, Pradeep, for your question. Our asset turn was extremely high because the mergers and acquisitions that the company has made in the recent past have been on book value. If you look at the gross block this year, it has increased from around INR90 crores to around INR150 crores. So this is getting our asset turned down to 14 and 15 from levels of 18 and 19 before.

So this is a gradual shift which will happen over time. And then -- as assets will sweat as well, you see the number coming properly as well. This year, as well, we are expecting to deploy close to INR150 crores - INR200 crores on CapEx. So, hence, our gross block will come down -- our asset turn will come down further to 12, 13 numbers, which will be across -- similar across the industry. It's just that previously, whatever asset purchase we did for the Mandi plant and the merger we did was around book value. So hence, the asset turn seems bigger right now.

Pradeep Rawat: Okay. Okay. So my second question is regarding that you -- earlier, you have regarded that we will outgrow our competitors. Like we can expand our market share from 9% to 25%. So can you -- what gives you confidence to outgrow our competitors? What is our edge?

Pranav Singla: If you look our numbers for the whole financial year, we've done a tremendous 40% growth over the last financial year. This has been done because we have added our SKUs and gathered more market share from our competitors. The following approach would be that we'll be adding more SKUs as well and circulating the same products in the market.

Plus, we are a debt-free company, which encourages us and gives us confidence in making the pricing comparable to ours. I'm also playing with the margin. So, growing, expanding, and increasing the VAP share is comparatively easy for us because of our debt-free status.

Moderator: The next question is from the line of CA Garvit Goyal from Nvest Analysis Advisors.

Garvit Goyal: My first question is on the industry side. Like do you witnessing any kind of slowdown happening at the industry level due to this political events going on?

Pranav Singla: Thanks, Garvit, for your question. We don't see any slowdown in the industry because of the scenario that is happening. Obviously, in the quarter, we faced a little slowdown because there was no government demand as such. But apart from that, after the elections are over, we expect the demand to pick up again because the missions where we supply products are a basic demand for the country and this mission is bound to happen; Jal Jeevan Mission, no matter which government comes or how elections turn up. This is the kind of industry where we cater is very safe.

Apart from that, we don't have our major sales happening in a specific sector. Around 20% of our sales are in the government sector, and the rest is in dealers and exports. So, we always prefer to maintain a healthy mix of supplies. So whenever there's a slowdown in one kind of industry, we can at least cater to the other industries a little more.

Garvit Goyal: And secondly, on your value-added mix, it is not -- it is also improving in terms of absolute numbers. But your value-added mix in terms of percentage are not getting improved. So what is the reason for that?

Pranav Singla: In order to start producing value-added products, the first step is to increase the production of black pipes. When I run out of black pipes, I can't make galvanized pipes. I've been adding galvanized tanks, but the real increase will happen when all my galvanized tanks are operational. Looking ahead, I plan to add a GL line, color-coated line, and DFT structures this year, which should significantly increase the overall share of value-added products as they come in VAP from day one

Garvit Goyal: So like you mentioned, this year, we are going targeting 5,000 tons of EBITDA. So what is exactly that, that is giving you the confidence to reach to that number considering the kind of EBITDA per ton that we are currently doing.

Dhruv Singla: So right now, the products that I'm offering is galvanized pipes and black pipes. Going down the line, when I'm talking about adding my VAP products, I'm adding products from GL line, color-coated line and DFT. These products are valued-added from day 1 itself. So these products have EBITDA per ton in the higher 7,000, 8,000. So once these products come into production and start settling in the market, these products from day 1 are value-added and will obviously show increase EBITDA per done.

Garvit Goyal: So are these products going to start contributing to the revenues from this quarter only or the upcoming quarters?

Dhruv Singla: No, not this quarter. You should start expecting everything to be commissioned talking about DFT in quarter 2. And from H2, you should start looking at the proper numbers. We'll obviously see the trial phase of DFT in H1 itself, but the proper numbers in efficient manner will be visible from H2.

Garvit Goyal: And are you people also like [inaudible 0:20:03] about the incremental supplies taking over the demand? So is there any real fear of oversupply in this industry going ahead?

Dhruv Singla: Can you repeat the question? You were not audible.

Garvit Goyal: Like is there any kind of fear in terms of the oversupply in this industry going ahead, considering the plans of your peers as well as plans of JTL Industries?

Dhruv Singla: As we mentioned before that we venture into adding our SKUs every -- like when we're expanding, we are adding our SKU. If we were just adding the same product, then it would be a fear for us. But as we are diversifying ourselves and adding more SKUs, then every growth rate that we are conquering, so this fear is not anyway close to us and these products that we are adding are fully value-added from day 1 itself. So there is no fear as such that it may be a slowdown or there's oversupply in the industry for our products.

Garvit Goyal: But you are saying these products are value-added, but value-added products are also manufactured by the peers as well, that is why I'm asking this question.

Pranav Singla: The DFT products are not manufactured by a lot of players in India right now. We'll be essentially the third one, second one in India to get this technology. So there's a lot of humongous demand for the product, which we will be supplying. There are not many peers of us who do DFT products.

Moderator: The next question is from the line of Dhananjai from ASK Investment Management.

Dhananjai: Congratulations for good set of numbers. Just wanted to ask you a couple of questions. A, how much is the total CapEx we're doing for the next 2, 3 years? And b, what is the update regarding the warrants? And how are we looking in terms of inflow of the world money?

Pranav Singla: Thanks for your question. So the total outflow of the company expecting in CapEx this year is close to INR150 crores plus. And we'll be -- and if you compare the next 3, 4 years, we'll be spending close to INR500 crores plus, INR600 crores plus in the coming 2, 3 years. Giving like an exact figure would be tough right now because it's a phase-wise management enhancement. And if you talk about the warrants, we are the promoters, pitched in some money as well in the previous quarter, around INR170 crores is what the promoters -- INR675 crores is what totally promoter signed up for. And out of that, INR170 crores is what we already received in the company as well. And other warrants are due to -- the warrants that we did before are due in September. We expect everything to come before that. Around INR170 crores, INR180 crores is something that we are expected to get from that.

Moderator: The next question is from the line of Aditya Welekar from Axis Securities.

Aditya Welekar: Specific questions on capacity expansion plans. So in FY '25, we assume 1 million tons -- to reach the target of 1 million tons. And then for FY '26, how much capacity expansion you expect? And also if you can outline the sales volume guidance for '25 and '26?

Pranav Singla: Thank you, Aditya, for your questions. So yes, we'll be reaching the capacity mark of 1 million tons before year end. And the guidance that we mentioned for this year is a 30% upward shift over this year. And as our capacities keep coming up, every now and then every quarter, we'll keep upgrading our guidance towards upward section as well and continue to do better as well. And if you talk about the guidance for the next year, which should be again doing a 30% growth minimum for the next 3, 4 years.

Aditya Welekar: And you have mentioned INR600 crores CapEx in coming 2 years, right? If I heard you correct.

Pranav Singla: It's 2, 3 years, like not to give exact number, but around 2.5, 3 years is something that we can expect everything for outflowing.

Aditya Welekar: And your plan for 1 million-ton to 2 million-ton expansion means that will be contingent upon the funds available, means arranging of funds, right? And any color you want to do on that? Are you on track for 1 to 2 million-ton expansion? And by when you envisage that, that would also flow through in the longer term?

Pranav Singla: Yes, there's no struggle that we are seeing in expanding from 1 million to 2 million tons. The company has been growing its margins and recently increasing the profit as well. So if you talk about the whole scenario, promoters also helped in by putting in some money as well. So altogether, the company is in very comfortable cash situation right now for the future growth. And there's no stress as such we feel for the coming months.

So -- as and when the company requires money, the promoters are flexible to put in the money that time as well. So there's no agenda that we have made that we will be putting in money the last day or last something or the other. As and when the company requires money, the company has adequate money right now. But as and when the company will require money, maybe for advance to the suppliers or to order -- the advance for machinery, we keep putting in the money from promoter side itself.

Aditya Welekar: Okay. And on -- with regards to demand, so this first half of this fiscal, do we expect some softness in demand because of the elections and all? Or you expect that the demand will pick up only from the second half? Any color on the demand pickup?

Pranav Singla: So we're expecting our -- obviously, the demand should pick up enormously by H2, but our H1 should be strong as well. And we should try and give new all time high in every quarter.

Moderator: The next question is from the line of Bhavin Pande from Trust Plutus.

Bhavin Pande: Congratulations, Pranav, on great set of numbers and a wonderful year, you guys had at JTL. Just -- first thing, so this acquisition of Nabha Steels, sort of take me back to the previous interaction we had where the key moat cited was the backward integration to the core that helps company sort of generate economies of scale. So could you just shed light on this, both economically as well as if you could quantify the effect of this acquisition, it would be of great help.

Pranav Singla: Thanks, Bhavin, for your question. So this acquisition of Nabha Steels will help us basically expand our margins. Right now, in the Mandi plant, we procure around 1.1 lakh tons material, 1.2 lakh tons material from secondary players, who are locally available and supply the product of secondary coil. Having the acquisition of Nabha Steel will in-house makes the coil itself and it will be from scrap.

So effectively, we should be -- like on a black pipe right now if you are making close to INR2,000, INR1,500 EBITDA per ton. So it should be at least 30% more saving on increasing the EBITDA per ton on the black pipe itself. So it is yet to start. It will take a quarter or 2 or maybe 2 quarters as well right now for the final production from Nabha Steel to start because we're making some changes in the capacity right now. But once everything is set, you can see a significant increase in the bottom line.

Bhavin Pande: Okay. That's wonderful. Secondly, Pranav, on inventory front, the days inventory on hand has declined, so any just sort of reason that to be attributed to it?

Pranav Singla: Can you repeat the question?

Bhavin Pande: Yes. Inventory days have declined on a year-on-year basis for FY '24. So any reason for that?

Pranav Singla: So basically, since we're not into the business of manufacturing steel, we're just converting steel. So we tend to make ourselves more leaner when the prices go down and the steel availability is robust. So -- and vice versa when the material availability is not -- so say, frequently available, then we have to stock up.

So these are the reasons last year that there was a good correction in prices. And we were able to also move out our finished goods on a timely basis, and that's how we also tended to increase a little bit in our market share, to have tighter deliveries, increasing our product profile. So these are the reasons that we fared better on the inventory days as compared to the previous year.

Bhavin Pande: Okay. Okay. And just one last thing on return ratios. Of course, they would not look as great as they were last year because of expansion that's happening. But could you maybe shed some light on when we could see these numbers inching up in the positive direction?

Pranav Singla: So if you're talking about the ROCE and ROE, so INR62 crores (sic) INR60 crores of amount is still work in progress. And when these assets will come and start sweating, they will start generating the results. And -- so this is a phase where we have raised capital for further growth and, hence, there is a temporary blip, which will eventually reach this level in the coming year itself.

And if you talk about the margins of the company, it's better to look at the company's performance on EBITDA per ton basis and not the percentage manner. Because the percentage obviously keeps varying depending on the HRC fixed prices. So the EBITDA per ton has been altogether in a healthy growth manner and -- so we don't see any downfall, which has happened except maybe the ROCE and ROE.

Moderator: The next question is from the line of CA Rajesh Mangal Agrawal from Rajesh Mangal & Company.

Rajesh Mangal Agrawal: I have just 2 questions. Why the Q-to-Q, quarter-to-quarter, sales has been reduced near about 17% from INR567 crores to INR466 crores? And second one is why the promoter shareholding is reducing? I'm a retail investor.

Pranav Singla: Thanks, Rajesh, for your question. So the company's goal is to supply products in the market with a good margin. If you look at the numbers last quarter, we did a 1 lakh ton of the volume. And that quarter, our VAP product share was low. Hence, the absolute EBITDA and actual profit the company did is almost same to what we did this year -- this quarter. And so it really doesn't make a difference if we are -- it's basically a dice, it fits in that side or this side. So the focus of the company is to increase the VAP share eventually. And this will be happening in a phased manner every now and then quarter.

In this quarter, we expect the volume to be good as well, again, reaching a new all-time high, with the increase in VAP share. So that's how we aim to get the market in the future. And if you talk about the shareholding of the promoters, the promoter shareholding has gone down because we converted some warrants. There is no sale of stake from the promoter or any of the promoter entities. So, the promoter is not selling anything at all. It is just some conversion of warrants which have been happening every now and then in the quarter, which decreased the shareholding.

If you talk about the situation now, we've done the -- we issued the promoter warrants in December. So, post that, our shareholding is supposed to go up. So it's just a phase manner in which maybe 1, 2 quarters we keep seeing the shareholding is going down because of the warrants conversion from the public category. Eventually, when the promoters convert their warrants, the shareholding should go back to the 60% plus level.

Rajesh Mangal Agrawal: Okay. And the last question is, why this ROCE and ROE is reducing drastically? Near about 50% has been reduced as compared to last financial year?

Pranav Singla: So, as I mentioned, around INR65 crores is in working progress for the advances of machines that we've sent -- given. So when these assets come and when they start sweating, they will generate results and give numbers as well. So it's just a temporary blip that is visible. I think that by the end of H1 itself, we should see the ROCEs and ROEs going back to the 30 level.

Moderator: The next question is from the line of Pallav Agarwal from Antique Stock Broking.

Pallav Agarwal: Just a question on the 1 million-ton expansion plan. So are there any concrete time lines as of now? By when can we expect production start from that?

Pranav Singla: Thanks, Pallav, for your question. We're expecting everything to be set up or commissioned by the fourth quarter. The same numbers will be fully evident in the next financial year.

Pallav Agarwal: Okay. And what about the additional -- I'm talking about the additional 1 million, from 1 million to 2 million tons?

Pranav Singla: For the additional 1 million to 2 million, the company's plan is to set up everything by '27, and the same production for the entire will come by '28. So by '27 and/or maybe before we expect anything to be set up across the Maharashtra plant, obviously, it's going to happen in a phased manner. So every now and then, every quarter, if you see the numbers flowing in because of some machines coming in, the entire scenario of the whole 2 million tons should be evident post FY '27.

Pallav Agarwal: Okay. And also just on the EBITDA per ton metric, compared to peers, we have significantly done better in the fourth quarter. So are there any still old galvanized contracts under Jal Jeevan mission still in place? Or now are those out of the system and this -- we can probably maintain or increase the EBITDA per ton due to higher backward integration? Is that the scenario going ahead?

Dhruv Singla: For the Jal Jeevan Mission, right now, since a new government is under formulation and soon we will see it up and running, only after that, the full budget -- when the full budget is declared, only after that, the allotment will happen and new orders will come in. We only have a few tickled orders from last year, which, as I said, we're trying to complete. However, the full flow of all these projects will come in only after the full budget is declared. After that, we can see a good rise in orders from these entities.

But we've seen a good demand this month due to a recent correction in prices and the market being stronger. And going forward, we see that there will be a good flow of material with an increase in range that we are coming up with. Also, the export market is doing better as compared to last year's performance with increasing prices worldwide. So we see that most of the legs are covered. And since we are not stuck in supplying to one organisation or sector, we can increase supplying others. So yes, we see a good flow of the business right now.

Pallav Agarwal: Sure. So basically, our advantage in being present in both primary and secondary markets and backward integration is already showing up in the superior EBITDA per ton, and this should continue going ahead. So is that broadly correct?

Pranav Singla: That's correct. It will further increase as well, as we mentioned, because of the addition of Nabha Steel. The numbers will add up, and they will effectively not be coming in the top line, but they should be evident at the bottom line.

Moderator: The next question is from the line of Darshil Pandya from Finterest Capital.

Darshil Pandya: I just want to understand, have you implemented the DFT technology, which was supposed to be commissioned in Q1 FY '25?

Pranav Singla: No, the DFT technology is talking to you, right in the way right now, and is being imported from China. It should reach the plant by this quarter or maybe the beginning of next quarter and should be commissioned by the end of H1.

Darshil Pandya: So it's kind of delayed...

Pranav Singla: Yes, it's been delayed by a month or 2.

Darshil Pandya: Okay. And what will be the capacity post this DFT technology also commissioned? By the end of FY '25, it should be 1 million and, before that, once this technology is commissioned?

Pranav Singla: We are adding capacities in our Raipur plant and our Maharashtra plant. We're adding around 2 lakh tons of capacity, including DFT, to the Maharashtra plan. Similarly, we're adding capacities of 2 lakh tons in our Raipur plant. So, altogether, we should have 1 million tons of capacity by this year's end.

Darshil Pandya: Okay. So I just want to understand, sir, as the guidance has been given for 30% to 35%, but if I am not wrong, as we have done some acquisitions as well. And as this capacity numbers will be obviously live by next year. So I just wanted to understand, is 30% to 35% achievable or we can do more than that. Given this acquisition is also done and EBITDA per ton we are expecting some good uptick in this next year.

Pranav Singla: The expansions through the acquisitions we've done right now, it's a backward integration. So this won't be really evident in the top line or the volumes. The numbers that we have given of 35% and 30% growth are without accounting for all the expansions we're doing this year. So, as and when the machines come, we'll keep upgrading our guidance for the coming year itself. So it's a matter of time before the things come, and we'll maybe upgrade our guidance.

Darshil Pandya: Okay. Got it. And this year, VAP product share was around 34.5%, right, and we are expecting 40%?

Pranav Singla: Yes. This year, our value-added product was around 35%, . And going down the line, this year, we expect to cross the 40% mark.

Darshil Pandya: All right. One last question, sir. As you know, Q4, we see some demand slowdown. How has this quarter been like as of date as we speak today?

Pranav Singla: As of today, we have also been seeing very good demand from the export market. We are very confident that we should achieve a new all-time high this quarter.

Darshil Pandya: Got it. On export share, are we seeing this number to go still up because we are seeing some good uptick in the export numbers overall?

Pranav Singla: We have accounted for exports for this quarter and then given the new targets. Visible demand in exports, but we know that the domestic market will recover now than maybe by end of this quarter or beginning of second quarter. So given the exact number on how much percentage of exports we will be doing this year, it would be hard right now because the domestic market itself is very strong.

Moderator: The next question is from the line of Nikhil Agrawal from VT Capital.

Nikhil Agrawal: Sir, I wanted to understand how do you hedge yourself against the RM prices? Like in the last 1 month about HRC prices have been on an uptrend. So how do we see our margins shaping up going forward just because of the RM price hike?

Dhruv Singla: To continue our production in a, say, full manner, we have to keep inventory of about 12 to 15 days. But it fairly depends upon how we are shaped up against if there are back-to-back orders. To give you a broad overview, currently, we have 2 products, primary and secondary. In the primary market, we are procuring materials from JSW, Tata, and SAIL. Herein, we do have a monthly pricing with then.

We can procure so much material from them that we can sell in a month. That is fairly covered by those entities. And in the secondary market, there is daily pricing. So whatever the increase or decrease in the market there is, it's on a daily basis, not even on an hourly basis. So there, we are able to hedge our raw materials on a back-to-back basis. So these are fairly the points that let us cover our raw material hedge.

When we talk about a supply to our end user, say, the government organization, supply to a government entity, there is a price variation clause. Even if I do a pricing with them basing on the year, the prices that is applicable on the basis of the month that the material has been supplied to them.

And from the period as well just sort of monthly price basis, on a contract to contract price basis. So we are fairly covered on our purchase and sales in that manner. And it's both as well, we have a fixed price basis wherein we are only occupying orders, which we can complete in prime time of 30 to 45 days, which does not allow us a lot of time for, say, you have an effect of the increase or decrease in prices. So that's fairly how we work on these orders.

Nikhil Agrawal: Okay. So to a fair extent, you can basically pass on the price escalations or the reductions to the end customers?

Dhruv Singla: Yes.

Nikhil Agrawal: All right. And sir, reason why your volumes fell down in Q4, like on a quarter-on-quarter basis, if you look at it that way?

Pranav Singla: If you talk about the volumes for the fourth quarter, it's basically, as I mentioned, a dice, which I can throw this side or that side. So if I'm just doing more volume, we are not focusing on the main product that I want to increase my sales for the future, which is a value-added product.

So then I was actually -- eventually, taking a hit on my margins. So, if you look at the whole numbers, like the numbers of the whole -- for quarter 4 versus quarter 3, just being the same in the bottom line and EBITDA, everything. In fact, the EBITDA per ton has increased in a very good manner. So the company's goal is not to spoil the market, to have the margins, and increase the market share with proper distribution of these value products as well; that's the company's approach.

This quarter, we have a new galvanised tank being commissioned and started up in our Maharashtra and Raipur plants. So, after this correction, we'll be able to supply more black pipes and galvanised pipes as well. Supplying black pipes and increasing the market share is not a problem for the company.

Cutting off INR200-400 and selling black pipes can be done overnight, but that's not the goal. It will eventually affect EBITDA as a whole. So, we'll take an approach in which every quarter, we'll increase our VAP share and increase the whole volume.

Moderator: The Next question is from the line of Miraj Shah from Arihant Capital.

Miraj Shah: I have a few questions. Firstly, regarding to the industry. If in per ton capacity, if you can tell me what is the industry capacity right now and the demand level for FY '24?

Pranav Singla: Thanks for your question. It's very hard to give an exact item industry-wise, but we expect the industry to be 13, 14 million tons. And there'll be various industry players in that. The projection for this year was already mentioned; we'll be going close to 4.5 lakh tons of volume this year going forward, which will be further upgraded when our different CapEx missions come into the plants.

Miraj Shah: But this 4 lakh tons is something that we are adding. Industry-wise, if you could tell me how much capacity is coming in?

Pranav Singla: It'll be hard to tell the exact number of capacities that are coming when a few peers add capacities. So neck to neck that we know that around 1 million tons is being added in our peers. But getting the number for the whole industry is something we can't really tell right now.

And obviously, our goal is not just to increase the same products, our goal is to raise our SKUs. So no matter what the industry adds, our products differ slightly from the others. We are adding more SKUs, which are -- like the placement of wood and having ample users and a good demand in the export market. So, being a star export house, we see a good demand in the export market for our products as well as what we will be manufacturing in the future with the CapEx.

Miraj Shah: Understood. Sir, my next question is regarding the DFT capacity. So what is the current DFT capacity in the 6 lakh ton capacity that we have? And when we reach 1 million tons, so that is by the end of FY '25, how much of DFT will it have?

Pranav Singla: We don't have a DFT capacity right now. And whatever capacity we have is up to 12 inches. It doesn't include DFT in any of our plants.

Dhruv Singla: Going forward, we will -- from a 1 lakh tons -- 1 million tons of capacity, we would be having about 2 lakh tons of capacity as DFT structures and 8 lakh tons as the traditional pipe manufacturing.

Miraj Shah: Understood. So in the Raipur and Maharashtra, with the 2 places that we are adding capacity 2, 2 lakhs each, so DFT will be added 1, 1 like in each capacity?

Dhruv Singla: By the end of this year, we are adding 1 lakh tons of capacity, DFT capacities in our Mangaon plant. And say, by the early next year, we'll be adding another 1 lakh tons to the DFT capacity in our Raipur plant. So that's what our plan moving forward is.

Miraj Shah: Okay. Understood. And there were some areas that you mentioned on call. I just want to confirm this again with you because there were some disturbance on the line for me. CapEx, you mentioned INR150 crores to INR200 crores. And in the warrants, out of INR675 crores, only INR170 crores has been paid up yet. So the remainder will be done by September?

Pranav Singla: No. So, basically, out of INR675 crores, the large date is supposed to be having the money that we receive around February. So the date for us to make the last payment is 1.5 years after February. So that's effectively August for next financial year. But promotors are sticking to that. In fact, promoters will be putting in money every now and then after every quarter like maybe after H1 as well and someone early after H2 as well.

Basically, whenever the company requires money, we have the flexibility of putting it that way. The remaining—the second of September, the date I mentioned to you—was previously in the public category. It's the largest for those people. And the money amounting to plus INR170 crores is expected to come before that.

Miraj Shah: Understood. And EBITDA per ton, sir, you mentioned that we are expecting to reach INR5,000 per ton this year from INR4,450 that we did in FY '24?

Pranav Singla: Yes. So basically, the EBITDA per ton, every quarter is something we can guarantee about. But obviously, it should be an upskill manner. The company's number as a whole for the full financial year or maybe for the half-yearly is something that once you compare with because that's how the growth is visible. If you look at the company's numbers this year as well for the full financial year, the company is on growth. Obviously, comparing quarter-on-quarter would be hard.

So, like last year as well, when we had extremely high EBITDA per ton in q4. We mentioned it's a one-of-a-case scenario; if you go back to the con calls as well, we mentioned that there were humongous inventory gains that happened because of the merger that took place because of our Raipur entity, -- it was back integrated over there. So, all this was added up to increase the EBITDA per ton. But they were not sustainable without adding VAP products, which we have done now. So eventually, we will reach a number written that as well, but this will eventually happen in an organic manner by increasing our VAP products.

Miraj Shah: Understood. And did you mention, sir, that the 30%, 35% growth that we are expecting, that is without the expansion. Is that the right thought, sir?

Pranav Singla: So right now, if I'm talking about expansion, it is with expansion, obviously. Because our DFT will also come in this quarter. And our acquisition machines at our Raipur and Maharashtra plants will also come in this quarter. So, it does include an expansion. It's just that a few products like galvanized pipes—we've already installed tanks for that in our plants, which will increase the VAP share simultaneously.

Miraj Shah: Okay. And just one final question. I'll just get back in the queue after this. We have almost 130 plus acres of land bank. So after 1 million tons, we are aiming to reach to 2 million tons of capacity. After reaching 1 million tons, sir, out of this 150 acres, how much will be required to reach -- to add another 1 million tons?

Pranav Singla: So right now, if you talk about the area, out of the whole 130-acre scenario, around 95, 100 acres is what we have in our Maharashtra plant itself. In our Maharashtra plant, around 7, 8 acres is covered right now. Going down the line to increase the capacity to 1 million tons, maybe another 10-acre will be covered at max. So post that, when I'm expanding to 2 million tons from 1 million tons, there will be any way a lot of land bank still left. I won't be covering more than 40 or 50 acres going down the line again as well. So, the land bank would still be left over there for further future expansions.

Miraj Shah: I'll just put this in another way. Out of 130 acres, we'll be using up roughly 40 to 50 acres and we still have 80 to 90 acres left even after reaching 2 million tons?

Pranav Singla: We'll be obviously developing the area and reaching some parts of it for storing certain sizes of pipes as well. So, it's hard to say right now how much area would be ample that time going down the line.

Moderator: The next question is from the line of Sanjeev Damani from SKD Consulting.

Sanjeev Damani: Yes, sir. So now my first question is regarding direct forming technology, which is used on the Page #3 of your media submission, where capacities are also mentioned. So I heard -- a lot of disturbances were there in this conference, but I heard that, right now, we do not have any DFT capacity, we are going to put them up. So can you elaborate what is direct forming technology? And can you also tell me that whether it will start from iron ore to finish the formed products or how it will work?

Pranav Singla: So see, the direct forming technology, it's a traditional way of making a square and rectangular structure from ERW pipes. With forming a round tube first and then converting into a square, rectangular structure, which does not allow us to make heavier gauge or higher grade steel structures from the traditional machines that we do. And it's also a very tedious product -- tedious thing to do to make any non-standardized, standardized or special products that are required by the engineering industry. So the DFT technology allows us to have the square rectangular sections produced directly without converting into a round structure first.

And to answer your question about what raw material we will be using, we will be using HR coils only for the production of DFT. It is not from the source of ore, we will be using the same raw material of HR coils, but a higher grade and a higher thickness will be allowed in the production of the DFT structures.

Sanjeev Damani: Okay. My second question is whether we manufacture seamless tubes or not?

Pranav Singla: We do not manufacture seamless tubes.

Sanjeev Damani: So all our products are welded only, right?

Pranav Singla: Yes.

Sanjeev Damani: And the backward integration you talked about is 2 lakh metric tons because of the acquisition of Nabha Steel. So what exactly that Nabha Steel has facilities to manufacture? Can I know, sir?

Pranav Singla: So Nabha Steel is backward integrated. How is that? We use narrow width coils for manufacturing of ERW pipes and tubes. Nabha Steel has a melting shop, wherein you can melt scrap to form billets. The billets are then rerolled to narrow and HR coils, which will be used for captive consumption.

Sanjeev Damani: Sir, so are we running at full capacity of 2 lakh tons in Nabha now? Or we are yet to build?

Dhruv Singla: We just took over Nabha Steel. We are still upgrading it and getting it under our noses for its full capacity utilization. After, say, a quarter's time, we will have a full capacity of Nabha Steel running under our supervision.

Sanjeev Damani: So how much is the CapEx here, sir, in upgrading and refitting this unit?

Dhruv Singla: So it's just -- see this is a running plant again. We are just doing a certain minor upgradation, process flows, and debottlenecking. There are no major changes, and it is a great plant itself. So we're just reorienting it as per our needs. So that is what we are doing now.

Sanjeev Damani: To reconfirm our capacity utilization will be 100% from next quarter from this plant?

Pranav Singla: No. We will not be having 100% utilization. The average utilisation will be somewhere around 65% to 70% in this plant as well.

Sanjeev Damani: Okay. And in Raipur also 150,000 metric tons, we are putting up this kind of facility only, that is using scrap to make basic steel and then process it?

Dhruv Singla: We are not doing that here. We buy directly from the market, and then we roll that into...

Sanjeev Damani: Okay. So in Raipur, you are going to have a rolling plant?

Dhruv Singla: We already have a rolling plant.

Moderator: Due to time constraint, that will be the last question. I will now like to hand the conference over to the management for closing comments. Over to you, sir.

Pranav Singla: Thank you, Nuvama, for hosting the call, and thank you to everyone for taking the time to attend and ask questions. We anticipate 35% growth for next year, along with improved margins due to planned acquisitions and integration strategies. We expect to see positive results as early as the first half of the year. Thank you all for joining.

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