



**Bharat Wire Ropes Limited**  
**Q3 FY24 Earnings Conference Call**

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**CORPORATE PARTICIPANTS:**

**Mr. Murarilal Mittal**

Managing Director

**Mr. Mayank Mittal**

Joint Managing Director

**Mr. Sushil Sharda**

Director and Head of Finance

**Mr. Tushar Pendharkar**

Ventura Securities Limited

## Q&A PARTICIPANTS:

1. **Jatin Damania** : Svan Investments
2. **Ankur Kumar** : Alpha Capital
3. **Harsh Vasa** : SBI Securities
4. **Bala Subramanian** : Arihant Capital Markets
5. **Dhananjai Bagrodia** : ASK Investment
6. **Nihar Shah** : Crown Capital
7. **Ankit Gupta** : Bamboo Capital
8. **Vignesh Iyer** : Sequent Investments
9. **Kaushik Mohan** : Ashika Institutional Equities
10. **Ayush Agarwal** : MAPL Value Investing Fund
11. **Gagan Deep** : Nvest Analytics Advisory LLP
12. **Lakshay Agarwal** : QE Securities LLP
13. **Bijal Shah** : RTL Investments
14. **Alisha Mahawla** : Envision Capital
15. **Amit Kumar** : Determined Investments
16. **Chinmay Nema** : Prescient Capital

## **Moderator**

Ladies and gentlemen, good day and welcome to the Bharat Wire Ropes Limited Q3 and 9 months FY24 Earnings Conference Call, hosted by Ventura Securities Limited. 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 any assistance during the conference call please signal an operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you, and over to you Tushar.

## **Tushar Pendharkar**

Thank you, and good day ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Bharat Wire Ropes Limited Q3 and 9 months FY24 earnings conference call. The company is today represented by Mr. Murarilal Mittal, Managing Director; Mr. Mayank Mittal, Joint Managing Director; and Mr. Sushil Sharda, Director and Head of Finance. I would now like to hand over the call to the Managing Director of the company, Mr. Murarilal Mittal for his opening remarks. Thank you, and over to you sir.

## **Murarilal Mittal**

Thank you, Mr. Tushar and Ventura Securities for hosting this call. Good morning, ladies and gentlemen, and thank you for joining us today on the earning call for Q3 December 2023 for 2023-2024. Bharat Wire Ropes Limited today is one of the leading manufacturers of the specialty wire ropes, slings, and wire strands with thousands of varieties of products and SKUs. Our products meet the functional needs of various industrial applications such as general engineering, aviation, fishing, mining, elevators, cranes, material handling, offshore oil exploration, ports, shipping etc. I would like to extend a warm welcome to all of you as we gather here today to discuss our company's recent performance and results. These results reflect the dedication of our entire team even in challenging market conditions. I would like to invite Mr. Sushil Sharda to share the financial highlights with you.

## **Sushil Sharda**

Good morning, everyone. Let me give you a brief about the financial highlights for Q3 and 9 months of this financial year. In Q3, we witnessed consolidated revenue of INR 157 crore marking impressive growth of 9% YoY basis which is slightly lower as compared to last quarter by 1.2%. Our EBITDA for the quarter stood at INR 44 crore with 19% growth YoY basis and 5% on a QoQ basis. The EBITDA margin for the quarter stood at 27.86% showcasing an impressive growth of 243 basis points compared to the same period of last year and 171 basis points on QoQ basis. Net profit for Q3 stood at INR 26 crore, a remarkable 39% YoY increase and 8% growth on a QoQ basis.

For the 9 months period of this current year, our consolidated revenue reached INR 475 crore indicating 11% growth YoY basis. EBITDA for the period surged to approximately INR 127 crore demonstrating an impressive growth of 36% YoY basis, with EBITDA margin solidly positioned at 26.65% with an impressive growth of 485 basis

points on a YoY basis. Our net profit for the 9 months amounted to INR 75 crore marking a 61% YoY increase and the PAT margin stood at 15.69% with growth of 484 basis points on a YoY basis.

Now I would like to invite our Joint Managing Director Mr. Mayank Mittal to share some of the operational highlights and strategic insights with you about the company.

### **Mayank Mittal**

Thank you, Sushil ji. Jai Shree Ram and a very good morning to everyone. Ladies and gentlemen, I am pleased to highlight our operational achievements and the factors behind our Q3 and 9-month FY24 financial performance. We recorded a remarkable 10% YoY increase in sales volumes, a testament to our strong market presence and high customer demand. Our EBITDA margin also witnessed significant improvement, surging from 25.4% in Q3 FY23 to an impressive 27.9% in Q3 FY24, almost a 250 basis point increase. This expansion can be attributed to our strategic efforts in reducing raw material power and fuel costs. Notably, our power and fuel costs decreased from 10% of sales in Q3 to 7% in Q3 FY24.

The notable enhancement in productivity can be attributed to a combination of key factors. Firstly, an increase in sales realization has emphasized the value and quality of our products. This coupled with a surge in sales volume shows a strong market presence and the demand for our offerings. Additionally, our steadfast focus on high-value-added products has been a catalyst for our growth. This quarter also saw a reduction in interest-bearing borrowings. Furthermore, the accumulation of a strong credential track record has bolstered our reputation and trustworthiness in the market. In terms of our capacity, our capacity utilization stands at around 60% for this quarter. Our order book position is secure, equivalent to 3 to 4 months of operation. We can now open the floor for the question-and-answer session. Thank you very much.

### **Q&A**

#### **Moderator**

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press \* and 1 on your telephone keypad and wait for your turn to ask a question. If you would like to withdraw your request, you may do so by pressing \* and 1 again. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. We will wait for a moment while the question queue assembles. The first question comes from Jatin Damania from Svan Investments. Please go ahead.

#### **Jatin Damania**

Good morning, sir, and thank you for the opportunity. Sir, just wanted to understand that, now when you said that your product mix has changed and which has supported the net realization. So, can you highlight and give us what was the share of the overall product mix that we have gone through in the last three to four quarters?

**Mayank Mittal**

Can you just repeat your question again?

**Jatin Damania**

I just wanted to check that because our product mix has changed, our EBITDA margin has improved and Mr. Mittal indicated that there was an increase in the net realize in the last quarter. So, wanted to understand what was the share of the overall product mix in the entire basket.

**Mayank Mittal**

So, it would be in single digits. So, a lot of the product remains the same. But we did focus some part of our order book on slings which is again some high-value items. But again, if you ask about the contribution, it would be in single digits.

**Jatin Damania**

And how it has moved over the last three quarters? Because we have seen a substantial improvement in the margin if you look at last seven quarters from lower double-digit to almost 20-plus-percent. So, I just wanted to understand whether there is a change in the product mix.

**Mayank Mittal**

We were in the lower single digits, now it's moving toward the higher single digits.

**Jatin Damania**

But can you quantify the number?

**Mayank Mittal**

It would be difficult to quantify exactly, but it is going to be in single digits.

**Jatin Damania**

Okay, and sir just a broad-level question. Since we are operating at 60% with a capacity of 66%, we can maximum reach up to 80%, and 85% utilization. So, I just wanted to understand, if we assume that next year we ramp up our capacity to 80%, 85%. What is the broader roadmap for the company three, or four years down the line?

**Mayank Mittal**

So, right now the entire focus of the company is to maximize the utilization which would be 80%, 85%. So, that is the only thing that we are focused on right now. Once we run out of that thing then probably we'll sit on the drawing board and think about either expanding our capacities further or adding a new product.

**Jatin Damania**

But by when can we expect the capacity to reach to 80%, 85%? Because if you assume the current run rate.

**Mayank Mittal**

In the next 18 to 24 months.

**Jatin Damania**

In the next 18 to 24 months.

**Mayank Mittal**

Yes.

**Jatin Damania**

Sir, because in the last con-call there was an indication that Company will be spending about INR 30 crores, INR 35 crores by doing a debottlenecking and increasing some amount of the capacity. So, what is the status on the same?

**Mayank Mittal**

So, we are under process as we have mentioned in the last con-call also. So, we are focusing on debottlenecking our capacities, and that would result in this higher capacity utilization. So, we are under process, and we are on track of that.

**Jatin Damania**

Thank you. I'll come back in the queue.

**Mayank Mittal**

Sure. Thank you.

**Moderator**

Thank you. Next question comes from Ankur Kumar from Alpha Capital. Please go ahead.

**Ankur Kumar**

Hello sir. Thank you for taking my question. Sir, in terms of volume growth, this is 10%, is it lower, Do we think this is a good number, earlier were talking about 15-20% type volume growth. So, any reason for the reduction and what kind of expectations do we have for the coming quarters and coming year?

**Mayank Mittal**

I think we were focusing on 10-15% growth, and we are on track. I mean if you look at the last numbers QoQ also, I mean compared to last year, we are on a 10% growth path. So, this is a realistic number that I think we can achieve by looking at the macro-level outlook of the entire manufacturing sector and the market forces.

**Ankur Kumar**

Got it. And sir, on the margin side, what is our trajectory this quarter? We have done quite well in the last few quarters.

**Mayank Mittal**

I think we'll be maintaining this as we have been doing over the last few quarters. So, no significant jump or no significant reduction. So, we'll be maintaining this.

**Ankur Kumar**

Got you, sir. And sir on the subsidy side what is the amount for this quarter and 9 months?

**Sushil Sharda**

This quarter the subsidy amount is INR 11 crore.

**Ankur Kumar**

And how much is it pending, sir?

**Sushil Sharda**

See, this subsidy disbursement is on a yearly basis. So, up to March 2023, we have already received a subsidy of INR 46 crore, and INR 55 crore is yet to be disbursed, and subsidy for the current year will be applied after completing the financial year.

**Ankur Kumar**

Got it, sir. Thank you and all the best.

**Moderator**

Thank you. Next question comes from Harsh Vasa from SBI Securities. Please go ahead.

**Harsh Vasa**

Good morning, sir. Congratulations on a good set of numbers and thank you for the opportunity. Sir, I had a couple of questions. Sir, first question was on the demand environment in domestic and international markets. Like, how is it panning out and what is the future in that? And second is, what will be our growth triggers to support our volume growth? That's it. Thank you.

**Mayank Mittal**

So, demand has been good. I think, no complaints on both the domestic and international front, and we'll be maintaining that. And the growth triggers would be the infrastructure growth that is happening. So yeah, these are the main things that should drive the growth.

**Harsh Vasa**

Sir, any particular sector you can comment on, like, do you see any good demand coming from the mining industry or something like that?

**Mayank Mittal**

I think when we talk about domestic. So yes, growth is coming from all the sectors that we can think of since I think macro-level conditions in India are pretty strong. So, we are seeing growth from almost all these sectors and internationally also we are trying to increase our footprint by giving a better value product to the global audiences.

**Harsh Vasa**

Okay, sir. Thank you.

**Moderator**

Thank you. The next question comes from Bala Subramanian from Arihant Capital Markets. Please go ahead.

**Bala Subramanian**

Good morning, sir. Thank you so much for the opportunity. Sir, my first question is regarding this volume of 10,237 metric tons. Could you please share the breakup for the sector-wise, which are the sectors? An approximate breakup could be fine. Like, any specific sector we are seeing more volume side.

**Mayank Mittal**

So, basically our one product goes in multiple sectors and the majority of our business happens through distributors wherein we don't know the end application. So, sector-wise bifurcation is extremely difficult to give.



**Bala Subramanian**

Okay, sir. Sir, right now our current capacity utilization is at 60% and we are focusing on 80-85% utilization. What are the growth strategies we have to achieve these utilizations, because of the growth environment and all?

**Mayank Mittal**

So, the current strategy is to debottleneck the capacities which will help us to utilize our machines better. So, we are in the process of debottlenecking and it will take at least 18-24 months to achieve the maximum utilization.

**Bala Subramanian**

Sir, in this debottlenecking, what is the Capex for rate and what is the ROC?

**Mayank Mittal**

INR 25-30 crores is what we anticipate.

**Bala Subramanian**

Okay, sir. Any ROCE numbers for the asset on numbers for this Capex?

**Mayank Mittal**

I don't think we have calculated that ROCE.

**Bala Subramanian**

Okay fine, sir. Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any question please press \* and 1 on your telephone keypad. Next question comes from Dhananjai Bagrodia from ASK Investment. Please go ahead.

**Dhananjai Bagrodia**

Hi, this is Dhananjai Bagrodia from ASK.

**Moderator**

Sir, I'm sorry to interrupt you. Your voice is very low sir, could you please speak a bit louder?

**Dhananjai Bagrodia**

This is Dhananjai Bagrodia from ASK. Just a quick question regarding supply. Have you seen any noticeable supply reduction amongst our competition or any other regions specifically?

**Mayank Mittal**

So, we have not gone through that. I haven't seen or studied those things.

**Dhananjai Bagrodia**

Okay. Our numbers have been doing exceptionally well while the underlying industry hasn't been going so much. Is it because we have been able to keep getting market share because of our new products or is supply coming down, just any color or something along those lines?

**Mayank Mittal**

So, our numbers reflect our pronged strategy. One is, to increase the global footprint and increase our production capacity with the addition of value-added products. So, these are some of the factors which are giving these kinds of numbers.

**Dhananjai Bagrodia**

Okay. Fantastic. You all have done a great job. And any thoughts on capacity addition over the next few years?

**Mayank Mittal**

Not right now. Our main focus is to utilize whatever capacities we have right now and reach up to 80-85% capacity utilization.

**Dhananjai Bagrodia**

Okay fine. Perfect. Thank you so much.

**Mayank Mittal**

Thank you.

**Moderator**

Thank you. Next question comes from Nihar Shah from Crown Capital. Please go ahead.

**Nihar Shah**

Good morning, sir. I have a small question on revenues. Like, we have seen a dip QoQ, while in the Q2 call we said that our H2 will be better. So, are we in line for having a better H2?

**Sushil Sharda**

If you look at our numbers for last 3 years, every QoQ we have shown consistent growth. So, we expect that H2 should be definitely in the same growth lines compared to the first H1.

**Nihar Shah**

So, what can be revenue like this year by March 2024?

**Sushil Sharda**

Absolute forecast of course in numbers we have not yet given, but we expect to maintain the growth that we have been achieving in the last couple of quarters.

**Murarilal Mittal**

Historically, the December quarter is a blackout period in European countries. So, there's a slight downfall in the December quarter. But at the same time the March quarter is always excellent. So, we are very confident that the Company will be able to maintain the trend that is set in earlier years that for H2 quarter is always better than the H1 quarter, and we are confident that, yes, the second quarter full year will be better than the first H1.

**Nihar Shah**

Okay. And I didn't hear it clearly, but you said that the margins will be sustainable at this level. Right? Maintaining the current trend.

**Murarilal Mittal**

Mr. Sushil just explained that if you see last 3 years margin, the consistently increasing margin under company's operations the way we are increasing capacity utilizations margin are also getting increased. Any further improvement in the capacity utilization will add the bottom line and also EBITDA level, because the fixed cost remains unchanged, and while a variable cost is around 55%. So, 35-40% will be increased in the EBITDA percentage of incremental turnovers. So, we are confident to maintain, not only maintain but there will be improvement in the margins going forward.

**Nihar Shah**

Okay, sir. That's all from my side. Thank you.

**Moderator**

Thank you. Next question comes from Ankit Gupta from Bamboo Capital. Please go ahead.

**Ankit Gupta**

Thanks for the opportunity. First, post completion of the debottlenecking. How much will the capacity expand?

**Mayank Mittal**

We're not able to hear you. Can you be a little louder?

**Ankit Gupta**

So, post completion of the debottlenecking, how much will our capacity expand?

**Mayank Mittal**

So, it would be approximately 80% utilisation.

**Ankit Gupta**

On a post completion of the debottlenecking. So how much will the capacity expand?

**Mayank Mittal**

Capacity expand?

**Ankit Gupta**

No, it will increase by 10%, or 20%, how much will it increase?

**Murarilal Mittal**

There is no capacity enhancement, the capacity utilization will change, right now we are around 60% which will go to 80%. So, 20% capacity utilization will increase in the 18-24 months' time. For that, we are going to spend around INR 30-35 crores whenever required for the balance of equipment.

**Ankit Gupta**

Sure. And if you can talk about the demand scenario in the export and domestic markets? Exports, since you sell through distributors even in the domestic market, do you have any broad view on the sectors that are driving demand for us?

**Murarilal Mittal**

The wire rope product is generally a replacement market, it is almost 60% and our products are being exported through almost 50-55 countries. So, demand is coming from the entire global market, not a particular segment only. So, we are confident that the way this requirement is increasing, the way there's a war situation in other countries and that to build up the infrastructures, definitely the improvement will be there so far demand is concerned, and domestic also we are expecting good demand the way Government is going to increase the expenditure on infra developments in India. So, we expect that this particular product will be in highly demand in the coming futures.

**Ankit Gupta**

Okay. Thank you so much, sir. I'll come back in the queue.

**Moderator**

Thank you. The next question comes from Vignesh Iyer from Sequent Investments. Please go ahead.

**Vignesh Iyer**

Hello, sir. Thank you for the opportunity. My first question is, I just wanted to understand if we say today put up a Capex, on a brownfield Capex. How much time would it take for the Capex to kick in, in the general question of doing this?

**Mayank Mittal**

So, it would take, I think so close to 3 years.

**Sushil Sharda**

It will take about minimum 2 years to 2-3 years it will take to build this type of facility.

**Mayank Mittal**

Yes.

**Vignesh Iyer**

Okay. I mean, you're talking about a brownfield Capex, right?

**Sushil Sharda**

Yes, brownfield. Yes, for all key equipment delivery, of course we have not yet gone through that in detail, but generally, the equipment delivery is about 18 months for these are critical equipment.

**Mayank Mittal**

Yes, 18-24 months is usually what they quote.

**Vignesh Iyer**

Okay. So, when you said earlier that you would consider about the Capex expansion once we reach 85% utilization. Why are we being conservative on the overall business? I mean, is there enough traction going ahead? Just to get an understanding, because if we start our plans post 85% utilization, we might not see growth for a year or two. So, I'm just trying to understand from that point of view.

**Mayank Mittal**

The plans are on the drawing board, and we will be finalizing a lot of the things in the coming few quarters, we'll let all the investors know about it. So, we have plans to expand capacities and probably enter new product lines, but nothing is concrete as of now, it's all on the drawing board.

**Vignesh Iyer**

Okay. And sir, just to understand, what would be the value-add sales that would be part of your total sales if you could quantify it percentage-wise?

**Mayank Mittal**

It would be single digit, if we talk about quantity wise.

**Vignesh Iyer**

How much, sorry?

**Mayank Mittal**

Single digit.

**Vignesh Iyer**

Okay. And how much it can be increased from here? And what is the upside potential for it?

**Mayank Mittal**

The upside can be close to 20%. That is what our target is.

**Vignesh Iyer**

Okay. That's all from my side, sir. Thank you.

**Moderator**

Thank you. The next question comes from Kaushik Mohan from Ashika Institutional Equities. Please go ahead.

**Kaushik Mohan**

Hi, sir. Recently I saw some of the oil companies and marine companies putting up huge Capex in their capacities. Sir, in our entire total revenue, how much is our revenue concentrated for oil and gas and marine sectors, and how are we getting the demand for these two specific sectors?

**Mayank Mittal**

So again, segmentation-wise bifurcation is extremely complex. Looking at the same product being used in multiple sectors. So, a rope which we are selling to the marine application is going in the crane also. So again, that bifurcation is extremely complex and we don't have concrete numbers on that. But in terms of capacity enhancement, again, we are focused on utilizing our machines better and this will unlock a lot of additional capacities.

**Kaushik Mohan**

Got it. Sir, how are we gauging the demand for our product? In which sector is actually occupying most of our demand?

**Mayank Mittal**

See, I think it's a well-rounded approach. I mean, we are seeing a lot of traction from almost all the sectors. There is no one sector that we are thinking is going conservatively right from the engineering sector, infrastructure, then the marine sector, shipping sector, everywhere there is growth. So, I think we are bullish on the all-round approach of the business.

**Kaushik Mohan**

Okay. And sir, this year one financial number question I have. What would be our interest cost for the full year? Sir, any number you can throw?

**Sushil Sharda**

See, the interest cost for 9 months is approximately INR 11.15 crore, and in the current quarter, the cost is about INR 3.43 crore. With the borrowing continuously coming down, we hope that the lower trend will continue.

**Kaushik Mohan**

Okay. So, it's fair to assume that the total full-year interest cost would be somewhere around INR 15 crore.

**Sushil Sharda**

Less than INR 15 crore.

**Kaushik Mohan**

Okay. Thank you.

**Moderator**

Thank you. Next question comes from Ayush Agarwal from MAPL Value Investing Fund. Please go ahead.

**Ayush Agarwal**

Okay. Sir, my first question is that in the last four quarters, we have been doing INR 160 crores-odd of revenue. And you have been mentioning that we have been trying to debottleneck and increase our capacity. Sir, are we also seeing peak demand for our products right now? Because we haven't been able to grow volume-wise a lot in the last four quarters. So, any thoughts on that will be helpful.

**Sushil Sharda**

We have demonstrated almost 10% growth in our volumes continuously on a YoY basis if you look at it. So, whatever we have been talking about we have achieved.

**Ayush Agarwal**

Sir, I'm talking only about the last four quarters. Since March 2023 we have been doing INR 160 crores-odd of revenue. So there in the last 3-4 quarters, we have not seen much volume growth. So, are we facing any demand side issue also where we are seeing peak demand and this is what we can cater to currently?

**Murarilal Mittal**

See, another reason is this last 3-4 quarter the prices is going down. Steel prices as well as product prices. So, in quantity, there is an improvement, but the absolute numbers are around INR 160 crores only, because we have to pass on the benefit of the steel and zinc prices which have gone down by almost 20% as compared to last years which reflect in the top line numbers. So, the selling price also proportionally changed. So, although there's volume growth at the same time the absolute numbers are almost INR 160 crores. And if steel price goes up, let's say, 20-25%, these volume absolute numbers will change drastically in the next years.



**Ayush Agarwal**

Understood. Sir, if you can help us understand what will lead to volume growth going ahead, like will it be new geographies, will it be new or any additional distributors or what are we doing to drive this 10%, 15% volume growth that you are saying will happen in the next 1-2 years?

**Mayank Mittal**

So, you have pointed it out correctly. We are focusing on increasing our global footprint. So, we are targeting new countries which we have never supplied before. We are trying to develop new products which will increase the product line, and also add some good distributors, again which were not on our customer list. So, these three things we are focusing on to increase our sales volume.

**Ayush Agarwal**

Understood. And sir, given that we are one of the top exporting companies from India, and India is seeing a significant advantage over other countries. Any plans to do, I mean of course you are doing debottlenecking and expanding volume by 15-20%. But apart from that, are you seeing any significant opportunity to expand aggressively where we can cater to larger markets and even if margins are not high, we want to go into the products?

**Mayank Mittal**

So, from a global perspective, yes, I think there is a huge opportunity, and we're trying to exploit it. Wire Rope is a very conservative product from a sales perspective. I mean, people don't go with new brands easily. So once, we establish our track records, I think this market will open up further, and this will help us again to establish ourselves strongly in the global countries.

**Ayush Agarwal**

And sir why are we being conservative? I mean, what are our efforts to bring in new customers? Since it's very difficult to break in new customers, like you mentioned.

**Mayank Mittal**

So basically, we are continuously adding new customers and new products. So, I think we are on the right track, and that gets reflected in our numbers also, if you see. So, I think this is a good set of numbers that we are giving out.

**Murarilal Mittal**

Apart from this, we are also participating in global exhibitions in the USA and Germany and the countries wherever possible, and that is giving us a boost to get additional customers and dealers network. Two months back we

participated in the USA also and in April we are participating in Germany, which is one of the largest exhibitions of rope and rope-related products. So, we regularly participate and get new customers in our footage.

**Ayush Agarwal**

Understood, sir. That's all from my side and thank you for answering me.

**Moderator**

Thank you. The next question comes from Gagan Deep from Nvest Analytics Advisory LLP. Please go ahead.

**Gagan Deep**

Good morning, sir. My question is, what is the current order book we have in our hands?

**Mayank Mittal**

The order book is approximately two to three months, which would be in the range of INR 150 crores.

**Sushil Sharda**

Yes, more than INR 150 crore.

**Mayank Mittal**

Yes.

**Gagan Deep**

Okay, sir. Thanks.

**Moderator**

Thank you. The next question comes from Lakshay Agarwal from QE Securities LLP. Please go ahead.

**Lakshay Agarwal**

Hello. Good morning, sir. Congratulations on a good set of numbers. I just have a couple of questions, sir. So, this is regarding the Ram Mandir Inauguration right now in Ayodhya. So, I'm guessing there's going to be a lot of tourism over the next couple of years. So, are there any Government tenders that you will be bidding for or are you planning to invest further there, is there any such thing happening?

**Mayank Mittal**

So basically, yes, in India I think there's a lot of noise around the infrastructure. And I think Mr. Gadkari has announced a significant investment in the ropeways which will be covering most of our shrines and mountainous areas. So, we are trying to again build up our capacity to cater to that segment also.

**Lakshay Agarwal**

Right. So, you'll be bidding for Government tenders I'm guessing. So, who are you in competition with if I can ask?

**Mayank Mittal**

So, there are, I think, some local players as well as some global players.

**Murarilal Mittal**

The local and global players also, and the Government are also very focused on expenditure. Today we are participating in the exhibition in Delhi, and I got a call from my CEO that Mr. Gadkari came to our stall and he was very impressed with the product range the quality parameters, and the way we are manufacturing and exporting. He was very positive. So, we'll have the chance to bid on all the big projects in India also.

**Lakshay Agarwal**

Okay. Understood sir. Thank you so much. I just have one more question, sir. Sir, this is regarding the reduction in fuel and power costs. So, just to understand, how exactly is it reducing? I mean, you aren't making any new investments of late. So, have you installed some solar panels or some other renewable source of energy to reduce this?

**Murarilal Mittal**

There are two major factors. One is the LNG prices crashed almost by 30-40% during the last year. One year back the price was very high, about INR 100, now the price is around INR 70. So, there's this major reduction in the LNG prices. Some contribution we get from the solar also, we are getting the cheaper energy from solar.

**Lakshay Agarwal**

Okay. Got it. Thank you so much, sir. That's all for me.

**Moderator**

Thank you. The next question comes from Bijal Shah from RTL Investments. Please go ahead.

**Bijal Shah**

Hi. Sir, I'm new to the company. I have two questions. First is, if I see your profit numbers, I mean your EBITDA margin was more like 8-12% till FY21 and in FY22 10-15%, and then FY23 27%. So, could you explain what is the reason for such a sharp jump in EBITDA margin?

**Sushil Sharda**

Basically, this is one of the most important questions being asked repetitively about our numbers. So, these numbers we have achieved by putting lot of efforts in last couple of years. In last 4-5 year we have been aggressively marketing, creating our credentials, building track records with our customers, and the rope is a very customized product. So, the customized product gives you more value in terms of realization and profitability. We are improving our product mix with higher value-added items, our plant efficiency is continuously increasing YoY, and the organization is also getting experience in terms of productivity, in terms of market penetration, in terms of cost control.

And during the last 2-3 years, the profitability, whatever we are earning, is being invested into operations, giving us more and more liquidity in the system. So, that also helps us to negotiate better terms for all of our supplies. And in this business, we have to very clearly understand that the investment in plant and machinery and the project is very high and the turnover is comparatively low. So, it gives a low asset turnover ratio. So, in a low asset turnover ratio with high investment, the EBITDA has to be high if the company wants to sustain itself, and that EBITDA can be achieved only by creating a lot of track records and credentials.

And if you look at our numbers, sustainability question is a repetitive question that we have been answering. See, these sustainability numbers are not in one quarter or two quarters. These numbers if you analyze in the last 4 years, we were operating at 13% EBITDA in 2021, which has improved to 15% in FY22 and further to 24% in FY23. And now, currently we are operating at 27% in FY24 nine months. So that, I think, gives a full brief and full justification for the numbers which we are achieving.

**Bijal Shah**

Okay, I got it. And the second question, if you can give an idea of what kind of subsidy benefit you get, so in FY23, what was the subsidy we received as a percentage of total revenues that we have? Last year.

**Sushil Sharda**

See, the subsidy is about 7-8% of our turnover generally the amount on a YoY basis and QoQ basis we are getting.

**Bijal Shah**

So, once INR 435 crore of subsidy is received, will the subsidy amount stop, and will it impact our margin?

**Sushil Sharda**

Yes, the subsidy will stop after completing the subsidy period, and then by that time, we hope that our consistent growth will offset that subsidy reduction on account of the subsidy when the subsidy stops.

**Bijal Shah**

Okay, and sir what is the amount which has been utilized out of INR 435 crore?

**Sushil Sharda**

It is October FY25, and we are eligible for the subsidy, and thereafter, unless extended, the subsidy will stop.

**Bijal Shah**

Okay, sir. And one last question. From a 3-5-year perspective, what kind of revenue growth we can expect from the company?

**Sushil Sharda**

I think we have not given a clear forecast for the next 4 or 5 years. Based on our consistent growth, I think you all analysts can evaluate better.

**Bijal Shah**

No, analysts cannot, because it's a very specific industry and difficult to get data and your effort also. But just if you can give a ballpark idea of what kind of growth is possible, not as a guidance, but just kind of an idea.

**Sushil Sharda**

Not really. See, these types of forecasts and numbers are not publicly made available to the stock exchange, it will not be appropriate to explain that way.

**Bijal Shah**

Thank you very much and all the best sirs.

**Sushil Sharda**

Thank you.

**Moderator**

Thank you. Ladies and gentlemen, if you have any questions, please press \* and 1 on your telephone keypad. The next question comes from Alisha Mahawla from Envision Capital. Please go ahead.

**Alisha Mahawla**

Hi, sir. Good morning. Thank you for the opportunity. Just two questions. One, earlier we stated that we target to do 45,000 tons of volume for FY24. Are we on track to do that? Because we've done about 31,000 till in 9 months.

**Mayank Mittal**

Yes, I think we hope to achieve those set of numbers that we said. So, I think we must be on track.

**Alisha Mahawla**

We are already at 60% utilization when we're doing a quarterly run rate of about 11,000-odd-tons which currently speaks till the debottlenecking kicks in. So, can we do 13,000-plus kind of quarterly volumes before that to achieve this 45,000 target?

**Mayank Mittal**

We are hoping and we are putting our best foot forward. So, I hope that we should be able to do it.

**Alisha Mahawla**

Sure. And just one last question. You mentioned it earlier, but I missed it. The debottlenecking close to we're doing INR 20-25 crores of Capex. When do we expect this to be completed?

**Mayank Mittal**

18-24 months.

**Alisha Mahawla**

Okay. So, till then we would be more or less with a similar kind of capacity of 40,000-45,000.

**Mayank Mittal**

Yes, I mean we are expecting growth of 10-15% as we have mentioned. So yes, in the process, we are under process of that, and this you will see in the set of numbers as we go forward.

**Alisha Mahawla**

Okay. Thank you.

**Moderator**

Thank you. The next question comes from Amit Kumar from Determined Investments. Please go ahead.

**Amit Kumar**

Thank you. Gentlemen, just one point with respect to your exports. With the kind of challenges in the Red Sea freight route that we are seeing and North America, Europe, Middle East, all of these are important markets for you. What sort of impact are you seeing and what should we expect in the fourth quarter in terms of your export business? And also, just one sort of bookkeeping question. In the nine months of the year, what kind of share of exports are there in your revenues?

**Murarilal Mittal**

Number one, the recent problems in the shipping are not for India, it is for the entire globe, and every customer understands these are the force majeure issues. So, customers are ready to pay additional freight costs to the suppliers. Initially in December, yes, there were some hiccups. But now most of the customers are sharing the additional cost to be incurred for the shipping. And for a few customers, we have the FOB contracts. So, we don't affect any shipping increase in the recent products. And we hope that this situation will be improved in the next 30, to 45 days' time, so the effect might be negligible, at the same time, customers are ready to bear a increased cost because it's a global scenario, not for India, Number two, last year it was stable. For almost the last six months price has a stable, the shipping cost, and our products are being exported almost 80-85% to various countries.

**Amit Kumar**

So, how much is the export as a share of your overall revenues is what I was asking.

**Murarilal Mittal**

Yes, see we are supplying through dealers and our products are being used to various countries almost 80% of their total.

**Amit Kumar**

And sir, 80% of your revenue is exports, is that what you're saying?

**Murarilal Mittal**

Yes.

**Amit Kumar**

Okay, sir. So, you are then basically saying that no impact on revenue or margins as far as Q4 is concerned in terms of the excess freight cost, and the customers are willing to bear that?

**Murarilal Mittal**

I told just that additional freight costs would be borne by the customers, not by the company because customers also know that situation.

**Amit Kumar**

Yes, so that's what I'm saying. So, essentially no impact on your revenue and then margin, as far as Q4 is concerned.

**Murarilal Mittal**

The margin remains unchanged. There's no problem at all. The shipping cost will be borne by customers.

**Amit Kumar**

Thank you. That's it from my end.

**Moderator**

Thank you. The next question comes from Chinmay Nema from Prescient Capital. Please go ahead.

**Chinmay Nema**

Hi, Sir. Thank you for taking my question. Am I audible?

**Murarilal Mittal**

Yes.

**Chinmay Nema**

Sir, I just wanted to understand our value-added segment a little better. A couple of questions there. So, could you elaborate on which all products are classified as value-added? Firstly. Secondly, what is our ability to retain margins and fluctuations in raw material cost in these products compared to our regular, more commoditized products? And given that, at present, the share of such products is only in single digits. So, going ahead, what are the challenges in expanding this portion of the business and where do you see it going in a couple of years, 5-6 years?



**Mayank Mittal**

So, like, special products can be classified as per certain construction of the wire ropes, which can be non-rotating ropes, 35x7, 35x7 compacted, then swaged ropes, plasticated ropes, and lock coil ropes. So, these are classified as special ropes. The raw material is same as GP rope whereas the average selling price of these ropes can vary from INR 150 to INR 250. Then, what we are doing is again trying to establish credentials, because in these kind of ropes we are competing with global giants and people with a track record of more than 50 years, say 70 years, 100 years. So, to compete with them we need a track record and that's what we are trying to establish by giving our ropes for trials, understanding the performance, and then again tweaking the ropes to meet those stringent criteria. So, these are the few things that we are doing to establish ourselves. Our focus is that of the total revenue, at least 20% should come from special ropes, which will take a couple of years for us to establish.

**Chinmay Nema**

Understood sir. Do you plan on driving this business through the distributors themselves? Because what we understand from other players is that, they interact directly with their clients.

**Mayank Mittal**

So basically, our model is that we usually go through the distribution route with distributors in various countries. So, we hope to do the same.

**Chinmay Nema**

Okay. Got it, sir. Thank you.

**Mayank Mittal**

Thank you.

**Moderator**

Thank you, sir. There are no further questions. Now, I hand over the floor to management for closing comments.

**Murarilal Mittal**

Thank you all for participating in the earning call. I hope we have been able to answer all questions to the satisfaction of all the investors. If you have any further questions or would like to know more about the company, please reach out to our IR managers at Valorem Advisors. Thank you. Have a good day.

## **Moderator**

Thank you. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a good day.

- Note:**
1. This document has been edited to improve readability
  2. Blanks in this transcript represent inaudible or incomprehensible words.