Usha Martin Limited

Q4 & FY23 Earnings Conference Call Transcript

May 03, 2023

Moderator: Ladies and gentlemen, good day and welcome to Usha Martin 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 then '0' on your touchtone phone. Please note this conference is being recorded.

I now hand the conference over to Mr. Anoop Poojari from CDR India. Thank you and over to you, sir.

Anoop Poojari: Thank you. Good morning everyone and thank you for joining us on Usha Martin Q4 and FY23 earnings conference call. We have with us today Mr. Rajeev Jhawar– Managing Director of the Company, Mr. Anirban Sanyal – Chief Financial Officer and Ms. Shreya Jhawar from the Strategy and Growth team of the Company.

We hope all of you have had the opportunity to refer to the earnings documents and the investor presentation that we shared with you earlier. We would now like to initiate the call with the opening remarks from the management following which we will have the forum open for a question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation.

I would now like to invite Mr. Rajeev Jhawar to make his opening remarks.

Rajeev Jhawar: Good morning everyone. On behalf of the management team of Usha Martin I would like to welcome you all to our earnings conference call. Our goal is to hold such forums regularly in the future with the aim of increasing transparency and building a stronger relationship with the investors and analyst community.

Given that this is our first earnings call, let me give you a brief overview of the Company and our strategy going forward after which our CFO - Mr. Anirban Sanyal will run you through the key financial highlights.

Usha Martin is one of the world's leading manufacturers of specialty steel wire ropes with over 60 years of experience. The Company offers a wide range of products including specialty wire ropes, high quality wires, LRPC,

customized end-fitments, accessories, and related services. These products are used in industries such as oil and gas, ports, cranes, elevator, mining, fishing, renewable energy, construction and infrastructure and general engineering, among others.

The Company has manufacturing facilities in India along with plants overseas in Thailand, UAE and the United Kingdom. Our business model is primarily to stock and sell through our own distribution centers worldwide in Southeast Asia, Australia, Europe, US, UAE and also do some direct sales from the plant. We have dedicated service centers where we provide value additions such as cutting, socketing, testing, inspection and so on. The Company also has a global R&D center located in Italy, where it designs wire ropes using proprietary software.

In the past, Usha Martin was involved in the steel making business which was impacted due to the severe downturn in the industry and high leverage of the Company. To overcome these challenges, we undertook divestment of the steel business by way of a slump sale. It is important to note that the Company never defaulted, did not go for debt restructuring and there was no haircut by any of the lenders. This exercise enabled the Company to significantly deleverage and turnaround our financial and operational position. While it was a tough decision at that time, this helped us transform from a commodity business to a value-added high ROC business in which:

1. One: We are able to grow our margins and profitability despite the volatility in commodity prices that is our raw material basically the steel.
2. Two: The barrier to entry in the industry are high because of the long customer approval cycle and critical applications. As some of you know, wire ropes are highly engineered products that need to meet the highest standards of reliability and performance.

Now, with the renewed focus on the specialty wire rope business, Usha Martin has undertaken strategic initiatives to enhance its production capacity for wire ropes, diversify its product range, restructure its cost, secure its raw material sources, and strengthen its financial position. I will briefly highlight some of the key focus areas of Usha Martin at present:

1. First, complete the modernization and capacity expansion plans that are focused on high value products such as mining ropes, non-rotating crane ropes, compacted ropes, plasticated ropes among others.
2. Second, grow in international markets, by specifically targeting geographies where we have a low market share.
3. Third, leverage our Brunton Shaw UK premium brand to continue to secure businesses from premium customers and OEMs.

4. Fourth, focus on digital initiatives to improve our operational efficiencies and enable closer collaboration between our various subsidiaries.
5. Finally, double down on ESG initiatives across all plants with safety as the utmost priority.

Most importantly, we will continue our strong focus on being financially prudent.

Post the turnaround and stabilization of our business, we adopted a new dividend policy in FY22. I am delighted to share that the Board has recommended a healthy dividend of Rs. 2.5 per share for FY23, amounting to a total cash flow of Rs. 76.2 crore after taxes. Our commitment to all shareholders remain strong, and our Board will continue to prioritize a balance between investing in the business to pursue growth opportunities and rewarding shareholders through dividends.

In conclusion, I would like to say that Usha Martin has successfully navigated its past challenges and has made substantial progress in the last 3 years. Today, we strongly believe that Usha Martin is in a very exciting phase. We are confident that the Company is well placed to capitalize on the significant growth opportunities which our industry has to offer. We look forward to your continuing support in our journey that we believe will create long-term sustainable value for all our stakeholders.

With this, I would like to hand over to Mr. Anirban Sanyal, our CFO, who will take us through the operational and financial highlights for the quarter ended 31st March 2023. Thank you.

Anirban Sanyal: Thank you and a very good morning to everyone. I will now briefly take you through the Company's operating and financial performance for the quarter and year ended 31st March 2023.

The consolidated net revenue from operations stood at Rs. 855 crore in Q4 of FY23 as against Rs. 767 crore in Q4 of FY22. The Company achieved a 11.6% year-on-year increase in revenue during the quarter, primarily due to the improved realizations. We believe that our strong focus on value-added solution-oriented offerings in both India and the overseas market has largely contributed to the overall improvement in realizations.

Operating EBITDA for the quarter registered a healthy 44.3% increase on a year-on-year basis at Rs. 154 crore. Operating EBITDA per ton improved to Rs. 32,063 in Q4 FY23 registering a strong 65.9% year-on-year increase. Our operating EBITDA margin for Q4 of FY23 increased to 18% compared to 13.9% in Q4 of FY22. This margin improvement is largely attributed to our ongoing strategic focus on expanding our presence across diverse critical

applications and value-added offerings in segments like mining ropes, oil and gas, crane ropes, etcetera. Additionally, our EBITDA performance showcases the strength of our business model and the robust pass on mechanism for raw material costs that we have in place.

Usha Martin sustained efforts to improve the product portfolio and some of the other key strategic initiatives largely enabled it to register a 55.8% year-on-year increase in PBT performance excluding the exceptional income of Rs. 31.2 crore recognized in Q4 of FY22.

On a full year basis, net revenues from operations were at Rs. 3,268 crore as against Rs. 2,688 crore in FY22. The wire rope segments contribution to total revenues rose to 67% in FY23 compared to 61% in FY22. It is important to note that within the wire rope segment, the value-added segments shares rose to 65% in FY23 from 59% in FY22. Going forward, we aim to increase our contribution from value-added products and reduce the share of low value offerings.

Also, our international business accounted for 55% of our FY23 consolidated revenue compared to 51% in FY22. Further, revenue from our international operations registered a healthy 34% year-on-year increase. The Company views international markets as a significant growth opportunity and aims to enhance its penetration in those markets moving forward.

Operating EBITDA stood at Rs. 513.3 crore for FY23 which was up 33.8% from the corresponding period. Profit before tax for FY23 registered a strong 44.5% year-on-year increase excluding the exceptional income of Rs. 31.2 crore recognized during Q4 of FY22. Profit after tax for FY23 stood at Rs. 351 crore registering a 20.3% year-on-year increase.

On the balance sheet front, our net debt stood at Rs. 185 crore as on 31st March 2023. The Company has been able to deleverage and derisk its balance sheet significantly since the divestment of its steel business and is now in a position to support the Company's growth initiatives. We are also focused on optimizing our working capital by reducing the cash conversion cycle.

Overall, given the healthy demand outlook for our products and our dominant position within the sector we are confident of further improving upon these results going forward and at the same time continue to remain financially prudent.

This brings me to the end of my address. I would now request the moderator to open the line for the Q&A session. Thank you.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. We take our first question from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Sonthalia: Sir so far so good; sir I have a few questions regarding the future of the Company. So, the major turnarounds seen in European business with business and profit rose from £50 million to £71 million and profit from £2.5 million to £8 million. This is really amazing growth seeing the recession in Europe. So sir just wanted to know how sustainable this growth is and from where we will get the next level of growth in Europe.

Shreya Jhawar: So, as you mentioned the European subsidiary UMIL has shown tremendous growth in this past year and the reason for such disproportionate increase, we have about three or four key initiatives that we have taken. One is our organization structure. So, all our international subsidiaries are now organized under one unified leadership and they do not work in silos. Earlier, Europe was managed by a separate management. Two, is that Brunton Shaw which is our plant in the UK has performed really well. Previously, they would source their raw materials from other European sources, but now Brunton Shaw primarily buys their wires and strands from our Indian plant. So, there is a strong raw material linkage which has formed within the Company that really helped the UK plant. Third, what we have done is we have rationalized our cost structure and overheads in the European entity that has helped a lot this year. And four, and a very important one is that we have had breakthroughs with some premium customers in OEMs in the region through a strong technical support by our global R&D center which is located in Italy and we really expect to benefit from this over the next 2 to 3 years as well. The efforts have started this year, but over the next 2 to 3 years we really expect the results to continue to play out.

Aman Sonthalia: Sir which are the sector in market the Company foresee as having the best opportunity to grow and what are the steps the Company is taking to capitalize to achieve the growth in this sector?

Shreya Jhawar: So, the major sectors that we see as providing our growth is mining, cranes and oil and offshore segments and the focus of the CAPEX programs that we have as well in the Company cater to these sectors. Especially the oil and gas and renewable energy sector specifically offshore wind in Europe is booming right now and we expect it to show us tremendous growth. Mining sector growth opportunities as well are visible in Australia, Americas and South Africa and other than these segments one of the focus areas in terms of markets for us is both North and South Americas especially in segments such as cranes, elevator, fishing and mining as well.

Aman Sonthalia: What is the Company's ability to pass on the raw material prices like steel, coal to the customers?

Rajeev Jhawar: Wire rope is a highly customized engineered product and therefore its pricing is not entirely impacted through the cycles of metal prices. The average consumption rate of wire rod for us has increased from Rs. 44,000 per ton in FY21 to 62,000 in FY23. Operating EBITDA per ton has increased from Rs. 15,900 per ton in FY21 to close to 26,500 in FY23. The Company has not only been able to pass on the increased cost, but also managed to increase its EBITDA per ton over the last 2 to 3 years. This has been achieved through an active management of its product portfolio to focus on value-added segments like crane, oil and offshore, mining, elevators and fishing ropes and also increase the services business. The prices of LRPC and basic LRP is more indirectly linked to the strengths of the metal prices. These are generally the commodity products linked to the commodity prices, even in those segments our aim would be moving slowly towards more and more high value products like the plasticated LRPC which would have more the specialty flavor as well as in the wire business more and more on the specialty wires which we would develop. So, overall, I would like to say that the Company has built up a product portfolio which to a great extent insulates it to any of these volatility of steel prices, which is evident from the financials which we have shared with you.

Aman Sonthalia: Sir, the last question is that we have got lot of success in the European market, I think this US market is a very important market, it is a very big market, so how the management is seeing this US market going forward?

Rajeev Jhawar: US is a very important market for us. Earlier, we were only focused in the Houston area which is the Gulf of Mexico. We all know that US is one of the largest economies in the world and last few years there has been a lot of investment on the infrastructure and we saw that there is a lot of opportunity, there is a lot of shortage of labor and supply constraints in the domestic market. So, we have expanded our management, we have set up our own offices in the East and the West Coast and strengthened our management team, built up our stocking position in the US market and are focusing on the mining elevator and the crane rope market in those areas. We have even been able to get good OEM approvals in that market and while the US market is very large, our percentage of share is only around 2% to 2.5% of the market. So, this gives us an opportunity to increase and even with 3% or 4% market share almost our volumes will double without really having a major impact in the overall market dynamics in the US. And we see a lot of success in terms of mining rope, trial results have happened which has done well. Our acceptance by OEM for elevators as well as through distribution centers all these have really helped and we expect the market to really help us in the coming years.

Moderator: Thank you. We take the next question from the line of Kishan Toshniwal from Polar Ventures. Please, please go ahead.

Kishan Toshniwal: I have two questions. The first one is that, out of this working capital cycle that you have shown in the presentation, there your receivable days are more or less flat, it is around 40 days to 45 days and you have guided that you will be getting this cycle to around 150 days, the working capital cycle to 150 days in next one year from 177. So just wanted to know whether you are working on that receivable part because that will be go into the cash flows directly? So, whether you are talking about that thing or you want to change something else in the working capital cycle so that comes to 150, my first question?

Rajeev Jhawar: You see, one of the reasons as I mentioned earlier that our business model is basically having our own distribution centers across the world where we stock the material so that we are able to be close to the customer even add services to it by cutting, coiling and all what I mentioned and be able to demand a higher price and serve our customers better. While we are able to develop through this process a much higher realization which you can see in our financial results and also helps us to get a much higher ROCE. So, the focus of the Company is that while our business model would actually entail higher working capital involvement because of the inventory we would more than compensate by focusing towards the higher ROCE, say for example last year it was 19% this year we achieved 21% and our next two to three years target is to go towards 25%. So, that is one of the things and the second important thing is that also which is important for us is the inventory because last two years we have seen the logistics globally went through a very, very difficult position both in terms of the logistic prices, the freight prices as well as time taken for the material to receive. As things have now stabilized post COVID, both the freight rates have come down to lower than pre COVID levels as well as the transit time is coming down. We expect with these two, definitely we would be able to achieve the numbers what we have mentioned.

Kishan Toshniwal: And my second question is the segment wise contribution that you have given wire rope, wire strand and LRPC. This segment is more or less fixed for our Company, the ratio remains the same and is the margin in all three are more or less the same?

Rajeev Jhawar: The wire rope of course gives you the highest margin and that is evident from the Q4 results where the mix was moving more towards the wire rope side which helped us to increase the EBITDA margin and even the EBITDA per ton. So, our endeavor would be to keep on increasing the percentage of the ropes and also within the ropes more the value-added, the higher category, higher performing ropes compared to the general-purpose ropes which help you to achieve a better per ton realization and margin. On the LRPC, it is a competitive market, the competition is also expanding its capacity, although the demand is growing, but the competition is also growing and the margins would always remain I would say low in these categories. So, the Company has already developed plasticated LRPC which goes into very, very

specialized construction projects and we have started producing those in the last few months and we expect that portion of our LRPC business to grow which is significantly higher in margins and will improve the margins in that segment. On the wire side, the margins in general are low and we have also exited from some of the low value-added wires and our objective would be to gradually move towards specialized wire, Galfan coated, zinc aluminum wires and other categories of wires which would be giving us a slightly more margins compared to what we are doing today and of course they will still be not as profitable or as value-added compared to the ropes. But overall the focus would be to push as much quantity of rope with the coming expansion into place.

Kishan Toshniwal: So, continuing this, the wire rope as we move towards more and more of wire ropes, the margins that we have guided for EBITDA margin of 18%, is there a chance that you will meet that 18% guidance as well, looking at the scenario what you are seeing right now?

Rajeev Jhawar: As we said that over the next few years we expect that; of course in quarter 4 we achieved 18%. One thing is important for the wire rope business, especially these specialized products and when you go for premium customers; while your margins are higher, it takes a lot of time to get into these customers, build a track record and then build the volume. As we will grow in that sector, I am sure that there could be a possibility of even increasing it overtime.

Moderator: Thank you. We take the next question from the line of Kush Tandon from Ananta Capital. Please go ahead.

Kush Tandon: Sir, just continuing on previous participants the conversation, we are already at 18% EBITDA and the guidance was that we will reach 18% in the next one or two years. Sir, was there any one time in this quarter in terms of margins or realizations can we assume that 18% is like our base now going ahead?

Rajeev Jhawar: You see going forward we would suggest using the FY23 numbers as a benchmark. Quarter-on-quarter variations may happen based on product mix, volumes and various dynamics at play, but overall compared to FY23 we definitely expect sustainable growth in absolute volume and profitability numbers and the ROCE as well as EBITDA margins would continue to grow. Now there was no exceptional gain in FY, in the quarter 4, but there was a higher mix of wire rope and a slightly lower mix of LRPC and wires in this quarter which gave us this, but I would suggest again at the cost of repetition you see over the FY22, FY23 it has improved. I would definitely say that we should not look at it quarter by quarter, but if you look at year by year, definitely you will see upper trajectory going forward. And as the expansion is getting completed which is more towards wire ropes and also towards the specialized wire ropes and as we develop these markets, definitely, we see a

higher traction both on EBITDA margin and ROCE and you will see an upper trajectory.

Kush Tandon: Sir, the second question would be what is the kind of CAPEX that we are looking to do FY24, FY25 sir?

Rajeev Jhawar: For our phase 1 we are doing Rs. 310 crore which is underway which we expect to complete by the Q3 of FY24. So, this is something which is on track and is expected to complete by the third quarter of this financial year. Then we have taken another plan of Rs. 167 crore which is expected to start almost by the time this is completed and that would take almost 18 to 24 months to complete which is as far as our plants in India is concerned. Along with this, our plant in Thailand which has also turned around and done well over the last couple of years particularly last year, we have taken a plan of modernizing this plant and expanding its capacity by investing Rs. 62 crore and this is going to enhance its wire drawing capabilities, stranding and closing. The capacity of rope is expected to increase primarily in the value-added segments like compacted non-rotating ropes as far as the Thailand plant is concerned and as far as Indian plant is concerned, we are further increasing the capacity of crain ropes, mining ropes as well as some of the special ropes to be able to cater to the higher demand based on some of the success which we have got in the current year. So, it is Rs. 167 crore over the next 18 to 24 months after completing this first phase of CAPEX.

Moderator: Thank you. We will take our next question from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: Sir just wanted to seek one clarification on the CAPEX that we are doing. So the first phase of CAPEX that we are doing which will be completed in Q3, will increase the capacity wire capacity by 30,000 metric tons and the second phase of Rs. 167 crore, how much capacity will we be expanding in phase 2 of the CAPEX?

Rajeev Jhawar: It will be around approximately 10,000 tons of wire rope.

Ankit Gupta: On the end industry segments that we look at, currently the value-added segment is around 65% and our focus has been majorly on to increase the value-added segment contribution further, so how do you see the value-added segment contributing in our revenue let us say two, three years down the line in wire rope segment?

Shreya Jhawar: So, within the wire rope segment, right now the value-added ropes like you mentioned was around 55% last year, 62% this year and I think going forward in this year once the new capacity is added we can find that within the wire rope, value-added would be upward of 65% or so. Now that was just within wire rope, but if we look at the overall, all product segments together, right

now our value-added would be around 44% for this year and in the next, in this coming year again the capacities is around 47% to 48%. But going forward, I think long term on a two-to-three-year view, overall as well if you look at all products together, value-added we would aim to be around 50%.

Ankit Gupta: And on LRPC and the wire segment, we have been making efforts to increase our value-added segment like plasticized LRPC, so if you can talk about the strategy of which all products we are increasing, how much is the plasticized LRPC capacity currently, how much will it increase or in wire segment, any value-added product that we are doing and how do you see the growth for that segment, if you can broadly explain about the strategy for value-added products in wire and LRPC segment?

Rajeev Jhawar: So, on the LRPC, plasticated LRPC current capacity what we have created is 500 tons per month. So, out of the total 60,000, 65,000 tons of capacity of LRPC, in the first phase which we have just completed, we would be achieving 500 tons per month of plasticated LRPC. Going forward, I expect this tonnage to go to 800 to 1,000 tons a month. Now this is all project related business, where you need to work with very renowned consultants and on special projects with the thrust of the Government of India towards the infrastructure projects. I see that this sector demand will go up and it has a very good synergy because the plastication infrastructure is very similar to the wire rope business where we also do plasticated wire ropes and so this is something which has a good synergy and we expect within next 18 to 24 months to take it to almost 800 to 1,000 tons a month, that is on the plasticated LRPC.

On the wire front, very quickly I would like to mention that as we have seen also our volumes of wires have come down because when we were part of the steel business, a lot of wires of even low value was used as an opportunity to even evacuate our steel. But now that once we have started looking at our business on a standalone basis after the divestment of steel, we have taken a conscious decision of getting out of these wires. So, that is the reason why the wire numbers have come down and now we are gradually moving into specialized wires, we have just in our new CAPEX of Rs. 167 crore, we are setting up a Galfan line which is a zinc aluminum combination. We are creating a capacity of 10,000 tons per annum, again and this will take gradually one or two years to build up this market. We have some markets both for the Galfan wire and the some of the applications are even on the Galfan wires which are used for rope making. So, that is something which we are creating this infrastructure. The Company already has the technology for this so that is not an issue and also, we are looking at other wires which are going in for high end applications on the spring wire, on the ultra-high tensile ACSR wires which is through our patenting furnaces, and these are the products which would give better margins than the normal wire margin. So, this is approximately we are looking at building a capacity of 10,000 to

12,000 tons in addition to whatever we are doing today. So, 10,000 tons of Galfan and 10,000 tons of these special wires. So, about 20,000 tons we intend to build over the next two to three years.

Ankit Gupta: And sir on the service business if you can talk about how has been the growth in the service revenue over the past two, three years and how do you see this segment growing for us over the next year or two?

Rajeev Jhawar: The service business you mean to say our international businesses which we do cutting, coiling, and servicing?

Ankit Gupta: Yes sir.

Rajeev Jhawar: Basically, we have two businesses under the European subsidiary, one in Aberdeen which supplies these services to the oil field sector in North Sea and one in Rotterdam which takes care of the ports and the services and the turnover of these two businesses are close to almost Rs. 700 crore a year and along with these two businesses, in Thailand, in Singapore as well as Dubai we have recently started our services business. So, over the last two years we have been able to increase the business from Rs. 450 crore to close to Rs. 650 - Rs. 700 crore, we expect to grow by about 15% to 20% on an annualized basis over the next three years.

Ankit Gupta: And the margins in the segment will be like in what range in the service business?

Rajeev Jhawar: I can only say margins are generally higher than just selling wire rope, but it again depends on which product, which customer. Generally, we see that the margins are at least 4% or 5% higher compared to the normal margins what you will get by selling wire ropes, but it all depends on project orders, what is the quantity, but overall, what it helps you is not only the margin, it helps you to be working very closely with the customer. So, your ability to penetrate these markets along with the service side of your business is much higher than simply going and selling just your product to them. So, the service angle makes you much more acceptable to the customer because they see the product and the continued service and your people on the ground to support them. So, I look at it, more a very big enabler apart from the margins which is definitely there is a faster way of breaking through some of these high-end customers as Shreya mentioned we have been able to successfully develop in the last 12 months.

Ankit Gupta: And sir just last question on the new customer that we have developed, so if you can talk about them and how are we scaling our businesses with them?

Rajeev Jhawar: Sorry sir could not get this last question.

Ankit Gupta: The new customers that we have developed on oil and offshore, elevators, mining and even fishing side, if you can talk about these customers, how are we ramping our volumes with them and any other customers in pipeline which you think can become big for us over the next 12 to 18 months?

Rajeev Jhawar: You see as Shreya mentioned that we have got these customers. Our Brunton Shaw has been our premium brand which the group acquired in the early 2000's and now with this close linkage of raw material and getting the margins both higher and making them more competitive along with our development center, we have been able to make breakthrough with three or four of these customers. Last year was the first year after working for last two, three years that we have been able to make this success. I would say that this is just the beginning, of course, this has been supported by a strong demand from the oil sector, from the wind energy sectors as well as there has been an opportunity where supply disruptions for the European manufacturers have been there. So, this gave us an opportunity to enter into this market. What it really helps us is that once you have got three or four of these large customers who become your sort of a showcase and in terms of you have been able to successfully deliver your products and services to them, this gives you a very big reference. It is just the beginning, and I would say that next two to three years, these premium products we should be able to grow at the rate of almost 30% and at least three or four more large customers are in the pipeline which are under advanced stage of discussions to start the relationship. So, I would say the next two, three years is exciting period for this segment.

Ankit Gupta: Sir, just one last request, if you can give us the number of brief financials of our subsidiaries like let us say revenue, EBITDA and PAT in our quarterly presentation, it will help us. And thank you and wish you all the best.

Moderator: Thank you. We take our next question from the line of Nitin Raheja from Julius Baer Wealth Advisors India. Please go ahead.

Nitin Raheja: Sir, I have a couple of questions from a clarification perspective. Can you give a little more understanding from the CAPEX program? I see that your first phase of CAPEX which is almost close to Rs. 300 odd crore is giving you an addition of almost about 40,000 tons of capacity while the second phase of Rs. 167 crore is giving only 10,000 tons. Is there a difference in the complexity or can you just give a broad understanding on the CAPEX front?

Rajeev Jhawar: You are right. The first phase is 40,000 tons which is creating the facilities what is required for the different types of ropes what we mentioned. The second phase which is Rs. 167 crore is predominantly for mining rope and some of the new customers what we are trying to develop which I just mentioned in the European market. Some of these ropes are single lengths of 300 tons, 400 tons, those require very, very heavy machinery and the

capacity of that machine would be much more than those 10,000 tons, the capacity would be 25,000 to 30,000 tons a year. But looking at the market, looking at the opportunity, we feel that in the next three to four years we will be able to produce or get 10,000 tons out of this business and of course gradually if the demand grows it will be higher. So, the installed capacity may still be higher. So, this 10,000 tons is something what we feel that we would be able to produce and sell in the market. So, that is the thing, so capacity inherent would be close to 30, but we are only taking the capacity which we feel that in the next three to four years we should be able to get out of this.

Nitin Raheja: Both these CAPEX that are happening, what would be the incremental return on capital that you would be earning?

Rajeev Jhawar: You see what we mentioned because most of the CAPEX is towards building the capacity of the high value ropes as well as the wire ropes which goes for the critical applications and some of the service. So, our projections what we are seeing that over the next two to three years, we should be able to get to close to what we have mentioned that we are moving towards 25% return on capital employed and this will help us to even increase our EBITDA margins from the levels of 14%, 15% to 18% plus in the coming years. So, not only the existing base is improving, but it is also being helped by the products of high value which are helping us to take it to close to 25% ROCE.

Nitin Raheja: Sir, my next question has got to do with the margins, your EBITDA per ton. We have seen from 21 to 22 and in 23 you have seen your margins from an average of 25,000 odd go to 32,000 in your last quarter, but for the year as a whole you were at 26,500 around about margins. With all the new products that you are talking about, what do you see is the long-term steady state EBITDA margin that you would get to over a period of time and if I have to sort of say you mentioned that 50% would be value-added and 50% would be the older wires and ropes, what is the difference in the EBITDA per ton between the value add and the older wire and ropes?

Rajeev Jhawar: I will answer this question, but I would refrain from giving specific numbers for the future. I can tell you two things. One thing is that the higher value-added products what we are talking about crane ropes, mining ropes as well as those products would be in excess of Rs. 50,000 per ton because those are very critical applications. Some of the products what we are talking in the international market where the realizations are in excess of 270,000 per ton, which you have seen in our results, those would be all 50,000 plus. The general-purpose ropes would all be between 20,000 to 25,000. So, the blended average is something which is helping us and of course the LRPC and wires are the lower category what we are talking about. So, I would say that one of the reasons why the EBITDA margins will go up is because all the CAPEX initiatives and all the various working which we are doing with our

international businesses is more towards getting a higher percentage mix of the value-added products.

Nitin Raheja: My last question is got to do with your working capital and as I see, while your receivables and creditors are almost closely aligned, it is really inventory that is the largest component of your working capital. Is there a risk in terms of, in when there are fluctuations in prices of taking write downs in inventory or having inventory losses, I mean how does this business work?

Rajeev Jhawar: See two things, the last three years the steel volatility has been very, very high from 44,000, it has gone to Rs. 62,000, Rs. 63,000, so almost 18,000 per ton the steel prices have fluctuated, and you have seen that the Company has been able to withstand all this volatility and has been able to continue to grow the margins. And as you grow into the higher value-added products, the percentage of the steel is automatically coming down. You see it is almost 23% for value-added products in the international market, it is 36% of the value-added products like wire ropes in Indian market and between 67% to 78% of the commodity products like wire and LRPC. So yes, wire and LRPC is generally a pass through. That is very difficult, but when it comes to these higher value-added products where your steel margins, your steel component is much lower and also the pricing power of the Company when it comes to these things, at least in the last three years I can tell you that we did not have any such instance where we had to take a write down on our inventory. We have been able to manage it and that is evident from the way our EBITDA margins have been going even in this volatile steel market, so I do not see a risk on that.

Nitin Raheja: And is it fair to assume that most of this inventory that is there is finished goods inventory?

Rajeev Jhawar: I can tell you it is when it comes to all our overseas business other than Brunton Shaw and our Dubai plant which are manufacturing facilities, there it is raw material which is produced in India and finally it is converted in either Brunton Shaw or in our Dubai facility. So, they have a combination of finished product as well as semi finished or wires and strands from India whereas all other subsidiaries which are purely distribution and services, it is finished goods from India.

Nitin Raheja: And sir my last question is got to do more with the macro demand environment. How do you see this macro demand environment, you have sort of talked about a 15% growth currently, but is there some sort of structural drivers or are you also taking market share from competitors from some other countries? How does India get positioned out there and from your perspective how do you see the visibility of growth?

Rajeev Jhawar: You have rightly said that last two, three years once the whole structure as Shreya mentioned that our international businesses, we all put under one umbrella. They were all 100% subsidiaries but running in silos on an integrated basis. When we have realized and put all our energies together, we could see that there are big opportunities in the market and because of the inflationary trends as well as some of the other challenges during the pandemic as well as with the geopolitical crisis, it gave us big opportunity and we could see that our cost advantage with linkage with India was there and there were great opportunities for us to go and take market shares from other established players and even the customers were looking at us because it is not only our cost competitiveness, but also the integration with our global development center where we work together to not only be competitive, but even offer good quality and having said that with few big successes what we have made in the last two, three years, I see that the reference and the opportunity of growth with the current environment, I see that it is possible to do it and it is just not the growth which is taking place, but it is also how we take the market share from competition. So, it is going to be a combination which is going to help us to get to 15%.

Nitin Raheja: And you are fairly confident in terms of the visibility at the present moment?

Rajeev Jhawar: I would say next three years we have a fairly good visibility.

Moderator: Thank you. We take our next question from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Sir, just wanted to know what is our current capacity in wire rope, wire strands and LARC?

Rajeev Jhawar: Our total current capacity is around 296 to 300,000 tons and our total current production is close to 204,000 tons, it is about 70% utilization. This is our current overall capacity. Our LRPC is between 60,000 to 65,000 tons depending on the size what we produce. The rope would be close to 126,000 tons and our current production is close to 101,000 tons.

Alisha Mahawla: And on the rope side where we have 126,000 tons and they are almost a 75% utilization is this peak or can we go up to 85, 90?

Rajeev Jhawar: You see wire rope, while the nameplate capacity is higher, some of the capacities, you know there is definitely possibility to go up, but the rope capacity is not by just the nameplate capacity but also the product mix. Machine can produce between say 13 millimeter to 26 millimeter, the production is almost half if you produce 13 millimeter compared to 26 millimeter. It is an average capacity which is possible, all depends on the market side, but on a general thing what we have seen worldwide, to get to 70%, 75% capacity is a fairly decent capacity for wire rope.

Alisha Mahawla: So, it is fair to assume on an average we are currently operating at peak volume obviously depending on our product mix and the capacity that will come in phase 1 in Q3 is when we will be able to see a significant jump in volume?

Rajeev Jhawar: Yes.

Alisha Mahawla: And is there any volume growth aspiration that we would like to share for next year or over the next two or three years?

Rajeev Jhawar: We have mentioned that we expect to grow by about 15% to 18% compounded in terms of our top line. Our focus is apart from just the volume is also going to be the value. So, we expect around 15% growth in terms of deliveries on an annualized basis for next 3 years.

Alisha Mahawla: And how do we expect the mix between wire rope, wire strand and LRPC to be three years down?

Rajeev Jhawar: For LRPC we are not expanding our capacity, so it is not going to grow. On the wire side also, we are just replacing some of the low cost with high cost, so, again from the low value to high value items. So, our percentage of rope will continue to grow whereas the wire and strand and the LRPC would be almost at similar levels at what we are doing. The wire side may grow with the zinc aluminum wire what we mentioned as well as some of the other high value-added wires, but also there would be some low value wires which we would continuously flush out of the system. So, percentage wise our rope will continue to grow, and we expect it to be close to around 70% to 72% of our revenues will come from ropes.

Alisha Mahawla: And obviously we have seen very healthy increase in our EBITDA per ton from about Rs. 15,821 in FY21 to 32,000 in Q4 and we expect the share of wire rope to continue to grow. So is there aspiration where we see this EBITDA per ton in light of the more value products also that we are targeting towards?

Rajeev Jhawar: This question I have already answered, and I would not like to give any specific guidance of increasing of our EBITDA per ton. I think what we look at is 15% to 18% is the compounded growth we expect in the next three years and the ROCE, which is a combination of all the various financial numbers, we came from 19% to 21% in these two years. We gradually go up to 25%. The per ton EBITDA is something which you should not look at on a quarter-by-quarter basis. We should look at what was the growth over '21 to '22 and '22 to '23 and I can only say the trend on an annual basis will be going up. I would not say that you should look at one quarter and say that becomes the benchmark for the year. We should look at our business on an annual-to-annual that we will definitely continue to improve the trend going forward.

Alisha Mahawla: And just one last question, there has been significant reduction in steel prices in China and expectation is that probably the prices will continue to trend lower in India also. Will this lead to any significant inventory losses for us and also with lower steel prices will it have any negative impact on our EBITDA per ton?

Rajeev Jhawar: Can you come again I could not get this question.

Alisha Mahawla: Just wanted to know the if the steel prices continue to trend lower, one, what is the kind of inventory losses that we can face because we do hold significant amount of inventory and two, how will this impact our EBITDA per ton?

Rajeev Jhawar: As I mentioned I have already replied to this question just a couple of questions ago that there has been a volatility in steel prices. It has gone up from 44 to 62 and even the prices have gone up and down in between, the Company based on the strength of its value-added product, improvement of its product mix, changing the mix between domestic, increasing our sales to the higher end sectors in the international market, we have been able to ensure that our EBITDA has continued to improve. I do not see any with the current and the steel prices as they are happening right now, I do not see any inventory loss coming to the Company, in terms of any inventory loss to the Company. I do not expect anything to happen.

Moderator: Thank you. Our next question comes from the line of Koushik Mohan from Ashika Broking. Please go ahead.

Koushik Mohan: My question is basically on the coming CAPEX whatever you are doing, what would be your revenue mix in the coming years, majorly I wanted to understand on LRPC?

Rajeev Jhawar: As I mentioned, LRPC volume is going to remain stable as we are not increasing the capacity of the LRPC. Our main capacity increase is taking place in the wire rope and the specialized products and services. So, as the percentage of revenue, I expect the rope side to continuously keep on going up in view of the new capacity which is being added plus some of the new markets and opportunities which we are building up. The new capacities is more towards wire rope and the specialized products of services and wire rope, the percentage of LRPC and wires would keep on coming down and it would keep on tilting towards the wire rope and I would expect the rope side to go from current level of about 65% to close to 70%, 72%.

Koushik Mohan: This CAPEX is happening, and you are guiding on that Europe you have the clients. So, what can be the Europe revenue segment in the coming years, any thoughts over there sir?

Rajeev Jhawar: I would only say that last year we grew from 50 million to 70 million in 2021-22, our European business clocked a turnover of 50 million, we did 70 million almost a 40% increase in last 2 years based on the various success we have managed to get and the traction of demand which has come. We expect it to grow significantly in the next two to three years.

Koushik Mohan: Sir, last and final question. Sir another question is how much of your entire revenue has been segmented towards value-added products and only the replacement products which will be like replaced every year or every two, three years and in coming years what is the difference between these two?

Shreya Jhawar: Yes, so you mean between the OEM and replacement market, right. So, the OEM market would be around 20% or so whereas the remaining would be the replacement market for us.

Koushik Mohan: What is the replacement market time duration, is it one year or two years you have in the replacement orders?

Shreya Jhawar: So, the replacement cycles can vary depending on, we have a diverse range of products. So, I will just give you a few examples, for example, for port cranes it can be around 6 to 12 months, whereas for draglines and shovels in the mining industry can be 2 to 3 months, dump ropes which again in the mining industry can be about 15 days, but elevators, for example, can be longer, four to five years, fishing is seasonal so that can be around, it can either last one or half season, 6 to 12 months. So, it really depends, so it varies from a few days to a few years as well, but that is just to give you a flavor.

Koushik Mohan: Ma'am if possible from the next presentations can you please add this also into that so that we will get more understanding on how the Company is going towards.

Shreya Jhawar: Sure, we will add those details to the presentation going forward.

Koushik Mohan: And the last and final question, how about your cash flows ma'am, how are you projecting your cash flows, what will be the conversions of your EBITDA to cash flows in the percentage terms?

Anirban Sanyal: For the operating cash flow for FY23 if you see Koushik, it has been Rs. 345 crore before income tax for this year and percentage of operating EBITDA it is already at 67%, which was 38% in FY22. So there has been a significant improvement and this OCF generation is actually supporting the Company's capital allocation plans and going forward we hope to maintain as a percentage of operating EBITDA anywhere around the 70% mark, we consider it as achievable and maintainable.

Koushik Mohan: So, I can I assume that it would be around 65% to 70% in the coming years?

Anirban Sanyal: That would be the range, yes.

Koushik Mohan: And that would be majorly, the reduction on the inventory side and your focus will be more on the inventory days?

Anirban Sanyal: So, here I would like to mention, so even in absolute terms if the inventory increases, we need to take into account that in percentage terms, net working capital to turnover would remain in that 29% bracket. So, as we increase in terms of revenue if we can continue to limit the NWC turnover at around 29% to 30%, you will see that this operating cash flow conversion from EBITDA would keep on increasing.

Koushik Mohan: So, on the total current CAPEX whatever is done, what can be the optimum utilization of capacity utilizations on that number i.e on this 10,000 as well as on the 40,000 tons, whatever the CAPEX you have done?

Rajeev Jhawar: I would say a similar level of between 65% to 70%.

Moderator: Thank you. We take our next question from the line of Aditya Nahar from Alpana Enterprises. Please go ahead.

Aditya Nahar: So, sir there has been too much time taken up already, I just wanted to pick your brain on if you would be open to doing instead of in lieu of dividends we would be open to doing buybacks. I understand this is a Board level decision, but just wanted to check whether you would be open to doing a buyback because your policy also states you are open to doing capital reduction and buyback as well?

Rajeev Jhawar: As you have rightly said sir this is a Board decision and it would not be right for me to comment on this. So, I can only say that the Board has a policy on the dividend and we always need to take any discussion first at the Board level.

Moderator: Thank you. We will take the next question from the line of Aman Vij from Astute Investment Management. Please go ahead.

Aman Vij: My first question is on the capacity and utilization across our international subsidiaries, so if you can talk about what is the capacity and utilization in UK, in Thailand, in Dubai?

Rajeev Jhawar: Our capacity utilization in as far as Dubai is concerned is around 83%. Our capacity is 15,000, we did about 13,500. USSIL is around 86%, these are all on the rope side is around 86% and on Brunton Shaw it is close to around 50%, but this is something we expect to grow with the various tractions what we have got in the international market.

Aman Vij: And you have talked about next phase of expansion in Thailand and in Dubai, but not in Brunton Shaw, so any particular reason we are not expanding there?

Rajeev Jhawar: You see the capacity utilization is 50% there and there is still scope for growing based on the new customers what we have got, based on the supply or wires from predominantly from India which is at decent price and value. We still expect some capacity available to take care of the newer customers and orders what we get. Once we get further closer towards 75%, 80% we would definitely look at it, but right now, I feel there is a headroom to achieve more there.

Aman Vij: My next question is on the order book and in terms of the cycle to execute the same. So you have talked about we have the feasibility for next three years, so if you can talk more about, is it the order book which we already have and normally what is the typical order execution cycle in our business?

Rajeev Jhawar: We have dedicated dealers in India who buy regularly. This is because in wire rope, other than these big European companies or big giants give you orders for 6 months, 12 months as the lead time is high. The replacement market is 80%. We have a strong distribution network in India and we have our own distribution Company. So, there is a regular sale which is taking place. We generally have an order book of two to three months in pipeline, but 80% is the replacement market and the demand keeps on coming. The dealer network keeps on getting and selling and replacing. So, we see that the order book is generally two to three months, but based on the consumption and the forecast we see that in the next two to three years we can expect the growth levels what we are talking about.

Aman Vij: Sir on the Thailand subsidiary, so we have become positive this year, so in next two to three years, do you think this can reach the profitability of the India business or even can it raise the profitability of Brunton Shaw and all the other players as well?

Rajeev Jhawar: Brunton Shaw is a different kettle of fish. Their product is between 200 to 350-to-400-ton single weight rope which goes into very, very high critical application ropes. So, that level of margins is much higher and very few players in the world produce that and that took us a long time to get good stability or at least a good entry to that business and next two years, three years we will see an advantage of that. Thailand is generally the smaller range, up to 52 millimeter which is generally the Koreans and some other players in the world do it. The EBITDA margins were only around 6%, we have come to close to 11%, 12% and with the new investment of Rs. 62 crore which we are doing, our whole objective is to get into higher value-added crane ropes, elevator ropes and some of those high-end products which will ensure that we continuously keep on improving the volume as well as get into a

higher EBITDA percentage. To answer your specific question whether the EBITDA levels would be similar to India or to Brunton Shaw, I don't think so, because the product mix of India and the product mix of Brunton Shaw, there is a large product mix which is of a very, very premium product, but I can only say Thailand which has also shed out some of the low value-added products and come to 12%, will also grow at the similar level. So, while the base is low, they will also keep on improving at a similar level, but I would still say that India and Europe will be our prime drivers of EBITDA and profitability.

Aman Vij: Coming to the international business, so we had our aspiration to increase our market share in Europe and maybe in LATAM and Middle East also. So, you have talked about the strategy in US from 2%, 3% market share to 4%, 5%, what is the similar strategy we have for Europe, Latin and for Middle East market, what is our current market share, what we are aspiring it to become in next two, three years?

Rajeev Jhawar: Middle East market Brunton wire is the only producer in the GCC, we are the only rope producer there. We have a fairly decent market in that region. The area where we are seriously looking to as we are exploring and probably we will get into is the Saudi Arabian market because that is a market where we feel that both services and rope demand which is not only on the oil side which they are doing well, but there are big growth plans in Saudi, they are having very big aspirations for growing the infrastructure in that country over the next 20 to 30 years. So, that is something we are seriously looking at and we expect to definitely increase our presence in growing that market and I see in the Middle East that would be the fastest growing economy in the time to come and we will definitely play an important role for our rope business there. Coming to LATAM, we have hired a very senior guy within the industry from one of our competition in Europe, based out of Spain who is helping us develop our global markets and it is like a global growth center looking at opportunities and South America which is mainly Portuguese and Spanish speaking country. We have got good leads and we now plan to expand in that market. US I already mentioned, US is a very big market, US and Canada. Our presence is very low, it is close to just 2.0%,2.5% of the total market, and there we see a big potential. We have made some good breakthroughs and I feel that this will be a very important market for us. Europe, Usha Martin is a very well-established brand, Brunton Shaw, Usha Martin and with our own manufacturing and distribution centers working closely, we have a very good brand name also. Altogether, we do about 19,000 tons of sale of wire ropes in that market including lot of services we had. As I mentioned, from £50 million to £70 million revenue growth in one year, we will see substantial growth in the European market. We will further consolidate our position. Norway, Germany are two markets where we are targeting to expand our position in the coming year.

Aman Vij: If you can talk about the next two, three years there are lot of tailwinds in the industry. We are also talking about good growth, but a little bit longer if I take, 5 years and maybe beyond, so, the industry is growing at single digits, so is it possible for us to keep doing at this double digit for next 5 years, 7 years as well or only 2 , 3 years visibility you think and then after that we will grow at single digit only?

Rajeev Jhawar: For the next 5 years I can see that we will be able to get to this with the sort of cash flows we are generating, with this sort of growth plans we have and the organization capacity to go into the markets what I have mentioned. I see that we have significant opportunity to increase and take market share. So, I cannot comment for 10 years or beyond but next 5 years I can see that we will be able to manage this growth based on our current levels of performance and the expected levels of performance.

Aman Vij: Final question, we will be generating a lot of cash and we have a dividend policy, at the same time we are also entering into newer areas maybe like synthetic ropes and if you can talk about our strategy there and is there an opportunity to acquire some companies in Europe which are not doing well given the today's scenario if you can talk about these two things?

Rajeev Jhawar: First of all, I would like to tell you very clearly that synthetics is a different market altogether. I mean it is a good business, there are very few areas where synthetics and steel wire ropes have a common ground. It is a very interesting business, but right now I think there are big opportunities in our steel wire rope business which we have plans. I think the focus would be over the next two, three years to first focus on the business we know best and we see still a lot of opportunity to grow in this area. So, that is something right now we do not plan to venture into synthetic rope manufacturing and all. Secondly, I am very conscious of one thing which I even mentioned in my opening statement that finally, I have gone through, we have seen very tough times with high leverage, so anything which is not going to increase our leverage to a level where it becomes unsustainable, I would not like to go back to. That has been a key learning for me in my past and I would not like to do that, but if small opportunities are there or something which fits into our financial model, I would definitely look at opportunities which will help us to get into newer markets or better brands and like what we have in Brunton Shaw we would be open to, but not something which is going to put the balance sheet at a risk once again.

Moderator: Thank you. We will take the next question from the line of Pankaj from Affluent Assets. Please go ahead.

Pankaj Prabhakar Bobade: Sir, just wanted to understand, you have current capacity of around 3 lakh metric tons you will be adding 40,000 in first phase and in at the expense of Rs. 350 crore and another 10,000 at the expense of Rs. 160 crore, so can you

please help us with the timeline as and when these capacities will come on stream and if possible how would be the revenues to the asset turn if you could explain?

Rajeev Jhawar: As I mentioned that based on these capacities, you know these capacities are all put at one time, this 40,000 because equipments are all put at one time. The market development for product mix takes a while. So, based on this capacity expansion, we expect 65% to 70% of the utilization. So, assuming that we are adding 45,000, 65% to 70% would be the volume which will be coming up and I would say it takes more than the manufacturing capabilities. Manufacturing capability to push up the volume is there, but it also needs to be dovetailed with the demand side and the way we are developing the market. So, I would say this is going to help us to get to 15% to 18% growth in terms of our deliveries or volumes on a year-on-year basis. So, it is partly improving our current efficiencies and it would also come out with the expansion. So, next three years we expect 15% to 18% year-on-year deliveries to improve from the new capacities as well as some of our existing efficiency improvement.

Pankaj Prabhakar Bobade: So, sir roughly at Rs. 950 crore of net block, you will be adding another almost Rs. 500 crore, so will it be safe to assume that from Rs. 3,000 crore we are going closer to Rs. 5,000 crore over next two to three years?

Rajeev Jhawar: It is not proper for me to give you any absolute numbers, but I would say that one should look at 15% to 18% growth on a compounded basis on our current levels of revenues.

Pankaj Prabhakar Bobade: Sir, our EBITDA per ton has improved from around 16,000 per ton to say 26,000 per ton on annual basis over last two years and meanwhile the fuel prices also has moved up, so just wanted to understand this improvement in the EBITDA margin, what was the function, means improvement of the EBITDA margin was the function of what, the steel price rise or our internal efficiencies?

Rajeev Jhawar: It is definitely not the steel price rise because steel price rise is something which is generally pass through. The majority of the improvement which has come is with the improvement of our product mix like what Shreya mentioned that our percentage of wire rope year-on-year is increasing. Even last year our wire rope increased by 9,000 tons whereas the LRPC and wires actually were marginally lower. So, it is changing the mix - Shreya you want to mention please.

Shreya Jhawar: In addition to the change in the mix, I think also important to highlight that it has been driven by more sales in the international operations compared to the domestic operations. The EBITDA per ton on average for the international operations for FY23 was around 27,600 per ton whereas the domestic

operations is around 18,700. So, I think that also gives an idea of where the increase in margin is coming from.

Rajeev Jhawar: And our share of our international business also has improved year-on-year. It has come to almost 55% from 51% and the prices of the products are much higher including EBITDA per ton. So, that is how I would say that the percentage and the absolute numbers have gone up.

Pankaj Prabhakar Bobade: Sir, lastly how sustainable is it and second thing one of our competitors though very small as compared to our topline has reported margins to the tune of 24%, 25%, will it be possible for us to reach that number in near future?

Rajeev Jhawar: I can only comment on Usha Martin. We have three verticals - wire rope, wires and LRPC, whereas the other maybe just wire rope business and as we have seen the wire rope gives you a much higher EBITDA per ton and higher value addition per ton. That being said, we at Usha Martin look at ROCE closely to ensure the optimum utilization of all our assets across all these three product verticals and as we mentioned that the wire and the LRPC are definitely more in the commodity grade with of course some high valued LRPC in terms of plastication which is just getting into the product mix. So, I would be more keen to talk about Usha Martin that we would continue to grow on the manner in which we have, based on the strength of all three verticals. So, ours is a blended margin whereas probably the competition is on the rope side. So, I would not like to comment on them. I would rather comment on the way we look at going forward.

Pankaj Prabhakar Bobade: You also mentioned that you will be exiting certain low value-added products. I suppose those were the likes of wires, so going forward will it not help us improve our margins?

Rajeev Jhawar: Definitely, it will help us improve our margin. As we increase our percentage of ropes and reduce the wires or get into higher value-added wires and plasticated LRPC, it is all going to help us improve. So, I would look at Usha Martin how we are converting ourselves into the new model and how we are progressing to improve our ROCE and EBITDA per ton and I would say that this is something which we expect to grow year-on-year basis as we have seen it has happened in the last three years for us.

Moderator: Thank you. We take the next question from the line of Rupesh Tatiya from IntelSense Capital. Please go ahead.

Rupesh Tatiya: So, my first question is thinking like in terms of risk to whatever guidance we are giving, so I was trying to think about the risk and one of the observation I have is from FY21 to FY23, if we look at the steel prices for Indian producers the prices have gone up by roughly $150 per ton and for European or

American players they have kind of gone up by let us say $300, $400 per ton due to various reasons, and with this kind of arbitrage, I mean it is bound that we will be, anybody, any of the kind like who will use steel as raw material, they will be able to sell their product at a higher prices. So my question is whatever this EBITDA per metric ton improvement we have, can we split it into, can we do a kind of EBITDA per metric ton walk, what is due to service business what is due to product mix and what is due to this kind of like this arbitrage, this is my question?

Rajeev Jhawar: I do not have that kind of information right now readily available. I will request CDR and we can arrange a call with you where our CFO can take you through this, but right now I do not have a definite answer to this on a detailed basis.

Rupesh Tatiya: So sir, if the arbitrage goes away where the steel price arbitrage goes away in next let us say two years between let say international steel producers and Indian steel producers we were confident that the whatever margin trajectory and ROCE trajectory, we will be able to maintain that?

Rajeev Jhawar: I do not see, we look at the steel price because we have a plant in Thailand, we have a plant in UK, there is no arbitrage. For high carbon wire it may be there for flat products, but for our wire rods I do not see any advantage it could be plus, minus $30 $40 depending on this. So, that arbitrage was there three years ago, just around the pandemic, but right now I do not see any major difference between the prices of steel in India or the prices of steel what we buy in Thailand plant from different sources. I do not see that as a big gap on our type of raw material. It is hardly $40, $50 a ton, which is insignificant I would say.

Rupesh Tatiya: And sir can you also give some like what is happening in domestic market in terms of how we will grow there because India is a growing country, lot of infrastructure announcement and also some sort of guidance on domestic market?

Rajeev Jhawar: India is a very important market for us because for any Company where you are operating. Similarly for India; India is an important market. We have about 60% to 65% overall market share for our wire rope here. We have a very strong dealer network, very close working relationship with some of the key customers across various segments in India and I am happy to say that we would and we will continue to focus in India and keep the market share. Our dealers have been with us for 40 years, 50 years they have been there, they are like our extended arm, and they stock ropes, and they really service the customers well. We have a very good brand name in India, we are practically in most of the prime applications we are there. We are very focused, but it is at the same time when I look at India where we are having 60% to 65% market share, it is difficult to increase the market share beyond a certain percentage. So, while we will continue to grow with the way Indian economy is going to

grow particularly with the Government pushing the infrastructure. So, we will definitely grow, I am sure those applications will continue to grow, and we will try to maintain and grow our market share marginally, but I see a bigger opportunity with the new capacities we are adding where we have very low market share and the opportunities are much more to grow where you are having only 2% or 3% market share or practically negligible market share. So, India is important, we will maintain, but we will grow with the economy in India, but the major growth I see percentage wise coming for the Company in the next two to three years also from the international market.

Rupesh Tatiya: Sir my final question is we have won a lot of clients, new clients in mining for example in Australia, South Africa. We have one new client for port, you know crane ropes for ports, so can you kind of talk about like let us say the sales volume was 'x', now today where it is at and where it will grow to next two, three years and who are you taking market share away from. Our understanding was you were able to take market share away from BBRC of the worlds, so where are we on that process, are we getting kind of like better and better in our capability to and that process of taking away market share will continue for a few years?

Rajeev Jhawar: First of all I cannot name customers and because that sometimes it is the confidentiality of the customers also that it is not proper for me to talk. But we are going in the Australian, the North American, South American market, last two, three years what we have seen particularly after this geopolitical problem, that every country is increasing their energy security and their focus is there, be it the traditional energy, whether it is oil, gas, power and it is not that it is at the cost of the green energy. So, both of them have started growing because everybody feels threatened after whatever has happened in the last two or three years. So, this is something which is giving us a big opportunity and from our customers perspective based on the good work which we have done with our international businesses working together and our global development center as well as the linkage with India, it is giving us competitive advantage, our international businesses are able to be very close next to the customer. The customers feel much more comfortable even if as a Company we may be having manufacturing in India, but for any issue there they have their local face to communicate to serve and have our inventory not for everyone, but for our important customers on the ground. So, this business model of Usha Martin which may be slightly higher on the working capital, but it more than covers by getting a much higher realization, much more market share than just being selling as ex-factory and the customers do not know when the material will come, who the face is. So, this model is a unique model which is helping us. So, many times I have this question that your working capital may be higher compared to competition, but I think over a period of time we have realized that it is the strength of our business model and the ability to get these customers into our fold and able to serve them with a better price and ultimately get a better realization per ton and

converting into a better higher EBITDA per ton and ROCE. So, that is the model which we feel is really giving us results. Every Company I am sure is trying to do their best to serve their customers. It is ultimately how we serve our customer, how the customer comes back to us. I feel that is going to be more important for us.

Moderator: Thank you. We take the next question from the line of Siddhant Kanodia an investor. Please go ahead.

Siddhant Kanodia: Sir, I had a couple of questions. So, my first question is like recently our transport Minister, Mr. Gadkari had mentioned that India plans to develop around 15 billion of wire rope projects over the next five year, so being a market leader in the domestic market, is it safe to assume that the bulk of the order will be getting by Usha Martin?

Rajeev Jhawar: Let me tell you it is a very ambitious plan and the wire rope content is an important part of it and these projects take a long time for gestation and of course, I am sure Usha Martin will compete and try to get as much as order as possible. So, we will do it, but these projects take a long time, environmental clearance and getting all those things. Usha Martin will definitely try to pitch for maximum orders. We are not into the ropeway business; we supply ropes to these ropeway operators or the builders of this and we have the capability and ability to service them. So we will try our best to get the market share. Second important thing, let me tell you that these ropes have a very high replacement cycle maybe 10 years, 8 years. So, once you get the project the replacement comes after 8 to 10 years. So, it is not a very, very big volume business, but an important business and a high value business and we will definitely work with the people who have either got the orders or in the process of getting orders and working with them on these projects. So, we hope to get a decent share.

Siddhant Kanodia: And sir my second question was sir like we are confident of getting the market share globally as well, India, we are already a leader, but we are confident of gaining market share and growing more than the industry, so is it something to do with the carbon footprint or any of the major global players cutting down on production or has shut shop or something like that?

Rajeev Jhawar: No, I have not heard. Yes, some plants in Europe are closing, they are relocating or rationalizing that is what we hear in the media. Bridon is closing one of their plants in Germany but I do not think it is something to do with carbon footprint, it is probably some of their internal reason.

Siddhant Kanodia: And regarding the service segment, are we doing that in India as well?

Rajeev Jhawar: No sir, in India we do it, but in a very selective way for some large customers. But we have a strong dealer network who have their own service facility and

whenever they need service support from us, we are there 24 by 7 to do that, but here we do not wish to change the way we do business in India significantly.

Moderator: Thank you. We will take a last question from the line of Aman Kumar Sonthalia from AK Securities. Please go ahead.

Aman Sonthalia: There is substantial pledging of shares of the management, is our management planning to increase the share?

Rajeev Jhawar: Yes, the process of releasing the pledge is underway and hopefully it should be done in the near future.

Moderator: Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session and I would now like to hand the conference back over to the management for closing comments. Over to you, sir.

Rajeev Jhawar: Thank you so much. I would like to thank everyone for attending this call for showing interest in Usha Martin Limited. I hope we have been able to answer all your questions. The Company is dedicated to creating value for all its stakeholders in a sustainable way. Should you need any further clarification or would you like to know more about the Company please feel free to reach out to us or to CDR India. Thank you once again for taking time to join the call and see you all the next quarter.

Moderator: Thank you very much sir. Ladies and gentlemen, on behalf of Usha Martin that concludes this conference. Thank you for joining us. You may now disconnect your lines.

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