Bharat Wire Ropes Limited
Q1 FY24 Earnings Conference Call
July 28, 2023

Moderator: Ladies and gentlemen, good day and welcome to the Bharat Wire Ropes Limited Q1 FY24 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 '*' and '0' on your touchtone telephone. I now hand the conference over to Ms. Chaiti B Gujarati from Valorem Advisors. Thank you and over to you ma'am.

Chaiti Gujarati: Good evening, everyone and a very warm welcome to you all. My name is Chaiti Gujarati from Valorem Advisors. We represent Investor Relations of Bharat Wire Ropes Limited. On behalf of the company, I would like to thank you all for participating in the company's earnings call for the first quarter and financial year 2024. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs, as well as assumptions made by and information currently available to management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's earnings call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review. Now let me introduce you to the management participating with us in today's earnings call and hand it over to them for opening remarks. We have with us Mr. ML Mittal – Managing Director, Mr. Mayank Mittal – Joint Managing Director and Mr. Sushil Sharda – Director and Head of Finance. Without any further delay, I request Mr. Sushil Sharda to start with his opening remarks. Thank you and over to you Sir.

Sushil Sharda: Thank you, Chaiti. Thank you for hosting this call. Good afternoon, everyone for joining us today. It is my pleasure to welcome you all to our earning conference call for the first quarter of this year. Let me just give you a brief about the financial highlights of this first quarter. For the first quarter under review on consolidated basis, we have recorded revenue of Rs 158 crores which is higher by 19% compared to Q1 of last year and EBITDA stood at Rs 41 crores as against Rs 25 crores which is almost 64% higher than the last year Q1 and the EBITDA margin for the quarter were reported at 26%, which represents significant growth on year-on-year basis.Net profit stood at Rs 24 crores, which is higher by 98%. Now I request Mr. ML Mittal, our managing director to give you a brief about highlights of the company.

M.L. Mittal: Good afternoon, ladies and gentlemen, and thank you for joining us the first quarter's concall for fiscal year 24. In Q1 2024, we had a very healthy sales growth wherein our sales volume increase by 15% year on year and we are currently operating about 60% capacity utilization level. We saw an improvement in our EBITDA margin due to stable raw material prices and downtrend of approximately 5% of the year on basis. The fuel prices are so we are seeing a downtrend resulting in a reduction in power and fuel cost. We have also seen improvement in the probabilities mainly on account of increase in both sales realization as well as increase in volume well as also focusing on high value-added products alongside this there has been a reduction in interest bearing loans, which are also adding the profits on company. Our credibility with our customers is improving and day by day resulting in repeat orders consistently coming to the company. We can now open the floor for the question-and-answer session. Thanks for joining the call.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Our first question is from the line of Anika Mittal from Nvest Analytics. Please go ahead.

Anika Mittal: Sir my first question is from the margin spend, what will be the level of the EBITDA margin and EBITDA per ton for the financial year 24 as a whole year?

Sushil Sharda: Our EBITDA is 26% in the Q1 of 24.

Anika Mittal: Sir I am asking about further going ahead margins.

Sushil Sharda: Then we would try to maintain the same percentage barring unforeseen circumstances, but we are quite confident that we will able to maintain this because in the current year.

Anika Mittal: Okay and sir, further our sales for the ligation for empty improve this quarter, can we say these levels will prevail for the full year as demand outlook is good or it is a function of the raw material prices and steel prices to further see some correction in the HPA, so our realization.

Sushil Sharda: See realization order is going to impact the raw material price, but there is not major changes in the selling price. Raw material price also going down gradually. It is not crashing 20% every month, so we are so taking into account when we quote the news, inquiries so by and large, we try to keep our margin intact.

Anika Mittal: Okay and sir my next question is you mentioned in the recent presentation that we have an order book of Rs. 170 crores which is only for the three to four months, but the same quarter last year, we have order book of Rs 200 crores. So, there is my two questions. First is when you are saying demand is growing, then why this reduction in the order book and second is if we have 170 crore of order book. So, it is fair to assume that quarter 2 will be muted on basis of quarter-on-quarter and year on year.

Sushil Sharda: The order book is 3-4 months. Normally we continue and every day we go orders, some months because bunching of orders it might be higher, some more export orders say 10,000 or 2000 a bunch of so pending orders are more. But at same time we try to keep at least three to four months orders in hand and that trend will continue. It may be 175 to may be 225 crores. It is 175 crore to 225 crores order book poses we want to maintain it and that we will continue current era.

Anika Mittal: Okay and on this basis, it is fair to assume that quarter 2 will be muted.

M.L. Mittal: Pardon please.

Anika Mittal: Quarter 2 FY24. I am asking that quarter one Financial year 21 order book is Rs 170 crores and it is less than the if we compare it to the last year's order book, quarter 1 financial year 2023 order book, it is 200 crores. So, it is fair to assume that quarter 2 financial year 2024 will be muted on a year-on-year basis and on quarter-on-quarter basis.

M.L. Mittal: See, we are getting there around the 30 to 40 crores ordered shortly. Once this is 35-40 crores and definitely is crossed 175 to 200 plus. So, sometimes take orders from the mainly government tenders like we are already L1, but we could not get the orders till date. So, we not accounted that into order book position, but maybe 30 crores orders we will get shortly. Then we will add in the order book position we are already L1 in the some government tenders in India.

Anika Mittal: Okay and sir my next question is what is the size of the industry globally in terms of overall volume capacity and how the demand is growing at the industry level?

M.L. Mittal: Ma'am, we are global players. Our goods are being exported more than 50 countries, and by and large it is used for general engine purpose, shipping, mining, fishing, elevators. You know multiple usage, we don't keep the data for each and every industry separately, the rope is an item, which can be used for the multi-purpose. It can be for fishing, it can be mining, it can be for construction. So, growth is coming from the overall general GP rope that is general purpose rope.

Nevil Savjani: Okay sir. Thank you.

Moderator: Our next question is from the line of Tanuj Khiyani from Ventura. Please go ahead.

Tanuj Khiyani: So, I had some few questions on the US certification that are required for the elevators. So, could you please throw some light on that?

M.L. Mittal: We have certification from the OEM and we are supplying it expert certification only at least three companies in India, we are supplying elevator company and globally also we are getting registration from the various elevator companies and we already have the BIS certificate, so that is also important for us. BIS and Lloyd's registration for the shipping industries. There are very few companies in the world which have the Lloyd's registration certificate which is used for shipping.

Tanuj Khiyani: So, you know, I believe that there are two segments which are high margin segments. One is the elevators in the western world and special strands which are used in the shipping industry. So, we wanted to know whether we are going to, what is our market share.

Sushil Sharda: It is extremely difficult to quantify the market share as this is again a very big industry and in elevators we have a huge replacement market as well. So, it is very difficult to quantify what would be the market percentage as there is no official figures of the elevators that are coming in the market and the mode of rope they are using.

Tanuj Khiyani: Yeah, but I wanted to understand that, see, I understand that the Western companies earn more than 2-1/2 pricing power than we do. And if we are to compete in that market and gain market share from them and compete with them at their pricing level, what are the factors that we need to do to ensure that starts happening?

Sushil Sharda: See, we just have to stick to the basics wherein we are getting a good product with acceptable qualities and at timely delivery. So, if we stick to the basics, I think market is accepting our product and that is the reason we see growth, right, if we just stick to the basics, we satisfy our customers then I think we are on the right track.

Tanuj Khiyani: So, just one more follow-up question is, can you tell us about your CAPEX plans and also how are you going to use the cash flows to buy back the CCP's which are due in 34?

M.L. Mittal: See CAPEX plan is yet to finalize. We don't have right now CAPEX plan the moment we finalize; we will definitely inform to the BSE/NSE and to all the stakeholders it is still drying board that is very short number 1. Number 2 CCPS, we are not going to buy directly. There are certain investors who has shown interest to buy out. That's why we informed BSE/NSE that there are some people who are interested in buy out. So, the company cannot buy out CCPS. It has to be converted to equity as per the terms and condition of the CCPS and that is a 2034 onwards. Long period still outstanding so bank may or may not sell to any investors.

Tanuj Khiyani: One last question is that what is the bullet payment for your outstanding long term loans and what is the coupon rate on that?

M.L. Mittal: There is no bullet payment or payment loan repayment is staggered to 13 1/2 years from the 2021. So, 2033 is the last date of payment. At same time there is ballooning, so major payments region 2031, 2032 and 2033 but initially there are two percent 3% gradually increasing. So, there is a major burden on the company's cash flow and this cash flow what you are using that is you are improving the working capital of the company and using for balance the equipments.

Tanuj Khiyani: OK. Thank you.

M.L. Mittal: And coupon ready 9%.

Tanuj Khiyani: OK. What you're paying to the bank.

M.L. Mittal: 9 to 10% depending on bank to bank. Some banks are going 9, 9.5 depending upon the city.

Moderator: Thank you. Our next question is from the line of Viral from Phillip Capital, please go ahead.

Viral: Good afternoon, Sir. Congratulations for being a good set of numbers. So, my question is again pertaining to the gross margin side. Improvement that we are seeing on YoY basis is always driven by the fall in the raw material prices or the impact of the...

M.L. Mittal: There are multiple reasons for improvement of margin. #1 is our selling price is increasing every quarter. #2 the power and fuel cost is going down. #3 is the raw material cost also going down and this trend likely to continue for the entire year.

Viral: So, we will see even you know improvement in the gross margin even available.

M.L. Mittal: Gradually we are increasing the product mix also, so we are involving our production capacity for the higher where we get higher margin so that also we are doing countries and we are making the new products also which gives higher like **(Inaudible) 0:15:14** ropes we introduced last year that we are increasing production. So, that will give a much higher price Rs. 1250 per kg we are getting the realization.

Viral: So, what is the contribution of the higher value-added product in our revenue as of now?

Sushil Sharda: There are multiple products, each product have different type. Of you know, valuations. So, there may be 30-35 products which is we are getting different you know amount of the margins. So, we cannot benchmark that higher value and low value. This is a continuous process. This is just like normal production plus additional what we are adding in the product mix, so that give additional maybe Rs. 10, Rs. 20 or Rs. 15 value additions. That compacted rope, we are getting a little higher additions, (**Inaudible**) 0:**16:00.0** ropes we are getting higher additions, higher zinc coating we are getting higher addition, elevator ropes we are getting higher additions.

Viral: And sir in this quarter particularly have you got any government incentive for the people that we.

M.L. Mittal: We have not received we expect any moment because the government of Maharashtra right now things are under process. Hopefully we will get in the month of August without fail. It was supposed to be disbursed 30 June, but it is delayed by government so we may get around 15 to 20 crores disbarment in the month of August.

Viral: So, have we taken into and this our Q1 number any figure for that or we have not considered for any figure.

M.L. Mittal: That is balance sheet item. It is not the Panel item. Last year, what we got it. That is 33 crores rupees subsidy last year, but every quarter we are heading in the. PayPal account, but money we get up to one year so. I'm talking that is pertaining to 2122.

Viral: Okay so in Q1, sir, how much we have, factored in our P&L.

M.L. Mittal: Just one minute. 11 crores 73 lakhs.

Viral: Okay. Thank you so much.

Moderator: Thank you. Our next question is from the line of Khiyani from Ventura. Please go ahead.

Tanuj Khiyani: Sir, I just had one another question regarding the energy cost that we would be saving after the commissioning of the solar project.

M.L. Mittal: Yeah, energy we already put 5.5 mega third location. Their margin saving is not very high, but our own land this under solution 3.5 megawatts it was delayed by few weeks. So, the effect will get maybe from 15 August onwards there saving will be around Rs 4 per unit and every MW we will be generating around 15 lakhs unit per year. So, roughly you can say 52.5 lkahs unit and saving around Rs 4 . So, 2 crores 10 Lakh rupees will be saving the 3.5 MW. And for third party, you know there will be getting a small saving maybe around 1 crore will get it

Tanuj Khiyani: Okay got it.

Moderator: Thank you. Our next question is from the line of Vijay Goyal from ICICI Securities. Please go ahead.

Vijay Goyal: Hi, Sir and in the last call you spoke about reduction in overall power and will cost, I think in FY23 it was 51 crores and you said it will be around 25 crores this year.

Moderator: Mr. Goyal may be requested to use your handset for poor audio quality. you are not audible, Sir.

Vijay Goyal: OK, so I was saying Sir, in the last call, you said the power and fuel cost which was about 51 crores in FY23. So, it will be reduced to about 25 crores in this year FY24. So, I mean, are we on track of this?

M.L. Mittal: Yeah, let me explain you that Q1, if you see 12 crores 69 lakhs was the power cost that is around 10% versus. Now in Q1 11 crore is 7%, so 30% reduction. In the power cost as compared to Q1 of last year. So, the trend is likely to continue in the current year and in my last investor call, I mentioned 25-30% with saving in the current year and we are in the same line. We are working and we are saving that money.

Vijay Goyal: Understood and Sir, regarding the EBITDA percentage per ton in this quarter we have about Rs 40,000 of EBITDA, so what your guidance for full year?

M.L. Mittal: So, EBITDA is around Rs 40,000 per ton in the current year first quarter.

Vijay Goyal: I mean, so what is your guidance for full year? What kind of EBITDA pattern we can expect, sir, full year by 2024.

M.L. Mittal: We are barring unfortunate circumstances we are confident we will continue to maintain this performance in the current year.

Vijay Goyal: Sir regarding this solar power plant, I think 3.5 MW, I think solar power plant was about to Commission, or is it what was the status of that.

Vijay Goyal: See 5.5 MW that is a third party solution, not our locations, so this of the meters, so of the meters the saving is very negligible because government of Maharashtra takes maybe 3-1/2 rupees for the billing charges and the loss. So, we get very small saving, but the power plant is all we are putting at our land that will be saving substantial amount and once the mostly secondary before August, it should start working.

Vijay Goyal: Understood and sir any plans of, increasing capacity I mean our current capacity 72,000 ton. So, I mean in the previous call also you said we are in process of increasing capacity through debottlenecking. So, I think.

M.L. Mittal: Yeah, balance equipment we are continuously adding to have the optimal utilization capacity up to 72,000 tons. So, as I told earlier also that within two years time we are targeting that, yes, we should achieve 72,000 by putting some additional CAPEX for the balance equipment and that we are on the line and we are spending some money regularly for balance equipment. Major CAPEX plan yet not finalized, we are discussing definitely and once it's finalized we will come back to all the stakeholders.

Vijay Goyal: Understood. Thank you, Sir.

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

Bhavesh Chauhan: Sir in terms of utilization, how high can we go? Currently we see that you are operating at 60%.

M.L. Mittal: We are operating at 60%.

Bhavesh Chauhan: Sir how high can we go up to 100.

M.L. Mittal: Up to 80-85. It can go definitely in two years time.

Bhavesh Chauhan: Okay, sir and for our next 2-3 years growth, we don't need any capacity, right our existing capacities will take care of it.

M.L. Mittal: First we will not wait for three years. We are generating a lot of cash. So, definitely we have to plan something major CAPEX and the capacity expansion maybe this product or other products. Once finalized, then definitely we will come back to our stakeholders. we are going to generate in the operations 40 crores EBITDA in this quarter, last year 140 crores EBITDA. So, that money will be using for the CAPEX but yet to finalize.

Bhavesh Chauhan: And that will be brownfield or we will need a plan.

M.L. Mittal: It will be brownfield only, not Greenfield.

Bhavesh Chauhan: Okay and in terms of margins we are saying that we will sustain this kind of margins historically, we have been around that lower than that, far lower than that actually, so do you think that currently we might sustain this margin, but over time in FY25 or FY26, it could go down to normalized to 14 to 15% that we were doing earlier.

M.L. Mittal: See let me tell you the some data 1920 our margin EBITDA was 11%; 2021 13%; 2122 after restructuring 17% first quarter, second quarter 14, 15 and 16 overall 15%. The 2223 first quarter 19, second quarter 21 percent, third quarter 26%, last quarter, 28%. So, this day, if you see last two years working continuously every quarter improvement even current quarter also is 26% as compared to 19% last year. So, we are confident that yes, barring 1 or 2% plus minus we will be able to sustain this EBITDA percentage in the coming future also.

Bhavesh Chauhan: So, what if cycle turns bad and there is oversupply in this market?

M.L. Mittal: Oversupply in 2019/2020/2021 we were having working capital issues. Now we have sufficient cash to, you know, improve working capital cycle. So, we can negotiate better terms for the raw material suppliers at the same time, you can get higher realizations from the customers because we are not desperate to sell at very competitive price, we command our own price and we get orders and over the period we are getting because production is change and we are exploring other geography of the world also which is giving validations to the company.

Bhavesh Chauhan: Okay. Can you throw some light on how product mix has changed? I mean, what was contributing to leading to lower margin or what is leading to high margin in last maybe in 2-3 years?

Sushil Sharda: So, basically, when we started operations, we were focusing on general ropes, which was very run-of-the-mill products, but right now, as we have established our brand and people have used our products, now we are focusing mainly on the value added items wherein a high level of expertise is needed plus market acceptability has to be there so gradually we are adding those products in our product portfolio, hence the realization that we are enjoying.

Bhavesh Chauhan: That's helpful. Thanks a lot.

Moderator: Thank you. Our next question is from the line of Vini Jain from Wise Investments. Please go ahead.

Vini Jain: Yes, Sir. Thank you for this opportunity. Previous participant has just asked the question and you have addressed it. But I have another question on like you said that you are focusing on certain geographies, identifying new customers. Can you elaborate a bit more on what is making you differentiated in terms of getting value added business:

Sushil Sharda: So, basically all the customers are looking for value proposition that is what our focus is so giving them the required quality and at a better price. So, that has been our focus area since the time we started and we are working on the same, you know idea and that is why we are able to increase our market share as well as order book and we are focusing on almost all the parts of geography. So, right now we are supplying to almost 52 plus countries and our idea is to add another 30-40 countries within a short time.

Vini Jain: Okay, and we have many international competitors. So, how superior are our products competing well with them.

Sushil Sharda: See, it would be very difficult to quantify that how superior we are, but I think people or our clients or customers are seeing some value and that is the reason we have more than 90% repeat orders. So, I am sure that we are doing something right which is warranting this performance.

Vini Jain: Great. Thank you. Thank you for the opportunity.

Moderator: Thank you. Our next question is from the line of Darshil Jhaveri from Crown Capital. Please go ahead with your question.

Darshil Jhaveri: Good evening sir and thank you so much for taking my question. So, firstly congratulations on a great set of results. Sir, I just wanted to ask about how do we see our revenue growth panning out like with our current capacity what do you think can be a peak revenue and how soon can we achieve it sir and how what do you see would be like would be say quarter improvement in the margins in the revenue or maybe we will see a higher jump in FY25, how would the revenue trajectory pan out sir? Thank you.

M.L. Mittal: See capacity as we discussed earlier also today also that 12 to 15% we are increasing utilization capacity we have 72,000 metric tons annual capacity and to achieve this we are adding balance equipment in next two years' time we are confident and we will achieve this much 80-85% of the installed capacity and this will reflect in the numbers in the coming quarters and we are confident yes, we will achieve the capacity every quarter higher as compared to last year.

Darshil Jhaveri: So, so would it be fair to assume we might have around 20% growth year on year or maybe because the product mix is also changing and we are increasing our capacity or how would it go sir in terms of our top line?

M.L. Mittal: See volume will come from the two sectors. One is from the higher resolution. Second is increase in the top quantity, so the quantity will increase by 10 to 15% and maybe around 5% will be increase in the sales price realization value. So, that will give around 15 to 20% jump on the complete performance in the coming period.

Darshil Jhaveri: Okay sir. Thank you so much, sir. That helps me a lot, sir and Sir, do we see any risk going forwards or any market conditions or something, you know that we should be on lookout for our speed bump on the need to growth.

M.L. Mittal: We don't foresee any issues so far wire rope is concerned. Wire rope generation is as you are aware that 60 to 70% replacement market and replacement market if your elevator has rope to be replaced whether recession or no recession you need to replace it. The same way we do not foresee this particularly rope industry will face any problem or the challenges in the coming future, as earlier you know, discussed that we are giving right product time to delivery and right price that is our USP. That's why we are getting orders and we are definitely taking shares of other global players because of the three USPs. We are very confident that yes, we can sustain the higher growth also.

Darshil Jhaveri: Oh, that's great to know, sir and so sorry sir, but we export how much percent of our sales is exported?

M.L. Mittal: See our direct export is around 10% and our indirect export is around 75% so almost 80-85 of the total products are being exported.

Darshil Jhaveri: Okay sir. Thank you so much. That helps me a lot sir, all the best for future quarter.

Moderator: Thank you. Our next question is from the line of Amitabh Vatsya from Sadhan. Please go ahead.

Amitabh Vatsya: Thank you sir. Thank you for taking my question. I have one query with respect from the annual report which you published recently. What I notice that the advances from customers, it has reduced quite comprehensively. So, it has been around 8-1/2 crores for past 2-3 years, but last year or this year it has got down to 2-1/2 crores. So, is there any change in the supply chain or any working capital, equations have changed or what is the reason for this drastic fall that I was concerned?

M.L. Mittal: Can you repeat your question actually, is it related to March 23 numbers?

Amitabh Vatsya: Yeah, it is related to March 23 numbers where I am seeing advances from customer of 241 lakhs and March 22, was 835 lakhs. So, I was just wondering why there had been significant reduction because even past two years, even March 2021 and 2020, it was in above of 8 crores.

M.L. Mittal: See, as we discussed 5 minutes back, now the company's cash flow is very comfortable. Earlier we used to take advance from customers by giving some discounts gradually that we stopped. We want the right price; we don't want advance from customers. We have sufficient cash flow available to the company. So, that is the reason that the advance is going down. So, we don't, we are not dependent customers advance. When the customer advanced, they definitely ask 4 to 5% discount as compared to normal price. So, that is the reason this has gone down.

Amitabh Vatsya: Sir one more query I have with respect to the product mix is our company going to plan for this LRPS products which is low relaxation PC strand which seems to be in quite in demand.

M.L. Mittal: At this moment, I will not comment on this matter unless we officially give details to the BSE/NSE, it is on the card, not finalized.

Amitabh Vatsya: Okay. Thank you. Thanks for the answer.

Moderator: Thank you. Our next question is from the line of Palak from Prodigy Investment Management. Please go ahead with your question.

Palak: Sir as you spoke about that now the focus has been shifted from general ropes to value added ropes. So, could you just help me with the EBITDA margins for let's say general ropes or value-added ropes.

M.L. Mittal: Ma'am actually this is varied from generally very low category we can say around 12 to 15% is the EBITDA margin. But we have the high value products also. So, there will be EBITDA margin even up to 35-40%. So, average we achieved 26% in the current year first quarter.

Palak: So, for general ropes we can get maximum EBITDA of 15.

M.L. Mittal: Maximum we can get 15% if you go completely low margin product that but that is not our target initial we used to do it in 2021, but now your focus is to go higher and higher value added products to get the better margin.

Palak: So, maximum of 45%

M.L. Mittal: Yeah even 50% is possible.

Palak: And I assume that there would be difference between the margin for domestic supply and for the export. So, could you just help me with the margin for domestic sales and the export?

M.L. Mittal: See both have different type of categories in the domestic also we can get even 50% margin depend on product to product and export also we get the higher margin and low margin. So, it is very difficult to quantify it, which is better, but definitely we are going to take the local market also as compared to overseas market. No doubt overseas is our till yesterday it is our major focus, but recently we shifted our policies to go local market also and we will get good margin in the local market also.

Palak: Okay sir understood.

Moderator: Thank you. Our next question is from the line of Vivek Gautam from GS investment. Please go ahead.

Vivek Gautam: I just wanted to know about the now 85% of our turnover is coming from exports only Sir so any impact of the recession and the Ukraine war in European Union? Are we facing or we are able to overcome and or in India appearing to be a better market versus Export now?

Sushil Sharda: Thank you for the question. So, basically Bharat Wire Ropes is very well spread out in terms of geographies. So, even if there is Ukraine and Russian war, our geography is increasing. So, we are not seeing any downward or any muted order book from the geographies as we are continuously adding more geographies to our product portfolio.

Vivek Gautam: And Sir, how is the opportunity size for our products in India as well as in US and what is the growth rate we can expect in time to come, Sir?

Sushil Sharda: See, overall, this market. Again, these are not official figures. The market size of the product is somewhere around 10 to $20 billion and of which majority of the consumption is in the Western Europe, North America, South American region. So, I am seeing growth per say in the industry, but again a major part of the growth will come from the replacement market. So, almost what we have seen is 70 to 80% going in the replacement market, 10 to 15% going in the OEM market and that is continuously increasing. So, that is a big opportunity for us.

Vivek Gautam: Okay sir, and basically elevator and shipping lines are the focus area for us and sort of how easy is it to break the entry into big brands and OEMs, OTIS and so many other brands are there worldwide?

Sushil Sharda: I mean they have, you know, we are now close to years of trials before they give certifications, so it is extremely difficult for a new entrant to enter any of the big brands of elevators. Their testing centers are spread out across the globe and you have to send those samples for testing. There are rigorous things happening, and then they come back with the answer. So, it is difficult I would say.

Vivek Gautam: Any thoughts for us so far sir, with any of the OEMs?

Sushil Sharda: So, we are supplying KONE elevators, we are supplying to Johnson.

Vivek Gautam: Very good, very good and hopefully the future looks bright by even in that respect, because these are again very reputed brands.

Sushil Sharda: Yes two of the major brands are accepting our products then the other can also have a look that is for sure

Vivek Gautam: And so that the quality of our product is second to none. I believe we went in for the very best machinery all imported. Our Chalisgaon plant, we had some unfortunate working capital issues, but now we have recovered and I believe the we had joined from Usha Martin also they are still there sir or still we have getting new system

Sushil Sharda: It is coming and going so right now I think we have our own team and we are scaling up.

Vivek Gautam: Yeah, few words about the product or the plant and equipment which you have, I believe that is our USP, very high-quality products and plants we made up at, we built up at Chalisgaon sir, if you would like to highlight to the analyst community.

M.L. Mittal: One important aspect of Bharat Wires is that I can tell you we have all European, German and Koreans machineries, not even single Chinese equipment we installed in the factory. So, that is our USP best to best equipment we installed and globally also people who have came to visit our factory they said this is one of the best factory across the globe. So, that much we can say confidently your company is having the best equipment, best layout and we can manufacture the best product. That's why we could get entry in the European market and other market. That's the European market, you know this is very tough market to get enter so we are exporting Europe and US and other countries that gives indirectly certification. Yes, companies, machinery are high class, products high class. Even raw material thing, we use the best raw material. We don't use the B categories raw material, all the AAA rated company like Vedanta

JSW, JSPL material we use. We do not use you even other government companies or secondary market products. So, that is our USP.

Vivek Gautam: And sir this dependency on the government, GST, tax benefit, deferred tax, how long will it continue in sort of how can because that sort of creates a doubt on the quality of earnings to be honest, because getting money from government is not at all easy.

M.L. Mittal: Now let me address you in that different way government subsidy we have another two years, no doubt, but apart from this, if you see every quarter the EBITDA percentage is improving because we are charging higher price from the customers every quarter we are adding one or two percent depending on customers to customers because once customer use our product for years together, they are ready to pay 2-3 or 5% extra so whatever we will lose after two years, by the time we will be able to build up the additional revenue by charging extra for the product. So, I don't foresee that any sharp reduction will take place after two years.

Vivek Gautam: The same situation prevails in the government tenders because I believe government is the major focus area and two days back, Modiji also said that India will be world number 3 in our top economies. So, lot of infrastructure spend is happening, but the L1 tender this is so how successful we are here in India and does it impact our margins over here sir.

M.L. Mittal: So, Mr. Gadkari recently announced $40 billion Wire Rope project in the country which will be completed in next 5 years time and definitely we can supply that ropa number 1. Number 2 so for subsidy concern, government may further exchange or government can give some additional benefits. So, we cannot close the eyes that after two years we will not have any subsidy. We have different type of subsidy also like government export their PLI scheme also government may consider. We do not know right now government policies and definitely we are forced to the position where we can perform better we being Asian countries as the high growth for manufacturing sectors. So, we are confident that your company will definitely do well in the coming years.

Vivek Gautam: That is a very good point sir. But just I was asking about our success in the government tenders and that is where it is mostly L1 or T1 basis. I am not very sure. So, how successful we are in the government tenders in India where the opportunity size is again quite high, but unfortunately we have to go through that tendering loop sir.

Sushil Sharda: So, basically, as you rightly point out, pointed out, L1 is how the government tender happens and we are bidding aggressively since we have now the capacity is available for us and this you know bidding will really help us to better utilize our capacities also. So, I think we are aggressive on the domestic front and of which tender part is again a major thing, so it will definitely be part of our strategy.

Vivek Gautam: Okay sir keep up the good work sir. Thank you very much.

Moderator: Thank you. My next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.

Nikhil Jain: Thank you for the opportunity. I just wanted to check in the current results. Was there any subsidy amount that was included in the EBITDA calculations?

M.L. Mittal: Eleven crores will be added in the EBITDA calculation. That is a part of the routine accounting. So, we have to make the approval basis, as per the account policies, but the actual receipt might take one year time. So, Rs 11 crores 71 lakh precisely we added.

Nikhil Jain: We added so if we look at the EBITDA margin, so if we say stand alone EBITDA margin without subsidy, so it should be removed.

M.L. Mittal: Without subsidy 44-11 approximately 30 crores.

Nikhil Jain: OK.

M.L. Mittal: So, around 30% is gross total.

Nikhil Jain: Okay, fair enough. So, that was my question.

Moderator: Thank you. Our next question is from the line of Kanv Garg from Garg Advisors. Please go ahead.

Kanv Garg: Sir congratulations on a good set of numbers. I have three questions. Sir, firstly, you there is a Respondent: crores reduction in finance costs. What is that attributable to?

M.L. Mittal: See the there was an ICD in the company that has been paid so that is reduction of the interest cost number 1. Number 2, we held a lot of cash across last year, so bank borrowing also reduced substantially, working capital utilization hardly 20% of the sanction limits so that both things are reduction in interest cost diary.

Kanv Garg: So, Sir, is it fair to assume that for the entire year we will have like 2 crore or so interest costs?

M.L. Mittal: Yeah, every quarter we expect that this reduction should continue may be more.

Kanv Garg: OK. My second question is in Q1, I think our quantities of the products sold was some 10,300 MP, right? So, how was it in Q4 and is there any seasonality in the business?

M.L. Mittal: No, there is no seasonality in the business. Last quarter 10,689 metric tons, this quarter 10,316 tons. It is very small numbers. As you know every year last quarter is always higher. First quarter is lowest but as compared to last year's first quarter last year first quarter was 8962 tons and this year 10,300, so 15% jump as compared last year first quarter. So, there is a continuous improvement in production.

Kanv Garg: So, we can assume that with every passing quarter the volume should ideally improve.

M.L. Mittal: Yes, yes, you are right and last quarter, definitely it will be the highest.

Kanv Garg: OK, so my last question is, I think you mentioned about Mr. Gadkari announcing a large government projects, right?

M.L. Mittal: Yeah, $15 billion row pay project, almost 500 projects and to be completed within 3-5 years' time.

Kanv Garg: Sir have we started seeing things moving on ground or it's still on the paper.

M.L. Mittal: No they start meeting. We had a meeting with in Delhi also regarding this and yes they started working.

Kanv Garg: Okay. Thank you Sir. Good luck.

Moderator: Thank you. Our next question is from the line of Prahar Rai from Arjav Partners. Please go ahead.

Prahar Rai: Hi, Sir. Thank you for the opportunity. So, I just wanted to know what is the blend of high end or value-added ropes in quarter one? What's the revenue?

Sushil Sharda: So, basically the value-added item would constitute less than 10%, but our focus is again to increase that share continuously.

Prahar Rai: And sir by FY25, where do you see this blend?

Sushil Sharda: Pardon me Sir.

Prahar Rai: By FY2030, where do you see the blend going?

Sushil Sharda: So, basically our target is to at least reach 15 to 20% levels for the value added items.

Prahar Rai: Okay. Thank you, Sir.

Moderator: Thank you. Our next question is from the line of Deepesh Sancheti from Maanya Finance. Please go ahead with your question.

Deepesh Sancheti: Just one question which I had just heard on the concall that you are able to increase your prices every with every customer about 1% every quarter now being in the B2B business and even when the raw material prices comes down with so much competition also we are able to maintain that and now we will be able to maintain that in the coming quarters also.

M.L. Mittal: Yes, we are able to maintain interest in market is where is now tender business it is one to one B2B business and the quality is very important. Three years back, between any competitive global market out margin gap was around 10 to 15%. That gap is reducing now we are as good as equal to the any global players. So, the 15% gap gradually are filling up we are equal to the European or any Koreans or anybody, you know product qualities.

Deepesh Sancheti: Okay sir Indian market, do we have what is the market share which we have in the Indian market, in the government orders?

Sushil Sharda: It difficult to quantify the market share, but we were not very aggressively present in the domestic market. But as we have mentioned earlier that now we are trying to focus more on the domestic market and increase the market.

Deepesh Sancheti: What is the reason being that our focus is now shifting to the domestic market? Is it that we are getting higher prices?

Sushil Sharda: Because basically if you see majority of our business was happening through exports and we thought to you know bring it down to an idle level of 50-50%. 50% exports and 50% domestic. So, that is the reason we want to focus more on the domestic front.

M.L. Mittal: See absolute quantity wise will not reduce our export shares the number one. Number two domestic shares we are increasing earlier we are not focused because of the internal issues, cash flow issues. Now we are cash comfortable, domestic market for government tender I think the payments comes in 90 days, 150 days that it takes time. So, our cash flow was not permitting so earlier we were not focused the domestic market to very aggressively now we have sufficient cash, we can get the right price and we can extend credit 90 to 120 days to government companies you know traders.

Deepesh Sancheti: The presentation also mentions that there is a electricity exemption, electricity duty exemption for 15 years now. How many more years are left for the selected exemption?

M.L. Mittal: Another 10 years. 2018 is issued so up to 2033 is the last date.

Deepesh Sancheti: OK and what are the subsidy?

M.L. Mittal: This is the electricity duty. They are now charging is around Rs 1 per unit.

Deepesh Sancheti: No, no, I am talking about the subsidy 11.71 crores, which we received and we added in this quarter.

M.L. Mittal: That We will get to after one year, not immediately. After end of the year, we have to supply the government and then get a sanction and then we get this one done so it is a 1 to 1-1/2 year to process.

Deepesh Sancheti: OK. But that we get it every quarter, how is it?

M.L. Mittal: No depend on government funds, mostly two times in a year we get.

Deepesh Sancheti: Two times in a year and is there any time period for that as that we will be getting for 5 years, 10 years?

M.L. Mittal: It depend when government allocation of funds and disbursement, but by and large over these. Last two years I have experienced 2 times in a year.

Deepesh Sancheti: We get two times in a year and what is the exact nature of the subsidy? I mean under what? Is it the GST subsidy? What is the exact nature.

M.L. Mittal: Mega project subsidy we set up plant in the Chalisgaon. So, what are capital and investment we needed. So, 100% capital investment government gives it by the GST refund, GST what we are paying government of Maharashtra that we get refund.

Deepesh Sancheti: Okay just one last question on the debt thing. I mean, we have reduced our borrowings considerably you think will be in the next two years will be debt free?

Sushil Sharda: Hopefully.

M.L. Mittal: Yes, you are right.

Deepesh Sancheti: I mean the way we are going, we will we can easily get debt free in the next two years.

M.L. Mittal: And there are two issues. Number one, we can be debt free. Number 2 we can use the cash for the expansion so timely at the right time will take decisions whether paying to banks is better choice or expand capacity and get higher value additions. So, that call will take shortly.

Deepesh Sancheti: So, are we planning to do any capital expenditure in this year or maybe next?

M.L. Mittal: We are discussing we are making everything is on the cards, so once it is finalized and definitely be informed and maybe this year or next year, definitely we will lose some CAPEX, but right now that is not finalized, it is under discussion level.

Deepesh Sancheti: Okay. Thank you Sir.

Moderator: Thank you. Our next question is from the line of Devang Bhateja, who is an investor. Please go ahead.

Devang Bhateja: Congrats on the good set of summers, Sir. My question was that you mentioned that LRPC might be a segment we may enter and we are focusing on government angles as well. So, is there any risk that we will be diluting margins or will we be able to maintain EBITDA for empty anything on this side?

M.L. Mittal: See, we are yet to take decisions while we see number 1. Number 2, if at all we take decisions, the absolute profit will increase. The absolute numbers will increase. Percentage might go down, but absolute numbers will increase and we are not going to leverage heavily that there is heavy borrowing other thing and once numbers finalized and we will definitely come back to you.

Devang Bhateja: Is there any new business we take up? What is our key priority user to utilize our existing volumes or to move on the value chain broadly? What are we looking at?

M.L. Mittal: Our first target is to optimize capacity up to 70,000 tons or to 80 to 85% we can do it. Thereafter parallelly we will work for the expansion if at all workable. Then we will take the call.

Devang Bhateja: All right, Sir and Sir, you mentioned that there is no seasonality in business even though Q1 tends to be a little low. So, is there any seasonality in the order book as well? So, do we keep ramping up our order book as the year goes back?

M.L. Mittal: Seasonally, this order book question is first question I explained that is around 20 by 30 crores L1 is in the government tenders which order not yet received maybe next 10 days time will get it. So, there is a seasonally around 175 to 225 crores range will have always in the hand.

Devang Bhateja: Thanks Sir and all the best.

Moderator: Thank you. Our next question is from the line of Munjal Shah, who's an investor. Please go ahead.

Munjal Shah: Thank you for the opportunity and congratulations for a great set of numbers. Sir, couple of questions, Sir, Mr. Mayank mentioned that we are targeting to 50% export and 50% domestic. So, is it correct to assume that we have we might have the same realization in the export and the domestic market, is it correct to assume?

M.L. Mittal: See number one. Let me correct it. 50% does not mean we will reduce our exposure to the international market. Quantity wise we will not reduce it gradually we will shift to domestic market because higher capacity utilization is there in the coming next two years time, so additional capacity will earmark for the domestic where value addition is very. It is not bad. It is reasonable, it is good, maybe slightly lower than the export market, but we have to capture local market the way government is putting the focus on infrastructure and private sectors, improving all the thing. We are confident that local market also we can target and we can get the good support from local market. Earlier we were not targeted because of our working capital issues. So, now working capital is sufficient and we can definitely target local.

Munjal Shah: OK noted. Thank you and sir my second question was that as you mentioned that we now we are targeting government tenders in domestic market where the credit cycle is prolonged considering 90 to 150 days. So, won't it affect the overall working Capital Management of the company? So, our working capital days which are around close to 130 days, I think probably there is a chance that if we work with the government, probably the number of working capital days would move up. So, can you throw some light on the same.

M.L. Mittal: So, all government tenders are not 110-to 120 days, some government tender the moment they get the material within 15-20 days, they can process the you know, payments. Some government payments might be delayed. So, we cannot generalize that working capital cycle will disturb. Some government across the table the moment goods issued within 10 days time, we can get the payments. So, by and large, overall cycle will not impact.

Munjal Shah: Okay. Thank you, Sir. Thank you. I will get in the queue. Thank you, Sir.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question and answer session. I would now like to hand the conference over to the management from Bharat Wire Ropes Limited for closing comments.

M.L. Mittal: Thank you for all the participants this evening this earning call. I hope we have been able to answer all questions satisfy. If you have any further questions or would like to know more about the company, please reach out to our IR Manager, Valorem Advisors. Thank you.

Moderator: Thank you on behalf of Bharat Wire Ropes Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.