"Jai Balaji Industries Limited
Q1 FY '25 Earnings Conference Call"
July 31, 2024

.

MANAGEMENT:	**MR. ADITYA JAJODIA – CHAIRMAN AND MANAGING DIRECTOR – JAI BALAJI INDUSTRIES LIMITED** **MR. RAJ KUMAR SHARMA – JOINT CHIEF FINANCIAL OFFICER – JAI BALAJI INDUSTRIES LIMITED** **MR. VIJAY BAGRI – PRESIDENT FINANCE – JAI BALAJI INDUSTRIES LIMITED** **MR. AJAY TANTIA – COMPANY SECRETARY – JAI BALAJI INDUSTRIES LIMITED**
MODERATOR:	**MS. SANA KAPOOR – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Jai Balaji Industries Limited Q1 FY '25 Earnings Conference Call hosted by Go India Advisors. As a reminder, all participants' 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 star then zero on your touch-tone phone.

Please note that this conference is being recorded. And I'll hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you and over to you ma'am.

Sana Kapoor: Thank you Neha. Good afternoon everybody and welcome to Jai Balaji Industries Limited Q1 FY '25 Earnings Call. We have on the call Mr. Aditya Jajodia, Chairman and Managing Director, Mr. Raj Kumar Sharma, Joint CFO, Mr. Vijay 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 ladies and gentlemen. We are extremely pleased to welcome you all to our Q1 FY '25 Earnings Call. Our investor presentation, press release and the financial sense have been uploaded on the exchanges and we hope that you have had the opportunity to review it. I am pleased to announce that Jai Balaji has started FY '25 on a very strong note with its highest ever adjusted EBITDA, an adjusted EBITDA margin of INR25 crores and at 19% respectively.

Our efforts are closely aligned with the goals set in Jai Balaji 2.0. We aim to focus on value-added and specialized products such as DI pipes and specialized ferro alloys while also strengthening our balance sheet. Jai Balaji is expanding the capacities of DI pipes and ferro alloys to increase the contribution of these products from the present 45%-50% to 80%. I am also delighted to report that we have achieved our targets of increasing capacity utilization above 90% and expanding the EBITDA margins to the range of 80%-20%.

JVIL will now work to maintain this performance going forward. The company also aims to be net-debt free within the next 12 months and plans to undertake the capex of INR1,000 crores from internal accruals entirely and out of this INR1,000 crores of capex, around 685 crores has already been incurred by internal accruals till Q1 FY '25.

Before discussing the financial and operational performance, I would like to highlight the following. The updates on the capacity expansion plans. We are planning to increase our DI pipes capacities from 3 lakh tons to 6.6 lakh tons. In this, 1.4 lakh tons is expected to be commissioned in FY '25 and the capacity of 2.2 lakh tons is expected to be commissioned in FY26, bringing the total DI pipe capacity to 6.6 lakh tons immediately in the future. Ferro alloy capacity will be increased from 1.66 lakh tons to 1.9 lakh tons and is expected to be commissioned by FY '25. One of the blast furnaces has already been revamped and commissioned in FY24 and the completion of the second blast furnace is anticipated in Q1 of FY26.

Post this revamping, the capacity will increase from 6.3 lakh tons currently to 7.5 lakh tons. Additionally, the capacity of sinter has been raised to 9 lakh tons in FY24 and the balance 3 lakh tons per annum is expected to be commissioned in FY '25. With this, the total sinter capacity will increase to approximately 12 lakh tons per annum.

The company is also in the process of setting up a blast furnace waste heat gas boiler of 35 TPH. This green energy project aims to reduce carbon footprints by integrating it into the captive power plant to optimize the utilization of waste gases from the blast furnace. The project is expected to be commissioned within the next two months.

For more information, you can kindly refer to slide number 13 of the investor presentation. Updates on the capex plan We earlier announced a capex plan of around INR1,000 crores for the capacity expansion plan discussed just now and out of this INR605 crores has already been incurred and the balance INR395 crores is expected to be incurred over the next 12 months. As we have mentioned that all this capex has been done through internal accruals and our guidance for FY '25 capex is INR300-350 crores and Q1-25 we have spent around INR108 crores.

The company is also making substantial strides in its net debt reduction strategy. In Q1-25, the net debt of our company decreased to INR384 crores from INR871 crores in FY23. This debt is associated to Tata Capital Ltd. and its sole lenders and we are optimistic that within the next 12 months we will achieve our goal of becoming a net debt free company. Our FY '25 guidance is to reduce net debt to INR225-INR250 crores by the end of FY '25. The company is also very much dedicated to reducing squads by boosting operational efficiencies including the ownership of three railway settings and having captive power facilities.

Coming to the operational performance, production of all the products showed increasing trend on year-on-year basis. The production for TMT, ferro alloys and DI pipes increased by 18%, 39% and 4% to 60,000 tons, 34,000 tons and 64,000 tons respectively. Similarly, sales for TMT bars, ferro alloys and pipes increased to 58,000 tons, 19,000 tons and 61,000 tons, up 16%, 19% and 4%, respectively, on year-on-year basis. Realization of ductile iron pipes showed an increasing trend of 10% year-on-year to INR77,000 per ton whereas the realization of ferro alloys dropped by 5% to INR1,71,000 per ton, respectively.

Coming to the financial performance, revenue for the quarter increased by 16% year-on-year to INR1,718 crores. Once again, I am free to share that Jai Balaji has achieved highest ever EBITDA which has increased to INR325 crores which is 58% more year-on-year and EBITDA margins of 19% in Q1 FY'25 compared to 14% in Q1 FY'24. The PAT also showed a significant increase of 23% to INR209 crores compared to INR170 crores earned in Q1 FY'24. Similarly, the PAT margins showed a jump to 12%. Overall, the performance in Q1 '25 has been outstanding on both operational and financial fronts.

In conclusion, I would like to say that the company is well-positioned for growth, supported by strong industry tailwinds in the ductile iron pipe industry and the specialized ferro alloys and also robust capacity expansion plans, low-cost capex, a very healthy balance sheet, fully integrated operations mixed with cost reduction strategies, experienced management and backing from all the stakeholders. We are very positive about maintaining this momentum that we picked up in Q1 '25 and continue to provide exceptional results in the future also.

We can now open the floor for questions.

Moderator: The first question is from the line of Vikas from PhillipCapital. Please go ahead.

Vikas: Good afternoon, sir. Thank you for the opportunity. Sir, just wanted to understand if you can give the EBITDA part separately for the DI pipe as well as ferro alloys for the quarters.

Aditya Jajodia: Yes. For DI pipe, the EBITDA per ton was INR21,000. For ferro alloys, it was INR37,000. And I have the numbers for pig, TMT, sponge also. Pig iron was INR7,000. TMT bars was INR6,000 and sponge iron INR5,000.

Vikas: Thank you, sir. And sir, given the iron ore price is going down as well as even coking coal prices was supposed to be lower in 2Q, can we expect that DI and steel EBITDA per ton both can go further up or this would be different?

Aditya Jajodia: The price of ductile iron pipe will be adjusted because of the raw material prices going up. Definitely. Temporarily, there will be some shortage. And as far as DI, for ductile iron pipe, the iron ore, cost of iron ore going into ductile pipe is not much. So it will not significantly impact the profitability of ductile iron pipe.

Management: What you were asking about coking coal, since the prices of coking coal also started to come down, we normally have an inventory pipeline or order pipeline of coking coal around 4 to 5 months. So for any, I will say, negativity or positivity to be factored into the P&L, it will take around 4 to 5 months. Weak lag will be there.

Vikas: Understood, sir. And sir, as you said that the ferro alloy blended EBITDA per ton around INR37,000. What is the break-up between the normal and specialized ferro alloy in that? And how should we look at the difference between the two in terms of EBITDA per ton?

Aditya Jajodia: Whatever other people are producing, you will get. Because we are not sharing the specialized grades separately. And we are only handing out or giving out the standard numbers.

Vikas: Understood. Sir, lastly, on that sinter capacity increasing, in terms of our cost of production, how does it impact us, if you could give us some idea about that?

Aditya Jajodia: Can you please repeat your question? We are not clear about your question.

Vikas: Sir, in terms of sinter capacity which we are enhancing, how does it change our current cost of production, savings per ton basis, what are we expecting once it is fully ramped up?

Aditya Jajodia: So, sinter is a replacement of iron ore in the blast furnace. And approximately INR1.5 per kg, sinter is cheaper than iron ore. It is a replacement of pellet and lumpy iron ore, sinter.

Vikas: Okay, sir. And sir, any volume guidance which you would like to give us?

Aditya Jajodia: Volume guidance for ductile iron pipe, we should finish this year in the region of 4 lakh to 4.5 lakh tons. And ferro alloy, we will have the capacity of 1,90,000. But roughly the numbers will be in the range of what we have done in the first quarter. But the blend of evaluated product and the specialized grade product will go up.

Vikas: Understood, sir. That's all from my side. I will come back in the queue if I have further follow-up questions.

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

Manav Gogia: Yes, thank you for the opportunity and congratulations on the numbers. So my first question comes on the capex plan. Like you mentioned, out of the INR1,000 crores, roughly only INR395 crores is left pending. I wanted to know, has the management decided on any new plans once this capex is over?

Aditya Jajodia: See, as of now, our guidance remains restricted to the INR1,000 crores. The first focus of the company will be to complete this particular capex plan. So, as of now, our guidance and our plans remain restricted to this.

Manav Gogia: Okay. And I think the guidance for FY'25 for the total capex also stands at INR350 crores. Could you just quantify the number of capex that was done during Q1?

Aditya Jajodia: Q1 was INR112 crores.

Manav Gogia: INR112 crores, okay. And sir, my second question is pertaining to the realization trends, especially for DI pipes and ferro alloys. If you look from a Q-on-Q basis, there has been a fall in the realizations for both of these products. Could you just give a guidance on where do you see these sizes going from the Q1 figures and how is Q2 also shaping up in this particular trajectory?

Aditya Jajodia: The prices are minor changes. We generally see the price on a year-on-year basis that's more or less stable and we expect that prices will be stable for DI and the ferro on a year-on-year basis. Generally, Q4 some prices vary because of robust demand on the year-ending. On an annual basis it will be similar levels.

Manav Gogia: Okay. If I could just ask one more question out over here. I wanted to talk about the other income part when it comes on your numbers. So if I look at the standalone numbers for Q4 and Q1 of this particular year given there is a significant drop in the other income. Can you just let me know what this change was? Was it like a one-time item that happened in Q4?

Aditya Jajodia: Definitely, you have answered the question. Those were the one-off items, extra provision which we had taken in the earlier years and those were written off. Sorry the provision came into the other income and I think that is it. In the first quarter there is other income of only INR7 crores to INR8 crores if I can see it. So, that was a one-off item which was taken in the fourth quarter.

Manav Gogia: Okay. Thank you so much. I will join the queue if I have more. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Shweta Dikshit from Systematix Group. Please go ahead.

Shweta Dikshit: Hi, good afternoon sir. Thank you for the opportunity and congratulations on a good set of numbers. My question is around the realizations only. So as you mentioned that because of strong 4Q the prices realizations were higher. Could you also throw some light what were the margins for DI pipes and Ferroalloy in the fourth quarter like you mentioned 21,000 for 1Q. What were the margins in the fourth quarter?

Aditya Jajodia: At first I don't have the numbers in front of me, but somewhere in the region of 1,000 to 2,000 better than what it was.

Shweta Dikshit: So sir if we see realizations falling from here based on the movement in raw material prices especially coking coal, so what kind of margins are we looking at for the next new quarter?

Aditya Jajodia: Well, for ferroalloy definitely the increasing of the crystallized grades, the blended margin will increase. As far as ductile this is probably good enough for 21,000 that we have got and plus minus 500 that is the realization the order book would be the same price that we have taken. We have an order book of 6 months. Realization is coming not much.

Shweta Dikshit: Could you repeat once again there was a disturbance in between for DI pipes you are saying?

Aditya Jajodia: Realization of ductile iron type in the range what we have got in the first quarter because the order book position of 6 months to 7 months that we have is the same price level. As far as cost is concerned we have inventory also. So cost will also be in the similar lines. So we think that for the next two quarters 21,000, 22,000 plus minus 500 will be the realization and once the new plant which is being set up, once that comes in the volume benefits will kick in also. That will increase the margin.

Shweta Dikshit: And sir in ferroalloys what kind of margin difference is there for domestic versus export? I mean, how much proportion do you have in the whole export or domestic sale? Is there a margin difference?

Aditya Jajodia: The margin difference of blended one we are giving out. Different, different specialized states is there and they go in different geographies. We are exporting to 42 countries. We have not disclosed the realization and EBITDA per ton.

Shweta Dishit: So, if this quarter we made 37,000 kind of EBITDA margins for ferroalloys, what in your view could be the exit EBITDA per ton when we ramp up to 190,000 tons of volume number by the end of this year?

Aditya Jajodia: Madam, the guidance which we are giving continuously it is for lending for all the products. Our guidance is for 18% to 20% on the gross turnover of the company. So we have achieved 18.5% of EBITDA margin this particular quarter only. So, we are very close to our guidance. So we are sticking to our guidance, madam.

Shweta Dikshit: Okay. Thank you sir.

Moderator: Thank you. The next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Thank you for the opportunity. My first question is regarding the Jal Jeevan mission. How is the demand for DI pipes from this particular mission and is there any kind of instances where PVC pipes are being increasingly used against DI pipes in this particular scheme?

Aditya Jajodia: Yes for the first part of your question about the Jal Jeevan mission still it is not over and there is still the demand is more than the supply. So this will keep on helping us to have a better robust demand in India and your second part of the question can you repeat, please?

Pradeep Rawat: Are you saying any kind of instances where PVC pipes are being increasingly used against DI pipes?

Management: No. Not at all. Because plastic and PVC pipes have been done from many centuries. But till now, DI has its own longevity and life cycle, which nowhere any plastic pipe can replace or take care of in the current scenario.

Pradeep Rawat: Yes. Understood. And how much of the revenue from DI pipes is from JAL Jeevan mission for us?

Management: It is a blended order. Majorly from JAL Jeevan mission, AMRUT-2 and different state departments. So, we are supplying on a Pan-India basis. So, just from one mission is not possible. We don't maintain like that. But it is on a Pan-India basis, you can say.

Pradeep Rawat: Okay. Understood. And did we witness any kind of demand slowness with respect to the elections?

Management: There is a fund issue and some monsoon issue is there. But in terms of demand, demand is always there. It is just some quickness that is the annual phenomena. Nothing to do with this particular year or particular election.

Pradeep Rawat: Understood. And with respect to raw material for DI pipes, so you said that we work on order basis. So, is the raw material prices for DI pipes are held on the date of order winning? Or do we hedge it later?

Management: See, normally what we do, raw material is not secured for DI pipes only. Raw material is secured for producing the pig iron or the hot metal. So, we are an integrated producer. So, we do not look at it or we do not look at the procurement as a process of DI pipes orders. We are looking at it on the basis like when we are producing steel or hot metal.

So, that is the basis. And like I just mentioned earlier also, that normally we keep a purchase order pipeline of around 4 to 5 months for coking coal and also similarly for iron ore. It is not based on the order of DI. It is always based on the production plan of the hot metal, the entire chain.

Pradeep Rawat: And with respect to captive consumption, so if possible, can you provide in percentage terms, how much of the particular product is captively consumed?

Management: With regard to captive consumption, ferro alloys which we are producing, so to make special ferro alloys, around 30% of the ferro alloys is consumed in-house. And for DI pipeline which we are manufacturing from hot metal, so whatever hot metal is required to produce DI pipe, the hot metal is used for making DI pipes and balance we are selling as presently as pig iron. And in the subsequent months when DI pipe capacity increases, the entire hot metal will go into producing DI pipes.

Moderator: Thank you. The next question is from the line of Koustubh Shah from Wallfort PMS. Please go ahead.

Koustubh Shah: Hi, sir. Thanks for the opportunity and congratulations on the good set of numbers. I had two specific questions. One is that we have been consistently for the last 4-5 quarters giving a INR200 crores plus profit as PAT. So when do we see our credit rating going up? Any thoughts on that?

Aditya Jajodia: We are already approaching the credit rating agency after this Q1 numbers and we expect the ratings to improve based on the numbers.

Koustubh Shah: Okay. And my second question was that once the capacity expansion takes place and the capacities have increased both for DI and ferro alloys, so the current power plant capacity will be sufficient or you intend to add anything to the power plant? But you continue to purchase from outside?

Aditya Jajodia: As of now, we are sticking to the capex which we have already given in the guidance. So whatever power will be required for the enhanced capacity also, we will be sourcing the same from the grid. And as of now, in future, whatever capex we have announced, we are sticking to that only.

Koustubh Shah: Okay, sir. And lastly, my question actually a gentleman already asked, but still on the Jal Jeevan Mission, because we have seen that the other competitors have also ramped up their capacity and they have been also increasing the DI pipe capacity expansion. So will it be a scenario that in one or two years, there will be overcapacity of DI pipes and the realization will get impacted? And anything that you feel that something similar may happen?

Management: The current capacities are adding up, but still there is a huge backlog of demand in the country. And due to this backlog, already a lot of export orders have been diverted to the domestic business. And still there is a lot of opportunity for the suppliers to export DI as well. And in the near coming years, apart from the Jal Jeevan Mission, there is river linking project, AMRUT-2 and other projects also in line, which will always be there in the next 2-3 years also. And in the future, where the supply and the demand, there will always be a gap.

Koustubh Shah: Okay, sir. Fair enough.

Management: I want to add couple of points. The capacity addition, it has been done by existing players only. For a new player to come in and add capacity, it means setting up a full integrated street plant, which in itself is a herculean task. And there is huge capacity involved also. Secondly, the demand which you are right now talking about, the demand is for the new pipes which you are laying, there will be, after 5 years, there will be 5-7 years, 6 years, there is also going to be a replacement demand.

Also there is demand from the local industry. Irrigation has still not been tapped. We are not exporting much simply because the demand in India is very high. So the existing demand, it is far more than the supply, number one. And in the forthcoming 4-5 years, 6 years, 7 years, we are not seeing any change in that scenario.

Koustubh Shah: Okay, sir. Got it. Thank you so much.

Moderator: Thank you. The next question is from the line of Dipesh from Manya Finance.

Dipesh: Can you throw some light on the top 5 clients of DI pipes and ferroalloys and what percentage of revenue do these clients contribute?

Management: Top 5 clients for the DI is Megha Engineering NCC in Kalpatru group. The government is also purchasing from Jammu and Kashmir, from Maharashtra, Haryana and West Bengal.

Dipesh: Okay and what percentage of revenues do these clients contribute, the top 5?

Management: Top 5 is like around, it is not a percentage, they are the top 5.

Management: Percentage has to work, we don't have the detail right now. We can come back to you.

Dipesh: Okay, we can come back to you.

Management: This top 5 can come, we in the top, hello? Top 5 changes in the order, right? For example, the top 5 in this quarter, the next one is not even in the top 20, it is not fixed, right?

Dipesh: I just want to understand, approximately how much will it be?

Management: We will give you the number. Mr. Sharma will give it to you.

Dipesh: Sure, I will go to the next question. What is the payback period of the DI pipes and ferroalloy capacity expansion projects? What is the ROE also?

Management: ROE and ROC of our company as a whole, this is very, very high. As you might have seen, that the ROC and ROE, it is in the excess of 40%-45%. So, this is the return on capital and return on equity. When we are talking about the payback, of these investments, it is very, very quick. But it has to be viewed in conjunction, is that this is a forward integration of the existing facilities, which has already in the past cost of INR1,000 crores.

So, we are not looking at it in the way of ROI. ROI is very, very fast. It is unrealistically quick. So, I would not like to mention the number of months. But I think as an analyst, what could we help? It will be of more help. If we look at the ROC and ROE, it is in the excess of 40%.

Dipesh: So, you expect that this ROE will be maintained over the next, not only few quarters, but also few years? Because this ROE is quite high.

Management: Absolutely. Whatever we are doing, whatever the strategy of Jawaharlal Nehru 2.0 is there, it is absolutely focused on ROC and ROE.

Dipesh: And do we have a dividend policy in place?

Management: The issue is that there are certain past issues which need to be addressed as far as the compliances are concerned. However, we are hopeful that within this financial year, we are expecting some dividends from the company.

Dipesh: Okay. And can you give me your guidance for the raw materials, cost of raw materials and the prices going ahead? What is your outlook?

Management: Major raw materials are basically iron ore, coal and cooking coal. And currently, in the current scenario, all three of them are weak and we are expecting the prices for these products will fall down in the coming quarters.

Dipesh: Fall down in the coming quarters. So, you will have better expect, better margins because of that? Or will you even have a price reduction because of that?

Management: See, margin is a separate issue altogether because how commodity prices will play in India is a variable thing. What we can say is that a margin for DI and Ferro, we expect to be maintained. The commodity margin might vary little bit here and there. But the overall mix in our product portfolio will be very, very low.

Dipesh: I am trying to understand that if there is a reduction of raw material cost, will there also be a reduction? Will we pass it on to the customers or we are going to absorb it in our own margins?

Management: See, like we explained earlier as well, like the contribution of iron ore to our DI pipe, currently the percentage is less than 15% altogether. So, small changes in the DI, in the iron ore prices will not affect the margins drastically. INR1,000 run can be there on the annual basis but not much.

Dipesh: So, what is the maximum component of the raw material? Is it coal?

Management: The major is cooking coal and coal followed by iron ore.

Dipesh: So, if that increases, the coal prices increases in future or it decreases in future, how much effect will that have on the margins?

Management: See, a lot of our contracts are also linked to the indexes of different raw materials and pig iron as well. And some of them are anhydrite as well. So, what we have seen in the last multiple quarters is that there has been variation in cooking coal prices, right from up to 40% percentage varied.

But more or less, the margins are stabilized because if there is a very steep rise, some amount is passed on to the consumer as well. If there is a very steep fall, little bit is passed on to the consumer. So, either way, the margins are more or less stable because the demand is very robust for DI pipes.

Dipesh: Do you have any coal linkages?

Management: Sorry?

Dipesh: Do you have any coal linkages?

Management: Yes, we have from Coal India.

Dipesh: Directly from Coal India. Okay. Thank you. I'll call back in a minute. Thank you.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor and Company. Please go ahead.

Saket Kapoor: Namaskar, sir. And thank you for the opportunity. Sir, as you were answering to the earlier participants regarding the RM basket, if you could just elaborate, how are the prices currently trending? And I think we must be carrying inventories also. So, if you could just give an color for our DI pipe manufacturing, what kind of -- how many months of inventory for coking coal do we carry? And what are the price trends for the first quarter and the month of July?

Aditya Jajodia: So, approximately, the inventory for coking coal, which we carry out for 4 to 5 months, including the pipe inventory and for iron also we maintain similar levels of inventory as well. So, as we are seeing that there is some fall in the prices and the guidance for the future is also seeming to be on the lower side, for iron ore prices.

Saket Kapoor: And regarding coking coal?

Aditya Jajodia: Coking coal prices are also on the lower side currently, but the coking coal market is highly volatile. So, we do not like to judge the market on the basis of 1 or 2 month prices. What we see on an annualized basis, the prices might be lower by 5% to 10%, but not a lot.

Saket Kapoor: Sir, can you quantify just for the trend purpose, just to understand the trend in the coking coal prices, if you could give the March average for our benchmark and the June average and the current month prices, just to get a sense of the trend?

Aditya Jajodia: That data I think, we will send you by mail. You can send us a query about that. We will send you a mail the data.

Saket Kapoor: But prices have been trending lower. Q-on-Q average may be lower.

Aditya Jajodia: I will explain. Prices have spiked in the month of February and March also. Coking coal is one of the most volatile commodities. Sir, what happens is that in case there is a cyclone in Australia or there is one mine shutting down somewhere in, say, Mozambique or in Australia the prices jump up by 30%-40% means in a week's time. Then things are normalized again they start to come down. So, it is a very volatile market.

So, if anyone is able to predict the coking coal market then only by trading in coking coal people could be billionaires and then I should say, trillionaires. So, it is not easy to predict the market. But the trend is that at this moment of time because of the global steel prices have been really soft. The trend is that logically it should be softening down. Logically. But the logic does not play. But then what happens is that in case there is any scarcity immediately then again it goes up.

Saket Kapoor: But sir, for current order book, we have 4 to 5 months of inventory for both coking coal and iron ore. And when those prices are trending lower this can be a good understanding?

Aditya Jajodia: Absolutely, this can be taken. And also one more thing, since coking coal has to be imported into India, we always have to keep an inventory pipeline. Because the transportation time from Australia to India takes around four to six weeks. Then you need some stock at the Australian port, some stocks at the Indian port, some stocks at the plant. So, that inventory pipeline has to be maintained always. Irrespective of the prices.

Saket Kapoor: Yes, that is the reason why I am asking the same question. That means that a very simple question is for DI pipe, are these the sustainable margins? And going ahead, depending on if you could give some colour on the bid pipeline also the demand supply scenario, how are you seeing the realisation for DIP going ahead?

Aditya Jajodia: I think you already answered this question a couple of times but again we will answer it. As far as the margins are concerned, whatever guidance you are giving, we are confident of maintaining this particular guidance. And as far as the margins are concerned, for maintaining it we are absolutely confident The demand particularly right now is very robust. And even in the forthcoming three to four years, five years, we are not seeing any sort of shortfall in demand. Do you want to add something else on this?

Saket Kapoor: Yes, sir. Sharma ji, I wanted to ask the same question, How are you seeing the realisation right now? Because there is a situation of raw materials. I am completing my point, sir. The point is, since it is a totally I think through APC the end buyer is the government, so what is the bid pipeline that you are seeing in the market right now? Is there a pipe deficiency? Are we in a deficit market in terms of DI pipe requirement that the government has mapped through the various tenders and all? Can that be a good understanding?

Aditya Jajodia: Can you please repeat the question?

Management: Can you repeat the question, please, about the market?

Saket Kapoor: Yes, sir. The first part is, depending upon the tendering process from the government agencies in terms of the delivery schedules, how are we seeing the DI pipe market currently? Is the demand outstripping the supply? Because there are also some players who are coming up with capacity especially in the western part of the country.

Aditya Jajodia: We have already answered this but I will repeat it. The demand is too much robust and apart from – new supply is coming up. There is nothing to worry on the demand side and on the government tenders all tenders are in place and government spending is in place and we are having our annual tenders directly with the government as well as we are having back-to-back orders from the big EPC companies as well. So we have a healthy order book and we feel the same to have the same in the near future also.

Saket Kapoor: And lastly, sir, what should be the tonnage according to the current fiscal?

Aditya Jajodia: 4 to 4.5 lakh tons in the current fiscal.

Saket Kapoor: And for FY '25-'26?

Aditya Jajodia: We will increase the capacity to 6 lakh tons. So that should be the target in FY '26. We will see how the process goes.

Saket Kapoor: And the last point is on the special high-grade ferroalloys which Sharmaji and Adityaji have already mentioned earlier that we command a premium. So if you could give some more colour, how are the price trends there since other commodities have also corrected? So on the realisation front if you could comment something.

Aditya Jajodia: In the price trend, these premium ferroalloys or the special ferroalloys they are normally priced in accordance with the best ferroalloys. So if the prices of the best ferro alloys will be reducing there will be some reduction in the prices. But then the margin remains the same.

Saket Kapoor: So contribution will be similar only?

Aditya Jajodia: Yes, absolutely.

Saket Kapoor: Thank you. Thanks a lot sir. I will join the queue.

Moderator: Thank you. The next question is from the line of Aditya, an Individual Investor. Please go ahead.

Aditya: Sir, I wanted to ask regarding OPVC Pipes, sir. Sir, all the PVC players like Supreme, Tentrag, Fastgear, are setting up OPVC capacities and they are claiming that this is a product which is cheaper than DI Pipe, it is easier to handle. And also, DI Pipe manufacturers are potentially also entering into this market. So, sir, that our product is going to get disrupted…

Management: You are not clear, please. Can you repeat that? You are not clear.

Aditya: Sir, my question is that the OPVC players in the market, Action Poly, Supreme, will replace it with OPVC. It is cheaper. It is easier to use. It is just capacity constrained. So, as you are saying that in the next 5-6 years demand supply will be mismatched. But can this new product disrupt our product or not? What is your view on this?

Management: See, saying anything for a different product or a company is not right on my part. As far as DI is concerned, in the United States OPVC is still allowed. It is not even 5% of India's demand or something. And there are a lot of issues on Plastic Pipes. Plastic Pipes may be UPVC, HDPE or OPVC.

Names may change or the quality and things may change. But there are some issues in terms of longevity and the lifecycle of pipes where DI commands our upper hand and the product will be of different market. It will replace HDPE and how it will change plastic business is a different story. But currently, with OPVC, there is not much threat to DI. And there is a big demand coming up. As soon as supply also increases, this demand will be fulfilled. They have their market strategy, commenting on that is not right.

Aditya: In the long term, what will be the impact on our business?

Management: No. For the long term, different strategies and marketing are right for him to comment on this.

Aditya: Okay, sir. Thank you.

Management: We are not worried. For us, the demand supply for the next 5 years, 6 years for DI is not an issue.

Aditya: Okay, sir. Thank you, sir.

Moderator: Thank you. The next follow-up question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Pradeep Rawat: Thank you for the follow-up. Sir, I had a question related to exports. You said that there is a supply deficit in India. There is a good demand for DI Pipes. In the coming time, if the supply of DI Pipes matches the demand or overshoots it, can we see an export market for DI Pipes?

Management: Obviously, I am sure the export market for DI from India is viable for other countries and it can be always an option for us to sell in the export market. The product is well acceptable and we have all the approvals and everything. And here, whenever you want, you can do the export market penetration in zero hour.

Pradeep Rawat: Okay, sir. Sir, is there a major threat of China in the DI Pipes or is there a cost competitiveness there?

Management: India has a very good cost competitiveness from China as well when you are competing to other countries. And many countries, China is also restricted. Everyone doesn't want to have a Chinese product.

Pradeep Rawat: Thank you very much for answering the question. That's all from my side.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Aditya Jajodia: We would like to thank everyone for joining the call today. And we have addressed all your inquiries and absolutely to your satisfaction. For any other remaining unanswered questions, please do not hesitate to contact our Investor agency, Go India Advisors. They will be more than happy to help. Thank you once again for your time.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.