“Jai Balaji Industries Limited Q3 & 9 Month FY24 Earnings Conference Call”

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MODERATORS: MS. SANA KAPOOR – GOINDIA ADVISORS

Moderator: Ladies and Gentlemen, Good day and welcome to the Q3 FY24 Earnings Conference Call of Jai Balaji Industries Limited hosted by GoIndia Advisors.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor from GoIndia Advisors. Thank you and over to you, Ma'am.

Sana Kapoor: Thank you Michelle. Good afternoon, everybody and welcome to Jai Balaji Industries Limited maiden Earnings Call to discuss the Q3 and 9-month FY24 Results.

We have on the call, Mr. Aditya Jajodia – Chairman and Managing Director, Mr. Raj Kumar Sharma – Chief Financial Officer, Mr. Vijay Kumar Bagri – President Finance and Mr. Ajay Tantia – Company Secretary.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the Company faces.

May I now request Mr. Aditya Jajodia to take us through the Company's "Business Outlook and Financial Highlights" subsequent to which we will open the floor for Q&A.

Thank you and over to you, sir.

Aditya Jajodia: Thank you Sana. A very good afternoon to all of you. We are pleased to welcome you all to our maiden Earning Concall.

As this is our first interaction, I would like to take a few minutes to discuss the journey of Jai Balaji Industries Limited followed by the "Strategic Updates and the Performance Highlights." Our "Investor Presentation" has been uploaded on the exchange and we hope that you have had the opportunity to review it.

Jai Balaji Industries Limited has a long history of 24 years and we have seen many commodity cycles and survive those some with much difficulty also. Over the years we have worked hard to achieve a strong operational efficiency and build a large integrated organization, very much focused on specialized value-added products.

Today, we are one of the largest manufacturers of value-added products specializing in DI pipes and specialized ferroalloys. We have state-of-the-art manufacturing facilities across West Bengal and Chhattisgarh including a 1.1 million ton fully integrated Greenfield steel manufacturing facility. The Company is at the forefront of the industry, and we have a very large export base also and are exporting currently to (+40) countries globally.

The Company has fully integrated operations and specialized product portfolio focusing on value-added products like ductile iron pipes and specialized ferroalloys. Ductile iron pipes contribute around 30% of our revenues and we are strategically placed in an industry which is poised for substantial growth. It is expected that the industry will grow at 13% to 15% CAGR in the near future.

These pipes essential for water transportation and drainage systems are witnessing increasing demand due to infrastructure development initiatives such as the Jal Jeevan Mission and mission AMRUT. Jai Balaji is actively contributing to these projects and currently holds around 10% of market share in the DI pipe industry segment in India and we expect to improve our share to around 18% to 20% following our capacity expansion on which we will be talking later.

Consequently, we expect the revenue contribution from ductile iron pipes to increase to 45% to 50% of our group's revenue reflecting our strong strategy focus on this growing market segment. We are also one of the largest producers of specialized ferroalloys in India. The companies specialized ferroalloys command a significant premium over the benchmark prices in the market underlining their high quality and value.

Jai Balaji expects revenues for specialized ferroalloys to increase substantially from the current 20%, 25% to 35%. Furthermore, Jai Balaji Limited has also secured its market position by establishing long term contracts with both Indian and international clients of great repute.

As the Company continues to enhance its capabilities in specialized ferroalloys, it also remains very well poised to capitalize on the increasing demand and maintain its premium position in the market.

Jai Balaji Industries Limited strategically executed a very comprehensive cost cutting strategy aimed at optimizing operational efficiencies. Through meticulous planning, the Company is expanding its capacity with the focus on achieving the lowest cost structures and capitalizing on economies of scale. The establishment of a 6 lakh ton iron ore beneficiation will be utilized for beneficiation of iron ore dumps.

Additionally, the presence of three railway sidings enhances transportation efficiency contributing to the overall cost saving. Furthermore, the utilization of captive power and a dedicated effort to reduce debts reflect the Company's commitment to minimizing energy and interest costs, thereby strengthening our balance sheet.

These strategic initiatives underscore Jai Balaji's dedication to operational excellence and financial prudence, positioning the Company strategically for sustained success in competitive markets. We have faced very tough challenges in the last 10 years which are now resolved with the commitment, hard work, faith and resilience of the management, business associates and all its stakeholders.

And I would like to take this opportunity to thank everyone for their continued support. Jai Balaji 2.0 is emerging as a resilient organization with a strong focus on margin expansion for value-added products that is DI pipes and specialized ferroalloys and backed by a very strong balance sheet.

The Company aims to expand its capacity of DI pipes by 175% to 6.6 lakh tons per annum ferroalloys by 46% to 1.9 lakh tons per annum and the Company is strategically targeting a utilization rate of up to 90% emphasizing operational efficiencies. We are also very much focused towards becoming net debt free in the next 18 months.

The CAPEX going forward would be supported by internal accruals. All these efforts would ultimately culminate into margin expansion. JBIL aims for an EBITDA margin in the range of 18% to 20%, reflecting a dedication to maintaining healthy profitability 106 expansion endeavors.

JBIL has a clear significant capacity expansion plan for which around Rs. 10,000 million is the expected CAPEX out of this 3,808 million has already been incurred through internal accruals and the balance is expected to be spent in the next 18 months through internal accruals only. Capacity of DI pipes is expected to increase from 2.4 lakh tons to 6.6 lakh tons. It has already been enhanced to 3 lakh tons a few days back. This is expected to be done in two phases.

Specialized ferroalloy capacity is expected to increase to 1.9 lakh tons from 1.3 lakh tons in two phases. 36,000 tons of additional capacity will be commissioned in phase 1 by FY24 and the balance is expected to be commissioned by FY25. The Company has also planned to revamp its existing blast furnaces which would lead to an increased capacity of 7.5 lakh tons of hot metal from the present capacity of 5,00,000 tons.

The Company has also planned to increase the capacity of the center by around 6 lakh tons and are also setting up a 35 tons BFG boiler details of which can be seen on slide 12 of the investor presentation.

Now coming to the financial performance. We are extremely delighted to share that Jai Balaji has delivered its highest ever financial performance in Q3 FY24 and for the 9 months FY24. During 9 months FY24, our revenues are today 45,682 million. The adjusted EBITDA increased by 103% to 6,664 million and EBITDA margins have increased to 15%. PAT also grew by 756% from Rs. 709 million in the 9-month period of FY23 to 6,066 million in the 9 month period of FY24.

In Q3 FY24 the highest ever adjusted EBITDA for the quarter increased to Rs. 2,474 million up by 96% year-over-year. Also, the profit after tax for the quarter increased by a significant 740% to Rs. 2,346 million.

Now coming to the operational performance. We are very happy to share that we have achieved the highest ever 9 months sales and production numbers for ductile iron pipes. On the other hand, on quarterly basis we saw a decline in sales and production numbers of DI pipes and ferroalloys owing to technical upgradation of one of the blast furnaces along with one LME furnace of DI plant and the revamping of the ferroalloy furnaces.

The same are now almost complete and commissioning is already on and we expect production to increase within the next few days only. Realizations for both DI Pipes and ferroalloys increased on both a quarterly and 9-monthly basis in Q3 FY24 realizations of ferroalloys and DI pipes increased to Rs. 1,76,000 tons and Rs. 80,000 tons up 33% and 18% year-over-year.

With this, I would like to conclude my opening remarks and assure you that we at Jai Balaji Industries are very confident that of creating a resilient organization with a strong growth outlook.

We can now open the floor for questions. Thank you so much.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We will take the first question from the line of Aditya Welekar from Axis Securities. Please go ahead.

Aditya Welekar: We have witnessed a great turnaround story sir, and going ahead if you can throw some light or explain the change or strategy in place to sustain the profitability, especially if you can comment on any threshold debt level which you want to operate and also what gives you confidence of achieving EBITDA margins in the range of 18% to 20% so that is the first question?

Aditya Jajodia: I think we will address your query. Coming to the part that what is the sustainable debt which we're looking at. Our debt is currently in the region of only 560 crores. As we mentioned in the opening remarks also the aim and target of the Company will be to be net debt free over the next 18 months.

With the current cash flows of around (+250) crores every quarter there is going to be jumps in the improvement of EBITDA margin going forward as the CAPEX plan unrolls, but even if you maintain the present margins and the present EBITDA also with the present CAPEX plans and with the current repayment plans, we'll be in a very comfortable position to be net debt free over the next 18 months.

The Company does not envisage raising any term loans of any sort to finance its CAPEX plans and it will be done entirely through internal approvals. So, the strategy on debt will be to be net debt free and then coming to the second part of your question as to what gives us confidence and how we will be increasing our EBITDA margins, I'll just go back to a few quarters ago.

Just to go into the history of the Company around two years ago our sale of value-added products in the entire revenue basket was only 30% with the initiatives which you have taken over the last two years it is now around 50%, 55%.

Going forward, it is going to be over the next 18 months it is going to be 25%. When the revenue share of the value-added products was only 30% two years ago, our EBITDA margins were in the region of 7%, 8% only with announcement from 30% to 50%, 55% we have these 15. And as you go forward towards 80% it will be moving towards 18% to 20%.

Along with value and products what we also mentioned was that we are also going for cost cutting measures. So, with cost-cutting measures what we mean is that if economies of scale will come into play, new technologies will be put into use whereby the other cost of raw material etcetera also will come down.

So, all the cost-cutting measures will be in place. So, this particular margin what we're looking at, we are very confident that we will be able to achieve these margins.

Aditya Welekar: Next one is if you can throw some light on production sales volume guidance for FY24 also on EBITDA or PAT guidance?

Raj Kumar Sharma: In PAT guidance in 3rd Quarter, we have produced 61,000 tons as compared to 64,000 in Q3 FY23. Pig iron because one of the blast furnaces was under modernization. The production number in this current quarter was 93,000 as against 1,25,000, billet we had slight increase 42,000 as against 40,000.

TMT there was a very good performance of 71,000 as against 59,000 in Q3 FY23. Ferroalloy we maintained the same run rate 27,000 as against 27,000 in Q3 FY23. The ductile iron pipe was 49,000 as against 58,000.

As far as realizations are concerned, sponge iron was 29,215 as against 32,819. Pig iron was 37,511 as against 41,252. Billet was 41,947 as against 44,842. TMT the realization was 46,211 against 50,850 ferroalloys because we have shifted to specialized grade of ferroalloys approximately 30% of our ferroalloy is now specialized grade. The realization has jumped from 1,32,000 now it is 1,76,165.

Ductile iron pipe was 80,000 against 68,000 and as far as guidance is concerned for the future, I'll hand over Aditya ji.

Aditya Jajodia: So, what Sharmaji has just told you all for the guidance for the future the guidance for the future is that as you are ramping up the capacities means we are looking at the capacity of approximately is the guidance for FY24 will be around 3 lakh tons of ductile iron pipes.

Raj Kumar Sharma: So, with regard to the guidance just on the number side we can say that we are expecting to achieve more than 20% of turnover in the last quarter with the additional capacities being put up in place and similarly the bottom line should also increase. On the guidance, we don't want to comment much on the numbers.

Moderator: Thank you. The next question is from the line of Vikash Singh from PhillipCapital. Please go ahead.

Vikash Singh: Sir my first question pertains to the capacity addition in DI pipes, so we are in an Eastern region where almost every other player is also increasing capacity significantly. So, do we feel that there would be a situation when the competitive intensity could be very high and in fact contrary to your expectation of a higher margin we will end up getting a lower margin for a certain period of time?

Aditya Jajodia: So, this is one debate which we always have before we put up any expansion plan. See first of all whether the manufactures are in Eastern India or in Western India that is not the important part because the market it is absolutely Pan India. Our Company supplies from Jammu Kashmir to Kerala and from Gujarat to the Northeastern states also.

So, the question of being in Eastern India, Western India will not arise because the execution of orders is Pan India number one. Number two coming to the more important question is that the other players are also adding capacities so how the margins will pan out. So, on this front I will just explain to you a couple of things.

Here we have a dual pronged strategy. Number one, amongst the peers we will be one of the lowest cost producers which will ensure sustainable margins and as far as the demand is concerned the demand for these pipes are very, very huge for us and over the next 5 years to 10 years, 15 years and as of now as we see it the demand for this price will remain very robust for three, four reasons this I will explain.

1. Number one the government is already on a mission to complete the Jal Jeevan Mission program where they have a program for connecting every household where the scheme is called Nal Se Jal other than this the AMRUT scheme is also being implemented. The advantage with these pipes as when we compare to the conventional materials of say steel pipes or PVC pipes, or if you compared to the cement pipes that you see on the roads is that number one is that these pipes have a long-life number one.
2. Number two, there is no leakage of water, which currently is a very valuable resource in every country and as you go forward this will become more and more valuable.
3. Number three, which is extremely important again, is that with these pipes there is no question of contamination or arsenic poisoning.
4. So as you go forward and as the nation grows the demand for these pipes will always keep on increasing.

So, as of now in the foreseeable future we are envisaging that the demand will be robust and the margin should not get squeezed rather it will be increasing only.

Vikash Singh: Sir my second question pertains to our near-term margin, can you tell us what percentage of your DI pipe orders are on a fixed price basis since the iron ore and coking coal are on an upward trajectory, how does we see the near-term margin basically the 4Q and 1Q FY25?

Aditya Jajodia: Around 30% to 35% of the prices are on a fixed price basis, but even when we say fixed price most of these contracts they are actually on a WPA index base where if the prices of the raw materials go off or rather pig irons go up then automatically the prices will get adjusted and if the prices come down the prices will get again readjusted on the lower side. So, by and large our margins are well secured and covered.

Vikash Singh: Sir, one more question regarding our CAPEX plan and the debt free plan basically we have more than 500 crores, 560 crores of debt and a pending CAPEX of over 600 crores and with this kind of increased capacity you would require the working capital and there's a lag effect of also is adding up. So, just wanted to understand when you're giving a guidance of 18 month of debt free what kind of assumptions you are making in your estimates because it seems a little bit optimistic to me at this point of time?

Vijay Bagri: Just to update you that in the current fiscal in the 9 months period we have generated around 700 crores of EBITDA, and we are expecting the full year EBITDA to be more than what we have done in the last quarter and going forward with the CAPEX which has already been taken place because we have already spent 380 odd crores till now and in the next quarter around 100 crores more will be spent.

So, these already 500 crores of CAPEX will generate additional cash flow and will add more values to the Company in the coming quarter. So, we are confident in servicing the debt and becoming the net debt free.

Now second thing, one more important thing is that the term loan which the Company has recently got from Tata financial we have a repayment term of 36 odd months which has already started, and we have started making the payments also. So, we have time for three years to repay the loan, but with the current accruals and with the current profitability of the Company we expect to meet the debt in the next 18 months also.

However, you can say that we have shown it as an accelerated thing, but with the profitability coming up in the near future we will definitely make it net debt free in the next 18 months.

Aditya Jajodia: I will just add one more thing to what Mr. Bagri has said even if we take a ballpark figure of the EBITDA which we have achieved in the last three quarters, and we do not add the forthcoming incremental revenue or in incremental EBITDA which is going to jump obviously.

But even if you take that then by the ballpark figure we have done 250 crores on average for the last three quarters. When we are talking about the forthcoming 6 quarters it means 1,500 crores though top line and bottom line it will be increasing exponentially, but even if we assume the worst with 1,500 crores with 600 crores of CAPEX pending and with 500 crores of debt pending it is 1,150 crores means the balance money can easily go into the working capital.

Moderator: Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: Sir my query was that in terms of DI pipes your capacities are increasing by almost 3x, so how much of that are you planning to export?

Raj Kumar Sharma: The DI pipe presently we are exporting around 2% of our turnover and going future definitely we will be achieving the same to around 10% in the next 24 months.

Radha: 2% to 10% in the next 24 months, so that clearly states that the global demand of DI pipes seems to be very strong. So, could you give us any insights on what is the total global demand or the export market size of DI pipes and which are the countries where we are exporting primarily and whether we are also exporting to the Middle East region and who are the large players in the export market whom we are competing with?

Raj Kumar Sharma: With regard to present exports, we are only exporting to Middle East countries only. We have just now tapped the African market. We have already participated in a last tender in African country for which we have already formed a subsidiary in Uganda and with this subsidiary we are trying to tap the African market where we see a very good demand in the near future because there are certain external funds also which have already tied up with the African nations for betterment of their living with regard to supply of water for transportation.

Radha: Sir, any insights on what kind of market size would we have in terms of exports for the DI pipe?

Aditya Jajodia: The market size is very large in fact what is happening today is that because today because of the Jal Jeevan Mission Scheme and because of the focus of the government to implement it at the fastest currently also there is a very large market, but what is happening is that because of the huge demand in the local country itself.

So, the first priority is that in the interest of the local infrastructure and in the interest of nation building, the first priority for all the manufacturers will be to sell first to the country and then export. The demand is very large. So, whatever capacities are coming up whatever expansion is happening though local is not getting meet, but export we will be doing 10% and the demand potential is not only from African countries and Middle East, but the demand potential is also from the replacement markets in Europe and America, etc., also.

In fact, I'm not taking names, but one of the largest DI pipes manufacturers in the country, we are currently exporting 30% of the production on a consistent basis and their production currently it is 3 times our production. I think that will answer your question.

Radha: Sir, Europe I understand you please correct me if I'm wrong. Europe has an anti-dumping duty on import of DI pipes. So, would we be able if you're targeting Europe market our sales would be competitive with respect to the manufacturers that are there in Europe?

Aditya Jajodia: See our primary markets will be since DI pipe is a voluminous product our first targets will be the countries which are nearer to India that is the Middle East countries where there is a shortage of water and where all these infrastructures work it is being rolled out.

Secondly, the target market will be at the African countries where again there is a huge shortage of infrastructure and the funds were short, but now funds are pouring in from the multinational agencies.

The third market will be Europe, though there is anti-dumping duty, but Europe is also now imposing a carbon tax and our Company will be very, very well poised to encash this particular tax in a manner that this tax will work to our favor because our most of the pipes which will be producing our ESG footprint and our carbon footprint it will be one of the lowest in the industry and we are very confident that this particular duties they may work in our favor on the contrary.

As far as the anti-dumping duty is concerned anti-dumping duty is definitely there, but in spite of that they have strict approval processes and the companies which are approved they are able to, all these exports are as part of the duty they are just arrival from India already one of the largest manufacturers of pipe in the country they are already exporting to Europe as you will see from their data.

Radha: Sir, you said that the domestic demand is pretty strong, and I understand that AMRUT and Jal Jeevan are the two key sectors driving their demand, but other than that there is also increasing demand from pipe irrigation, so any sense in terms of what kind of demand we are expecting from this pipe irrigation in terms of volumes, could you give us any numbers on this?

Aditya Jajodia: See the projections are very, very large. If I give I mean these projections are so large that when we are saying that the market will grow by 13% to 15% CAGR. In the past 10 years we have seen that the market has grown by more than 20% actually the demand has grown.

So, what we have taken in our projections is that the demand will grow by 13% to 15%, but the past trend has shown that it has been 18% to 20%, 25% also in some years. In irrigation also madam so far what is happening is that so far in irrigation by India when we are doing in case if you go inside the villages what we see is that irrigation it is normally the canals which are there which is open to the sky.

So, most of the irrigation is done by canals where there is a huge evaporation loss also. As the country progresses, as the demand for water increases, as the demand for other things increases, naturally the water is also a very, very valuable resource. So, there are already schemes in the government pipeline which will be implemented very soon, hopefully maybe after some next year it will be implemented in one or two years.

We are looking forward to a particular situation where there will be a scheme where all these irrigation canals will also be replaced by pipe water because land and water both are being used up.

Radha: Are we expecting any kind of schemes to be launched by government for this pipe irrigation system as well?

Aditya Jajodia: Yes madam absolutely we are looking at that also.

Moderator: Thank you. We'll take the next question from Vikash Singh from PhilipCapital as his line had got disconnected earlier, please go ahead.

Vikash Singh: Sir, just wanted to understand that tax benefits which are available to us. So, till what profits we don't have to give any taxes?

Raj Kumar Sharma: The carry forward loss of approximately 1,700 crores out of which the current year's profit will go out and then probably 18 months from here we are tax free.

Moderator: Thank you. The next question is from the line of Manav Gogia from Yes Securities Limited. Please go ahead.

Manav Gogia: So, my first question comes on the cost saving side the setting up of this iron ore beneficiation plant the 6 lakh tons how much of savings do we see out over there on the per ton basis that you could let me know. Also, the railway sidings that you mentioned on the logistics front, can you just give me a brief explanation on what sort of incremental savings you get from the railway sidings as compared to using the road transport?

Aditya Jajodia: See when you talk about the railway sidings. There are three railway sidings. Two are at the plant locations inside the plant practically, and one is in the iron ore belt of Barbil means in Odisha from where the iron ore is loaded.

Now you all must be well aware is that to make one ton of steel more than 3 tons of raw material is required and iron ore means it constitutes the major bulk of the movement. The current situation is that for the last many years means the railway is the cheapest mode of transport, and even in the forthcoming years this is going to be the cheapest mode of transport in India, but unfortunately there is a huge shortage of racks due to which many of the peer companies have to move their material by rail also and by road also which is much costlier.

So, due to the virtue of the railway sidings what happens is that our raw material movement of iron ore it is being done entirely by railways, which is the cheapest mode. So, not only does it reduce the cost when you compare the cost to the peers, it also eases the movement of the traffic so this is one part.

Also, what happens is that when the traffic is moved from the road there is a lot of pilferage etcetera also when you move it by the railways the pilferage is practically nil. So, as these advantages are always there. When you talk about the iron ore beneficiation how it helps is that India has a huge deposit of low grades of iron ore which are currently being exported and the usage is not being done in the country.

So, what we aim is that we will take advantage of these low grades of ore, utilize them internally inside the country itself by beneficiating it so that there is a cost advantage to the blast furnaces and to the other links also.

Manav Gogia: I mean like could you provide me some numbers on the same if you could like any incremental savings that you see from these plans especially like on a per ton basis if you have modeled it out?

Aditya Jajodia: See railway siding we always consider as a very integral part of the I will say of the entire plant. So, if you have to evaluate the advantage it will be around Rs. 400 to Rs. 500 per ton on per ton of movement of the iron ore. So, this translates into how much?

Manav Gogia: It's roughly Rs. 200 to Rs. 300 per ton right.

Aditya Jajodia: Yes approximately the advantage will be Rs. 400 to Rs. 500 per ton for iron ore movement and in terms of beneficiation also the cost will reduce by around Rs. 400 to Rs. 500 per ton for iron ore. So, overall, when you talk it is around Rs. 1,000 per ton of advantage due to railway siding and beneficiation.

Manav Gogia: Sir, my other question is if you could just throw some light on who your top three or top five clients are in this DI pipes in the ferroalloy segment and what percentage of the total revenues do these clients contribute to?

Aditya Jajodia: In Ductile iron pipes the major customers currently, they are the Haryana state government. It is Maharashtra that is MGP and also Jammu and Kashmir these are the major states and in the private sector it is Megha engineering NCC Kalpataru JMC projects. So, these are the major customers in private space and the government space as far as the DI pipe industry is concerned.

And as far as the ferro industry is concerned in India all the large players who are making these products, they are the buyers as well as internationally means out of 40 countries, the countries are spanning from Japan to America across the globe wherever these producers are there. So, we have long term contracts with many of them.

Moderator: Thank you. The next question is from the line of Aman J from Arihant Capital. Please go ahead.

Aman J: So, sir just wanted to understand the EBITDA per ton that we are doing for TMT DI pipes and ferroalloys, and if you could give the breakup of what is our supply to distributors and what is our supply to the projects that we do directly?

Raj Kumar Sharma: Just to update you that with regard to distributor sales presently some part of TMT bars is only supplied through distributors. Our major segment in ferroalloys as well as the DIP are either intermediates or government or directly in projects which are being done on a EPC basis by the contractors.

Now with regard to your per ton EBITDA just to say that on the metallic front say TMT bars or intermediates the EBITDA is much lower is approximately 6% to 7% only, whereas we are having a higher EBITDA in ferroalloys as well as in DIP which ranges somewhere between 17% to 18% as of now.

Aman J: Sir to give the EBITDA per ton that we do?

Rak Kumar Sharma: The breakup of per ton of EBITDA if required we will send you separately. You send us the requirements and we will share you EBITDA per ton also.

Aman J: So, sir my next question is I saw that the ferroalloys production and sales have been flat as compared to the year-on-year the last quarter. So, I just wanted to understand if there is no demand, or we have reached the maximum capacity utilizations?

Raj Kumar Sharma: Our MD has already given in the opening remarks that two of our furnaces were there under maintenance in the last quarter. So, you will see a much better improved performance in the next quarter only. There is no question of demand we have large orders in hand. So, due to the maintenance the supply could not happen in this last quarter, and it will be taken care of in the next quarter.

Aman J: And sir my last question is what are the capacity expansion plans for FY26 especially for the ferroalloys and DI pipes and what will be the capacity utilization at that time?

Raj Kumar Sharma: The ferroalloy capacity at present is 1,30,000 and it will increase by around 50,000 in the next 12 months only and we expect the utilization to be around 75% on a year basis on a full year basis in 25.

With regard to DI pipe already we have enhanced the capacity by 60,000 tons a few days ago and we are expecting it to increase to 3,60,000 by FY24 and in the next 12 months the first phase of expansion of around 2,00,000 tons will be in place. So, for the first full year of 25-26 you are expecting around 90% utilization with the capacity of around 6,00,000 tons.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: First just a clarification you mentioned somewhere the 4th Quarter you're looking at 20% growth in revenue on a YoY basis, is that right?

Raj Kumar Sharma: On a quarter-on-quarter basis.

Deepak Poddar: On a quarter-on-quarter I mean 4th Quarter versus 3rd Quarter, correct?

Raj Kumar Sharma: Yes.

Deepak Poddar: I mean post this expansion that you have been speaking about in the DI pipes as well as in ferroalloys which is expected to get commissioned fully by FY25, so what can be our maximum revenue potential at about 90% or 95% optimum capacity utilization?

Raj Kumar Sharma: We are expecting a full year revenue in FY26 to around 9,500 to 10,000 crores on current prices basis.

Deepak Poddar: Yes absolutely assuming the stable realization?

Raj Kumar Sharma: Yes.

Deepak Poddar: And when you say that we are looking at EBITDA margin in the range of 18% to 20% that is on the basis that we will reach the optimum capacity utilization of your expanded capacity?

Raj Kumar Sharma: It will increase on QoQ basis, you will see the numbers on QoQ basis as and when actually we have whatever capacity expansion is being done is done on modular basis. So, with every passing quarter there will be some percentage hike which we are forcing looking into the current price scenario.

Deepak Poddar: And this threshold or this range we might look at to achieve I mean by FY25 itself, right?

Raj Kumar Sharma: FY26.

Deepak Poddar: FY26 this is the range that you might be looking at?

Raj Kumar Sharma: Yes.

Deepak Poddar: And the last query is on your order book I mean do we maintain any kind of order book I mean if as such how much would that be right now?

Raj Kumar Sharma: We are maintaining order book for DIP as well as for ferroalloys. So, the DIP order book presently will be somewhere in the region of 1,800 to 2,000 crores and for ferroalloys it is around 400 crores.

Deepak Poddar: It is about 400 crores?

Raj Kumar Sharma: Fair enough.

Moderator: Thank you. The next question is from the line of Rajesh Vora from Jainmay Ventures. Please go ahead.

Rajesh Vora: In fact, I would want to know what are the key factors that dramatically change profitability in the 3rd Quarter and the 9 months of the year vis-a-vis a year ago. The obvious ones are obviously capacity utilization, revenue mix, value-added products and average selling price and the raw material.

So, could you give us in these four factors what are the exact drivers of this change and what are these and is all of this four going to sustain over the next year or two? What are your thoughts on this that will be very useful?

Raj Kumar Sharma: The realization in ductile had increased approximately Rs. 10,000 per ton and the amount of value-added specialized ferroalloys that we are producing that percentage has gone up because of addition of the new submerged arc furnaces.

And what happened is that we have apart from selling from we used to sell it through dealers, the export market. Now we have started catering directly to them and the export percentages have gone up for ferroalloys where the realization is very high. These have contributed.

Apart from that, the blast furnace is coming up which is going to reduce the cost of hot metal, center capacity has been increased which has reduced the cost of iron ore. There were other synchronizations which have been done which have contributed to this much.

Rajesh Vora: And will you have any idea about I mean it's very tough, but current prices of all your products are we at what stage of cycle commodity cycle are we and what sort of your intelligent estimate is nobody knows how they will behave, but broadly how do you see them behaving over the next couple of years, or at least next one year?

Raj Kumar Sharma: What you will see from our numbers is that more of ductile and ferroalloy capacity meaning our production has shifted from sponge, pig, billet, TMT and more towards ductile iron pipe and ferroalloys.

So, we are not much affected by commodity prices. If you will also see the prices for sponge, pig, and this TMT has come down by 1,000, 2,000 if we compare by Q3 of 23. The prices have softened, but you will also see that the ferroalloy prices have jumped from 1,40,000 to 1,70,000 it is because and this what I'm telling is 1,70,000 is blended realization of normal ferroalloys and specialized ferroalloy.

This percentage of increase of specialized ferroalloys has resulted in increase of per ton sales sale rate from 140 to 170 similarly because of demand of ductile in India it has increased from 70,000 to 80,000 somewhere 80,000. So, what has happened commodity prices have come down, but value-added products in which we are moving and expanding also that has gone up.

Rajesh Vora: The 9,500 to 10,000 crore revenue you mentioned was only for ductile pipes or the whole Company as such?

Raj Kumar Sharma: Company as a whole.

Rajesh Vora: Of which ductile and ferroalloys which is your main value-added product as you mentioned they would contribute how much of 75%, 80%?

Raj Kumar Sharma: Around 80%.

Aditya Jajodia: One more thing we would like to add over here is that the entire aim over the last two years, three years and going forward it is to entirely de-commoditize their business. The Company started as a sponge iron manufacturer. The original name was Jai Balaji Sponge Limited 24 years ago.

So, we started like that, but from a sponge iron producer, from a pig iron producer, from a commodity producer the entire focus has been to now entirely de-commoditize the steel business and to go into value-added products. So, this is the major theme of Jai Balaji today.

Moderator: Thank you. The next question is from the line of Shubham Bapurao Thorat from PCAPL. Please go ahead.

Shubham Bapurao Thorat: Sir, couple of questions from my side. I just wanted to know what is current exports as a percentage of revenue for us and is there any margin differentials for domestic sales versus exports?

Raj Kumar Sharma: As we mentioned earlier, previously the exports were made through the traders. So, in the past couple of years the exports have increased substantially. However, the exports for ferroalloys is the major driving factor for us.

Presently out of the entire ferroalloys category we are exporting more than 40% and by this year-end we are trying to achieve 50% because presently all the orders are executed in export category only.

Now on the overall side, the export is not very large if you compare by the turnover say in the past 9 months we have achieved a turnover of around 4,600 odd crores wherein the export contribution is roughly around 10%.

Shubham Bapurao Thorat: What will be your I mean raw materials with respect to current product mix and if you can comment on what are the costing situation currently for those raw materials and what would be the I mean how could it behave in the coming near-term future?

Raj Kumar Sharma: I think with regard to this query I think if you can directly send us the requirement we will send you a separate sheet with the detail working.

Aditya Jajodia: The raw materials are coking coal, iron ore and chrome.

Moderator: Thank you. The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: Sir what I was asking previously was that you mentioned in the opening remarks that we are one of the lowest cost producers. So, if you're referring to the because of the backward integration that we have in sinter, coke oven and power.

So, what I understand is all the other players, including the largest player that you were referring to also have all the backward integration. So, what makes us say that we are the lowest cost producer, is it only the railways sidings or any other benefit also we are having which other players in markets?

Aditya Jajodia: See as far as I am aware other than one player in this industry none of the players have a private railway siding in Odisha which is the iron ore loading point number one. Number two, the other players also do not have their own railway sidings inside the plant complex itself so logistics costs are higher.

Number two, even if other players have their coke oven, I am not aware of most of the players don't have the coke oven at the same location. I would not like to take the names, but most of the players have coke oven at the different locations again the cost increase, pilferages increase, handling increases, fines and the byproducts are increased.

So, in terms of cost efficiency that is why we say because of the logistics support and because we are having our entire facilities in the same complex itself. So, this makes our particular unit unique as regard to pipe manufacturing all the facilities are in the same complex itself rather than being distributed over two, three areas and in different geographies.

Radha: So, if we say given that we are already having, if we are having low-cost benefit then on the sale of pipes or other products. So, primarily talking about pipes because that's the main product is.

So, with respect to realization per ton would we normally sell in line with the rates that the other players are offering or how would we determine our realization?

Aditya Jajodia: The realization will be determined absolutely by the market forces, and we will be selling at the same market prices. Just because our cost is lower, we will not be passing the benefit to the customers. The cost is lower for the benefit of the Company and for the stakeholders that is our advantage.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments. Over to you, sir.

Aditya Jajodia: Thank you everyone for joining the call today. We trust that we have addressed all your inquiries to your satisfaction. In case we have any other remaining unanswered questions, please do not hesitate to contact our investor relationship agency GoIndia Advisors. They will be more than happy to assist you on this matter. Thank you once again please.

Moderator: Thank you members of the management. Ladies and gentlemen, on behalf of GoIndia Advisors, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.