# BMW Industries Ltd.

Date: 20-05-2024

To,
The Manager
Listing Department
**BSE Limited**
Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai- 400001
**Scrip Code: 542669**

To,
The Manager
Listing Department
**The Calcutta Stock Exchange Limited**
Lyons Range,
Kolkata – 700 001
**Scrip Code: 12141- CSE**

Dear Sir / Madam,

**Subject: Post Earnings Call - Submission of Transcript**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the Post Earnings (Conference) Call held on May 16, 2024 at 3.30 P.M. (IST) organized by Arihant Capital Markets Ltd, on the interaction of the Company's representative(s) on the audited financial results of the Company for the quarter ended 31st March, 24 and financial year 2023-24, which is also uploaded on the website of the Company.

We request you to kindly take the same on record.

Yours faithfully,
*For* **BMW INDUSTRIES LIMITED**

VIKRAM KAPUR

Digitally signed by VIKRAM KAPUR
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Vikram Kapur
Company Secretary

"BMW Industries Limited

Q4 FY'24 Earnings Conference Call"

May 16, 2024

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| **MANAGEMENT:** | **MR. HARSH BANSAL – MANAGING DIRECTOR – BMW INDUSTRIES LIMITED**<br>**MR. ABHISHEK AGARWAL – CHIEF FINANCIAL OFFICER – BMW INDUSTRIES LIMITED**<br>**MR. SANJEEV SANCHETI – UIRTUS ADVISORS LLP (IR ADVISOR) – BMW INDUSTRIES LIMITED** |
| **MODERATOR:** | **MR. MIRAJ SHAH – ARIHANT CAPITAL** |

**Moderator:** Ladies and gentlemen, good day and welcome to BMW Industries Q4 and FY'24 Earnings Conference Call hosted by Arihant Capital. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Miraj Shah from Arihant Capital. Thank you and over to you, sir.

**Miraj Shah:** Thank you, Sagar. Good evening and welcome everyone for the Q4 and FY'24 earnings conference call of BMW Industries. Today from the management, we have Mr. Harsh Bansal, the managing director, Mr. Abhishek Agarwal, the CFO, and Mr. Sanjeev Sancheti, Investor Relations, Uirtus Capital, Uirtus Advisors.

Without further ado, Sanjeev sir, I'll hand over the conference call to you.

**Sanjeev Sancheti:** Thank you, Miraj. Good afternoon to all the participants. It is my pleasure to introduce to all of you the senior management team of BMW Industries today. With me are Mr. Harsh Bansal, Managing Director, and Mr. Abhishek Agarwal, Chief Financial Officer of the company. Before I hand over the call to Mr. Harsh Bansal for the opening remarks, I would like to draw your attention to the safe harbour statement in the earnings presentation. I request all of you to go through the safe harvest statement. Over to you, Mr. Bansal.

**Harsh Bansal:** Thank you, sir. Good evening and a very warm welcome to the company's Q4, FY'24, and full year earnings call. I will now guide you through the key business and operational highlights of the past quarter and the financial year, while our Chief Financial Officer, Abhishek, will share the financial performance metrics.

For those who are new to the company, let me give you a brief overview of our operations. We specialize in adding value to semi-finished steel products, a strategic approach that ensures our ability to maintain stable margins and offers a safeguard against the volatility of the steel cycles. This approach allows us to maintain sustainable margins and a reliable cash flow by mitigating the impacts of demand and price fluctuations as well as market-related risks.

Our robust track record is exemplified by a 30-year relationship with our customers, as USP lies in offering a comprehensive suite of services covering the entire value chain, coupled with advantageous geographic proximity to the customers. Additionally, our fleet of long-haul trailers enhances our end-to-end solution delivery capability, offering a strategic advantage.

We are happy to share that our company's operating revenue grew by over 6.4% year-on-year to INR598.19 crores, while Q4, FY'24 showed a growth of 1.5% year-on-year and stood at INR137.31 crores. In the quarter gone by, gross profit increased from INR108.99 crores to INR81.43 crores over the last year.

This led to an improvement in the gross profit margin, rising from 60.2% in Q4 FY'23 to 79.4% in Q4 FY'24. The primary reason for this was a decrease in certain consumable prices, which for us are a pass-through. While the number is great, I would humbly request you to look at it pragmatically as the consumable prices may once again increase in the future and impact the margin percentage. So, to some extent, it would be great if we can keep our focus on the absolute numbers.

I am glad to also share that the company achieved its highest ever annual PAT at INR63.75 crores, registering a growth of 17% year-on-year. We are also pleased to announce that the Board of Directors has recommended a final dividend of INR0.21 per share, subject to shareholder approval. This is in addition to the previously announced and distributed interim dividend of INR0.22 per share. Together, these dividends translate to a pay-out of roughly over 15% for FY'24. Future Growth Strategies As articulated in the previous fall, the company continues to implement its growth plans. We had planned expansion in pipes and tubes over FY'24 and FY'25 due to the high demand potential in the sector.

Phase 1 of the expansion is currently underway, increasing our capacity from 204,000 metric tons to 534,000 metric tons by the end of Q1 FY'25. While the second phase should be operational by the end of FY'25, increasing the capacity to close to or a little over 1 million metric tons per annum. More details on the same will be provided in a few minutes by Abhishek.

The agreement for conversion of GPGC sheets through the CRM complex has been extended up to September 24 and is currently undergoing negotiations for a long-term basis. An agreement encompassing the production of PMT bars is scheduled to continue until November 2025. Our strategy for establishing our own brand involves several key steps, including adopting an asset-light model, developing a robust distribution network, expanding our presence in underserved areas, building in-house logistic capabilities and actively working on strengthening our brand value.

With a very clear focus on positive cash flow, we continue to progress steadily and cautiously on this path. We are dedicated to achieving sustained growth and maximising our capital efficiency. Furthermore, we are committed to enhancing our conversion business by leveraging our current facilities and, if necessary, establishing new plants.

With a proactive approach to identifying growth prospects, including potential brownfield expansions to adapt to the evolving market conditions, we are focused on establishing a distinct identity. This strategic initiative positions us to capitalise on opportunities in the B2B2C sector and reinforces our position as a leading provider of comprehensive solutions in the Indian market.

I now would like to hand over to Abhishek our CFO to provide updates on the financial numbers. Thank you.

**Abhishek Agarwal:** Thank you, sir. Wishing you all a very good evening. We greatly appreciate your presence at the Q4 '24 BMW IL Earnings Call. Before we start with the Q&A session, I will provide you a concise overview of the financial figures of Q424. During Q424, our company's operating revenue grew by 1.5% year on year from INR135.24 crores to INR137.31 crores.

Our gross profit, however, grew by 33% leading to higher margins. This was on account of fall of prices of certain consumables which are passed through as mentioned by Mr. Bansal. Our operating revenue for the year grew by 6.4% and stood at INR598.19 crores. Our operating EBITDA grew by 36% year-on-year to INR39 crores while operating EBITDA margin expanded significantly by 720 basis point year-on-year reaching to 28.4%.

Operating EBITDA for the year grew by 21% year-on-year to INR157.06 crores and the margin stood at 26.3% PAT followed a similar upward trend rising from INR16.29 crores in Q4 FY'23 to INR19.03 crores in Q4 FY'24.

PAT for the year grew by 17% and stood at 63.75%. PAT margin increased to 10.6% as against 9.5% in the previous year. ROE for March '24 stood at 10.1% as compared to 9.4% in March '23, while ROC stood at 12.5% as compared to 11.5% in the corresponding period previous year.

Net debt continues to decline and stood at INR99.37 crores in March '24 as compared to INR229.98 crores in March '23. Net debt by equity stood at 0.15% in March '24 as against 0.38% in March '23. Cash conversion cycle also decreased from 142 days in March '23 to 96 days in March '24.

Our Managing Director, Mr Bansal, has already touched upon the pipes and tubes expansion plan. The capital outlay of first phase is complete and is likely to be commissioned by the end of Q1 '25. Second phase scheduled to commission in FY'25 will require an outlay of approximately INR100 crores with a maximum of INR50 crores to be funded through debt and the balance from internal accruals.

Our judicial use of debt in our expansion projects is helping us in keeping our debt in check, thus helping to improve our return ratios as we go forward. The capital outlay for rooftop solar is complete and 1.5 megawatt has already been commissioned. The balance will be commissioned by end of Q1 '25. This will be fully funded through internal accruals.

We had promised to release our mid-term guidance in the last quarter. We expect to achieve a top line CAGR of around 17% to 18%, operating EBITDA margin of around 27% to 28% and PAT margin of around 12.5% to 13% by FY'26. We continue to remain focused on our long-term goal of sustainable growth and profitability.

With this, I leave the floor open for Q&A and hand over the call to Mr. Miraj Shah. Thank you.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of CA Vipul Makwana. Please go ahead.

**CA Vipul Makwana:** Yes. Good afternoon, everyone. Hope you are all doing well. My question is regarding this merger...

**Moderator:** Sorry to interrupt you. Mr. Makwana, you are sounding a lot muffled. If you are using the speaker mode, may we request you use the handset mode, please?

**CA Vipul Makwana:** Yes. Can you hear me now?

**Moderator:** Much better, sir. Please go ahead.

**CA Vipul Makwana:** Yes. I just wanted an update on the merger of these two wholly-owned subsidiaries. When can we get those aligned in the books, so a rough timeframe would be sufficient?

**Abhishek Agarwal:** Hi, Makwanaji. This is the merger of two wholly-owned subsidiaries, which will be effective date will be 1/4/2024. And hopefully, it will take 9 months to 12 months' time to complete the complete procedure of mergers.

**CA Vipul Makwana:** Okay. So till March '25, we can have the proper figures in line in place for the whole as a group, right?

**Abhishek Agarwal:** Yes. But the record date for the merger will be 1/4/2024. So whenever it happens, the merger will be effective from 1/4/2024.

**CA Vipul Makwana:** Right. Thank you. I'll come back in the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Mukund Agarwal from Sanjay Agarwal Private Limited. Please go ahead.

**Mukund Agarwal:** Hello, sir. Good afternoon. Sir, I have only very briefly gone through your company. But if you talk about the eight-year horizon, the sales figures like from INR1,000 crores has like come down to say INR600 crores, INR620-odd crores. But the profits have doubled while the sales have gone down by 40%. So what's the reason behind it?

**Harsh Bansal:** Hi, Mukundji. I think we've covered this several times in the past. In the pre-COVID time that you know, the INR900,000 crores top line that you're referring to, we also had other operations, which we have subsequently exited because of lack of margin. That is one reason for the reduction in the top line. Post COVID, we've refocused on a lot of businesses that we were doing and decided not to do some.

Secondly, if you look at the PAT margins over the period of the last 10 years, our large capex was in 2014. And over a period of the last 10 years, we have consistently serviced our debts and everything very judiciously. And the effects of that are now becoming more visible. And therefore the PAT, but if you look at the absolute, you know, in absolute number terms, if you look at the free cash flow, EBITDA, etcetera, it's not bad, it's not been that, how do I put it? Abhishek, do you want to…?

**Abhishek Agarwal:** Our volume capacity utilization have increased, but as sir has mentioned that we are doing the conversion business, the top lines are not increasing. So the margins are increasing and the absolute numbers are also increasing at the same time. Because the capacity utilization is increasing. The volumes, we are processing more volumes as compared to...

**Harsh Bansal:** Mukundji, essentially two factors. One, we are focused on certain businesses and decided to exit certain others. Two, over a period of time, our debt has been repaid, which is resulting in a higher EBITDA -- sorry, a higher PAT. And over the last few years, you're looking at higher capacity utilization which is also contributing to that.

**Mukund Agarwal:** Okay. And going forward, when we talk about a two-year time period horizon, like what do you guys feel like, like in terms of sustaining the margin and about the top line, like what percentage do you guys feel...?

**Abhishek Agarwal:** The two-year horizon, we expect the top line to grow at a CAGR of 17% to 18%, operating margins to be around 27% to 28% and a PAT margin of around 12.5% to 13%.

**Mukund Agarwal:** Okay. Thank you so much.

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

**Pradeep Rawat:** Hello. Good afternoon everyone and thank you for the opportunity. I have a couple of questions. First, regarding the revenue segmentation, can you please provide the revenue segmentation based on the product that you sell?

**Harsh Bansal:** Yes, it's there in the slide.

**Abhishek Agarwal:** Slide 27 of the presentation, product-wise revenue breakup is covered.

**Pradeep Rawat:** Yes. And the segmentation based on the agreement-based revenue and non-agreement-based revenue?

**Abhishek Agarwal:** If you can pardon again, agreement-based revenue...

**Harsh Bansal:** I didn't understand your question, Pradeepji.

**Pradeep Rawat:** Like you have agreement with Tata and some other clients to do work for them. So I just wanted the breakup between the agreement-based revenue and non-agreement-based revenue.

**Harsh Bansal:** So, the conversion and non-conversion business is that correct?

**Pradeep Rawat:** Yes.

**Harsh Bansal:** So the non-conversion business is essentially a part of the others and most of the others is - most of the CRM rolling mill, pipes and tubes and logistics is a part of the conversion business.

**Pradeep Rawat:** And the other question is regarding the capex that we are doing. So, on the Phase 1 and Phase 2 capex what kind of revenue that you foresee that you can generate?

**Harsh Bansal:** Yes, I think that's part of the 2-year statement that Abhishek mentioned and beyond that we would not like to comment at the moment.

**Pradeep Rawat:** Okay, fair enough. And I was looking about on the ROE and ROCE front, even though we have solid margins can you guide me through what's keeping us behind in terms of return ratios?

**Abhishek Agarwal:** Our return ratios are improving. Going forward, it will improve further, but since we are a capex meaning we have an asset-heavy industry. So, the margins are a bit on not on a lower side we are improving since our capacity utilisation is improving. And going forward as the revenue increases, as the PAT percentage increases, absolute numbers of PAT increases the margins will also increase.

**Pradeep Rawat:** So, what kind of ROCE are you targeting in, let's say, next 2 years to 3 years?

**Sanjeev Sancheti:** Just a minute, I will just give you a range just a moment. I'm just opening our model. You can move to the next question if you have meanwhile, I will just check that.

**Pradeep Rawat:** My next question is like even though our debt was reduced to half this year in FY'24, it came down from INR200crores to INR100 crores something and our interest cost has not decreased proportionately. So, any reason for that?

**Abhishek Agarwal:** Our debt has reduced. Basically, the debt has reduced in the second half of the financial year if you compare the half yearly and the last one. Second of all there are some borrowings, not borrowings, LC creditors for which interest are being booked at finance costs.

**Pradeep Rawat:** So, what kind of interest costs should I assume for let's say next financial year?

**Abhishek Agarwal:** Approximately INR10 crores to INR15 crores, INR15 crores approximately considering the current borrowing.

**Pradeep Rawat:** And with regard to receivables, our receivables and inventory has decreased substantially. So, should I read it as being sustainable going forward?

**Abhishek Agarwal:** Yes, it is sustainable.

**Pradeep Rawat:** And what is the reason driving it?

**Abhishek Agarwal :** We as far as receivable is concerned we have focused and we have recovered the old use and inventories we have effectively used as inventories wherever possible and capitalized the same in a capex.

**Pradeep Rawat:** Okay, I will join back the Q&A. And the ROCE number if you can, like recall, if you have found out.

**Harsh Bansal:** Yes ROCE. They will get back to you.

**Harsh Bansal:** So, I think the ROCE target would be in the 17% range.

**Pradeep Rawat:** Okay, great deal. Thank you and all the best for your future endeavours. Thank you.

**Sanjeev Sancheti:** Just a minute to clarify the ROCE will be in the range of about 17% to 19% and ROE will be about 16% to 17% range ROE.

**Pradeep Rawat:** Okay. Thank you.

**Moderator:** Thank you. The next question is from the line of Sanjay Goel from Middle East Investment Asia. Please go ahead.

**Sanjay Goel:** Is there any impact on demand because of ongoing election scenario?

**Harsh Bansal:** I'm sorry, I lost you in between. There was some disturbances. Can you please repeat the question?

**Sanjay Goel:** So, is there any impact on the demand and working capital on because of ongoing election scenario because the feedback we are getting the project business are slowing down in first two months.

**Harsh Bansal:** So, our contracts are actually not dependent on factors like this and most of our customers are not, let's say election dependent customers. So, no we are not seeing any effect.

**Sanjay Goel:** Second question, how you see, can you talk about your capex going forward? How exactly the capex and what are the new capacities coming on screen?

**Harsh Bansal:** I think we've covered that in the presentation. So, I don't want to again cover that here, but over the next FY our capex plans are close to about INR100 crores and most about 50% maximum will be raised by our debt.

I think that's about it. In terms of capacity increase we've already mentioned that by FY26, we'll be looking at about a million tons of tube capacity. Part of this capex will go towards that and by the end of FY'25 we're looking at about 525 odd thousand tons of capacity expansion.

**Sanjay Goel:** Sir, my last question will be there is something called asset held for sale on our balance sheet. What exactly is that amount, sir?

**Abhishek Agarwal:** Asset held for sale?

**Sanjay Goel:** Held for sale.

**Abhishek Agarwal :** This is a unit which we used to have in Nepal. So, we have basically entered into an agreement for the same with the buyer, but we are waiting for the approval from the Nepal bank so that the fund can be remitted. So, it is under asset held for sale.

**Sanjay Goel:** Thank you very much.

**Moderator:** Thank you. The next question is from the line of Saket Kapoor from Kapoor & Co. Please go ahead.

**Saket Kapoor:** Namaskar, Bansalji. Thank you for this opportunity. Firstly, sir, just coming to the question just answer given by you for the Nepal unit, what are the key reasons? Why are we exiting from there?

**Harsh Bansal:** Sir, we had actually exited this some time back, but due to regulatory issues and all it has just taken us very long. In fact, we've still not got the permission from the government and the Rastra Bank of Nepal to remit the money back. And so I don't think it's just a change of market dynamics and conditions changed because of which we decided to exit. And whatever little investment we had made we just thought it was prudent to pull back before more would be needed.

**Saket Kapoor:** So it is INR3 crores asset held for sale. We will be receiving what amount, sir, on sale of the same?

**Abhishek Agarwal :** So, this is the amount we will be receiving. This is the sales price what has been finalized.

**Saket Kapoor:** Sir, when we look at your capital work in progress, I think so that closing balance is closer to INR92 crores for the consolidated level. So, all this closing balance when will we be capitalizing them and if this is all attributed to your pipes and tubes segment?

**Abhishek Agarwal:** Yes, basically to the pipes and tubes segment and portion contributed to the solar which we are going to capitalize this year.

**Saket Kapoor:** So, pipes and tubes already, I think you have already done the installed capacity as on March is 414 metric ton 414,000. So, the balance 120,000 as mentioned in your presentation would be capitalized for the first quarter meaning we will be doing it somewhere by end of June.

**Abhishek Agarwal:** Yes, by end of June.

**Saket Kapoor:** So, that will attribute to what amount INR50 crores out of this INR90 crores?

**Abhishek Agarwal :** No. The capex outflow for the same is already there in season. So, once the plant is commissioned, we will capitalize the same.

**Saket Kapoor:** I was just looking at the value, sir, for the remaining 120 to be capitalized, how much will be capitalized out of the closing balance of INR90 crores?

**Abhishek Agarwal:** Approximately INR40 crores.

**Saket Kapoor:** And the balance INR50 crores will be towards the solar plant?

**Abhishek Agarwal:** Solar will be approximately INR25 to INR30 crores. And we have some maintenance capex, which is going on. So, that is a part, if you can see the last year, it was also INR24 to INR25 crores.

**Saket Kapoor:** And sir, for these pipes and tubes capacity, for which we have done the expansion, what are the uses and what is the plan for this? We are contemplating to increase it to 1 million also going ahead.

**Harsh Bansal:** Sir, these are based on our customer demand. Basically, this is contracted to our customers. And these sectors being furnished are engineering, water transportation, deep bore wells, etcetera. Specifically, I will not, because as you might have heard, I had mentioned that this is all in B2B B2C. So, we are in the B2B segment and our customer is in the B2C segment. So, we treat this as a B2B B2C. But specific sectors, I am not sure whether I can specify. But broadly engineering, water transportation, borewells, fabrication, structural, that is the general one.

**Saket Kapoor:** And for this financial year, for FY'25. '24, '25, what should be our utilization levels, expected levels for the pipes and tubes segment, sir?

**Abhishek Agarwal :** There in the PPT it will be approximately 60%.

**Harsh Bansal:** 60% to 70% we hope to maintain, sir.

**Saket Kapoor:** Okay. Sir, for this year, it has been mentioned that the pipes capacity at 414, we have done 113, or closer to 114. And for FY'24-'25, what should be the level we should work out?

**Harsh Bansal:** So, the capex if you see the capacity and the production ratio for FY'25, we have mentioned that we will have a capacity of INR535,000 crores and the utilization will be about INR350,000 crores.

**Saket Kapoor:** Sorry sir, come again?

**Harsh Bansal:** So if you look at Slide 22. On that slide, it clearly shows the capacity and the utilization estimated.

**Saket Kapoor:** Okay. For this year, increase utilization of TMT and upward, a tube is mentioned, 3,46,500 is what we are anticipating.

**Harsh Bansal:** Yes, sir. Correct.

**Saket Kapoor:** Okay. And these are all on account of firm orders from your customers.

**Harsh Bansal:** Yes, sir. But of course, to the extent of market, a little bit of market here and there, but yes, we hope to achieve this based on customer indications.

**Saket Kapoor:** And for this further enhancement of capacity from 534 to 1 million, how much capacity will be needed for that?

**Harsh Bansal:** Sir, we are still studying. I think in the following quarters, we will come back with a more firm number. An estimate of about INR100 crores has been made, but any further changes, we will correct it or amend it in the coming quarters.

**Saket Kapoor:** So, sir, as you are saying now, B2B, B2C, you are cutting to B2B and your end customer is going for B2C.

**Harsh Bansal:** Correct.

**Saket Kapoor:** So, your dependence, how is this structure given that you are just increasing your capacity by 2x and then it has to be on a continuous basis that there should be visibility from the customer. So, your customers have given you that much visibility that it is an ongoing process. That you will double the capacity and even after that, the utilization levels will be maintained for an extended period of time?

**Harsh Bansal:** Yes, sir.

**Saket Kapoor:** Okay. And this is geographically, just a small point, I will join back to you, just a small point. What are you referring as consumables, sir?

**Harsh Bansal:** So, for example, zinc. So, zinc is a very large part of our process, but it is a pass-through cost for us. So, it does not contribute to our margins in any way, but the moment you will start looking at percentages, it affects the percentage calculation.

**Saket Kapoor:** Okay. Sir, how much will be the total cost of raw material?

**Abhishek Agarwal:** Approximately INR180 to INR200.

**Saket Kapoor:** Sir, in total year, our raw material consumption was INR186 crores.

**Moderator:** May we request you to return to the question?

**Saket Kapoor:** Yes. Absolutely. I will join back to you.

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

**Pradeep Rawat:** Yes, sir. Thank you for the opportunity again. So, I have a small query that the CRM complex is wholly used for the Agreement 1 based of revenue?

**Harsh Bansal:** Come again, sir?

**Pradeep Rawat:** So, the CRM complex that we have, means the revenue of our CRM complex comes from Agreement 1?

**Harsh Bansal:** Yes, sir.

**Pradeep Rawat:** So, the revenue of Agreement 1, you have said that it will be INR350 crores per year?

**Harsh Bansal:** Minimum.

**Pradeep Rawat:** And for the last 2-3 years, if I see, in FY'21, it was INR300 crores from the CRM complex, and in FY'22, it was INR318 crores, and in FY'23, it was INR388 crores. So, going forward, it will be around INR350 crores?

**Harsh Bansal:** Sir, I have said minimum, not around.

**Pradeep Rawat:** Okay. And its deadline is September '24. So, do you have any visibility of this? I mean, any positive comments from the Agreement holder?

**Harsh Bansal:** Negotiation, this was originally till March. During the negotiation, we have decided to extend it to September, so that we can, come to something which both of us are acceptable to. So, this is ongoing. I mean, it's an ongoing process, sir.

**Pradeep Rawat:** Yes. So, there is no risk of losing that contract, right?

**Harsh Bansal:** I mean, I wouldn't go so far as to say there's no risk. There's always a risk. But the chances are there.

**Pradeep Rawat:** If there is a risk of, like, losing this contract, we can sell it in the open market, right?

**Harsh Bansal:** With about 4x the book value.

**Moderator:** The next follow-up question is from the line of CA Vipul Makwana. Please go ahead.

**CA Vipul Makwana:** So, Yes. Hi. I wanted to update, there have been reports circulating regarding this Odisha plant being allotted. Bansal sir any update on that?

**Harsh Bansal:** In fact, basically, the entire process is held up because of the election process. We got the approval for the land allotment. However, the land has not been allotted because of the election process. We are hoping that post 4th of June, this process will pick up once again. And, yes, I mean, in the following quarters, I hope to update you a little more concretely about where we are and what we are doing in Odisha.

**CA Vipul Makwana:** Okay, fine. And my other questions are answered by the previous attendees who asked the question. So, nothing more on my part. Thank you.

**Moderator:** Thank you. The next question is from the line of Miraj Shah from Arihant Capital. Please go ahead.

**Miraj Shah:** Thank you for the opportunity, sir. Just two, three things I want to understand. That from the presentation that we can see, capacities in the pipes and tubes are going to become roughly 5.34 lakh tons in this year itself. When is this going to start coming in for commercial use?

**Harsh Bansal:** Sir, generally, there is a one-quarter lag between commissioning and ramping up. So, we are currently seeing the ramp-up of the last expansion. And as the line keeps coming online, we will keep updating you guys. But there will be releases subsequently as soon as the mills are commissioned. And you can expect one-quarter after that for the ramp-up.

**Miraj Shah:** So, would it be Q1 FY'26 for ramp-up?

**Harsh Bansal:** I mean, the complete capacity ramp-up, Q1 FY'26 is not wrong. But, for example, some of the mills we are hoping to also commission as early as by the end of Q1, 25, there will be some more which are commissioned in Q2. So, these will start to show effects in Q3 and Q4.

**Miraj Shah:** Okay. So, something is going to start coming in from the end of Q1 itself. How much would that be for?

**Harsh Bansal:** I mean, I don't want to get into the specific numbers on that, if that's okay with you, sir. Because they are all in different stages and they can get delayed for reasons beyond my control. So, I just want to...

**Miraj Shah:** Sir, my next question is regarding the kind of movement we have seen in our gross margins for the quarter. This quarter, material cost has gone substantially down when I look at Q1, Q2 and Q3. Now, from what I understand, the steel prices and the zinc prices were falling throughout the year.

Please correct me if I am wrong in understanding this part. They did have some larger fall in Q4. Again, in April onwards, they started to rise, steel prices started to rise. But why is the major impact only seen in Q4? Why have we not seen similar impacts in Q1, Q2, Q3?

**Harsh Bansal:** I mean, sir, as Abhishek mentioned, we took some steps to utilize a lot of our inventories during Q4, which resulted also in a lower material cost. So which you will find that the stocks inventories have also gone down and the cost of materials have also gone down because we just decided to even maybe they were not for that specific purpose, but they were usable. So, we just used it and finished it off, which is why during my commentary, I had also mentioned that we need to take this 79.4 with a pinch of salt. I do not think that is a sustainable number.

**Miraj Shah:** Understood. Okay. Another thing, sir, we have a very, how should I put it, our expansion plans are very lucrative. So, within the pipes and tubes segment itself, we are going all the way till 1 million tons in FY'26. But the way that you have guided for guidance, 17% to 18% CAGR, I believe that you have been very conservative in this figure. Because even in your TMT utilizations from FY'24, you have done almost quarter to 2 lakh tons, which is going to 2.5 lakh tons. I fail to understand why the guidance is only 17% to 18%, because prices are going to rise again for most likely.

**Harsh Bansal:** But Miraj sir, we must appreciate that the increase in prices do not filter down to me because I have fixed price contracts. So, even though the markets may go up, the increase in market prices does not come to me, it goes to my customers. And I had mentioned that our model kind of insulates us from the vagaries of the market. This is what I really meant. We get into long-term contracts where for the customer, it is very clear visibility of cost. And for us, it is very clear visibility of business based on which we can make our cost structure much more efficient.

**Miraj Shah:** But sir, your input cost will continue to vary, right? Only the realizations are fixed or are your realizations also varying?

**Harsh Bansal:** My realization varies to the extent of the volume, sir.

**Miraj Shah:** Realizations vary to the extent of the volume. But your input cost, sir, is that true?

**Harsh Bansal:** Input cost is much more skewed towards stable. There are very few components that may vary greatly that can kind of move the needle on the whole thing.

**Miraj Shah:** Because I wanted to understand from the price movement of the input cost, if there is a substantial price movement that would not impact you largely, because still your contracts are fixed.

**Harsh Bansal:** Correct. But components which have the ability to affect me are generally hedged on a back-to-back basis. For example, zinc.

**Miraj Shah:** Okay. Understood. And just one last thing before I have a few more questions. But one last thing before I get back in the queue. Even besides this, I understand that you have guided 17%-18%. But sir, your volume growth is almost 3x-4x. So, I wanted to understand a bit more that from what I see, I think that we are very conservative over here. From 1 lakh close to 1 lakh to 13,000 tons, we are going all the way to 6 lakhs, 6.5 lakhs in FY'26 in pipes and tubes itself.

**Harsh Bansal:** Sir, I think everybody on the call will appreciate a positive side surprise, sir. So, I would prefer to be labelled as being conservative rather than being overly ambitious.

**Miraj Shah:** No, I understand. It is okay. I will get back in the queue. Thank you, sir.

**Moderator:** The next question is from the line of Surya Narayan from Sunidhi Securities. Please go ahead.

**Surya Narayan**: Yes. Thank you, sir, for giving me the opportunity. My only question is that what is the given, if you let us set aside the macro development, so what is the utilization risk for the pipes and the TMT?

**Harsh Bansal:** Sir, the volume is very unclear. Can you please move the phone away from your mouth a little bit? Thank you.

**Surya Narayan**: Okay. So, if you leave the macroeconomic factors aside, then what is the utilization risk for the TMT as well as the pipe capacity? Because we are seeing that the capacity of the TMT is not though improving, but it is not optimally going to, let us say, at least 85% to 90%, whereas even the pipe capacity due to the immediate induction of the new capacities have dropped to 27%. Of course, it will rise. But to understand what kind of negotiations you or what kind of production planning you people have to sync along with the data stream.

**Harsh Bansal:** Sir, the service centre model itself is one where we give the customer the option of being flexibly utilizing our capacity. So, you mentioned TMT. In the case of TMT, this also depends on billet availability with the customer, spare billet availability with the customer. It depends on a lot of logistics factors, vehicles being available, rakes moving on time, the inventory's management as may have been planned by the customers. There are a lot of factors. As far as we are concerned, this is all a part of our business model and we take these risks as a part of our business model.

And within that, the pricing is optimized. Having said that, because these are the way they are, I do not think it is fair to assume 80%-90% utilization on these plants. Also, coming back to the TMT portion, we are also negotiating different plants, different contracts, different locations with the customer going forward.

So, in those plants, I hope the utilization will be higher. There is also a function of the kind of plant it is, etcetera. So, there is not a one-size-fits-all. So, I think that answers your question to some extent.

**Surya Narayan**: So, to what extent the maximum capacity utilization is possible in case of TMT and as well as the pipes, respectively?

**Harsh Bansal:** The possibility is even 90% is in the realm of possibility, but we do not build it into our expectations.

**Surya Narayan:** Okay. So, at least in pipes, I think 70% would be maximum?

**Harsh Bansal:** No, sir. If I do not change the product mix through the year and I run the same product in the mill through the month, I will get 90% also.

**Surya Narayan:** Correct. Because our product remains more or less the same for a bigger batch. So, it does not change quite often. So, that is what I am asking whether 70% to 80%?

**Harsh Bansal:** In our case, my customer has the flexibility to change depending on market demand and that is a part of my service offering. So, there is no FLA which limits the customer to say that do not do a campaign less than a 1000 tons or do a minimum campaign of 2000 tons. This is a flexibility and this is a value-added service which we provide to the customer to say that flexibility is one of our USPs.

**Surya Narayan:** Okay. So, because currently we just closed with around 28,500 per quarter pipes production. Whereas, if you assume that the FY'24 capacity of around 414,000 or be operated around even 50%. So, we are actually getting an 81% jump in the capacity. So, is it achievable to target around 52,000 close to that kind of capacity utilization per quarter in pipes?

**Harsh Bansal:** Sorry, sir. I am sorry. I think it is fair to assume an increased capacity utilization. If you go back to the chart on page 22, those are the numbers which we have assumed conservatively. We hope to better it but that is not something which I am willing to commit to you.

**Surya Narayan:** So, you are going to close around close to 3,50,000 for FY'25?

**Harsh Bansal:** Correct.

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

**Pradeep Rawat:** Thank you again for the opportunity. Sir, my last question was regarding pipe or tube division. Sir, can you tell me the name to whom we sell, is it B2B players, one player or many other players, I just want to know that?

**Harsh Bansal:** One player we do.

**Pradeep Rawat:** Only one sir, can you tell me the name?

**Harsh Bansal:** Tata Steel sir.

**Moderator:** Thank you. The next follow-up question is from the line of Miraj Shah from Arihant Capital. Please go ahead.

**Miraj Shah:** Thank you. Harsh sir, Abhishek sir, I just had a couple of understanding questions. You were mentioning right now only to one of the participants that there is no obligation of the client also, Tata Steel also to utilize your facilities. But is there any take or pay model over here that they have to take at least some minimum amount of tonnage from you? Is there some model like that over here?

**Harsh Bansal:** Sir, those models are selectively just to shortly answer a question that in our case, currently there is no take or pay model.

**Miraj Shah:** Okay. But keeping in mind their expansion plans, we are very much comfortable in that.

**Harsh Bansal:** Correct. And these are off-the-contract conversations that we have had with them. I cannot call them commitments, but I can call them assurances. But of course, because it is not a contract paper, I would not treat them as take or pay commitments.

**Miraj Shah:** Understood. So next thing is that on the TMT side, we are expecting our increased utilization, but no plans on increasing the capacity for them?

**Harsh Bansal:** So that is something which we are in discussion with, but it is not yet formed up and therefore we are not reflecting it here.

**Miraj Shah:** Okay. And the CRM complex part where the contract is extended till September 24, can you throw some light on what kind of discussions are going on? Are they asking for a reduction in realizations?

**Harsh Bansal:** When was the last time your customer offered you an increase in the negotiation, sir? I mean, that is a standard. That is our religion, sir. Customer will ask for a discount, vendor will ask for an increase. Negotiation happens because of this.

**Miraj Shah:** Understood. So I believe that will be very much confidential, what kind of discussions are going on.

**Harsh Bansal:** Other than the fact that they want a reduction and I want an increase, everything else I would prefer to stay away from.

**Miraj Shah:** Okay. And this is one last thing, the Bansal Super TMT bar brand we are having, can you just throw some light on that? How is that progressing region-wise? I think we are operating only in one state right now?

**Harsh Bansal:** We are operating only in one state because, you are right, we are operating only in one state. My volumes do not, I do not have the volumes in one state to kind of invest into going into another state because that will mean increase in costs. For me right now, staying cash positive on that is very, very important. If you continue to remain cash positive, then you continue to work towards penetrating, growing and improving the customer service. If I start bleeding on that, there will at some point be pressure to kind of pull the plug on it.

What we want to do on that is over a period of time, as and when we get to a number which justifies an investment into backend capex, that is something which we will kind of review at that point. I think manufacturing for us is not that big a deal, but customer sales, profitable customer sales distribution is much more important.

So, once we get a hang of that, once we are comfortable with the volumes that we can move in the market profitably, going back and investing in the manufacturing facilities is not that big a deal. So, we just continue to do what we are doing. Over time, the speed may vary. If the market conditions allow me to push more volume, get more customers, I'll continue to look at doing that. But that's not something which is front and center on my agenda right now. It's more of the conversion business, which I'm kind of focusing on.

**Miraj Shah:** But sir, don't you think that other regions are also having ample demand? If you could fast forward this project as well. When I say fast forward, I mean, be a bit aggressive in this project as well. You could at least have some share in other states as well. With a lot of states, even if I look at Gujarat, which is obviously on the west side, you're operating on the east side. There's ample demand in Gujarat right now. I've been talking to some companies who are working in TMT. They are rapidly expanding their capacity. So, I want to understand?

**Harsh Bansal:** The entire difference is that my primary business, my primary focus, my primary agenda is the conversion business. Even if you go by the laws of adjacency, I'm not willing to go into another state where I'm not comfortable with, not really comfortable, but when I don't consider this to be my USP in my home state.

The day I start moving 5, 7, 10, 15,000 tons of TMT in my home state, I'll be happy to then move into, let's say, Jharkhand, Bihar, Odisha, northeast, but even that day, I won't go to Gujarat. Halfway across the country, sir. We Kolkata people don't know how to eat.

**Harsh Bansal:** So, slowly, steadily, sir, I do understand as an investor, you would want us to move faster. I think my responsibility will also be to ensure that the investment continues to yield the results which we say it will yield without getting overly aggressive and risking.

**Miraj Shah:** Okay, thank you for that. And just one last thing before I hand it back. I had earlier asked a question that how much is installed. I think you put it in your presentation only that out of the 5,34,000 that you plan to install, you've already done 4,14,000 tons. So, that is something that would readily be available from the coming quarters, right? Or is that coming?

**Harsh Bansal:** We are hoping, sir.

**Miraj Shah:** Okay. And Phase 2 would be started by the end of FY'25 because by then our phase 1 would have been completed?

**Harsh Bansal:** Some works have already started, some advances to vendors and all that is already underway and some design drawings and all that is already underway. But, we would avoid, we kind of try to avoid spreading ourselves too thin in terms of resources. So, our project teams and everybody, as they keep commissioning one plant, they'll keep moving to the next, also implementing the learnings from one into the other. So, you'll see certain capacities coming online every quarter, ramping up every quarter and getting planned and executed every quarter. So, every quarter you'll have all three activities happening simultaneously across both our locations.

**Miraj Shah:** Okay, I understand. Thank you so much, sir. Thank you for your time.

**Moderator:** As there are no further questions, do you want me to announce for more questions or should we close? As there are no further questions, I would like to turn the conference over to Mr. Miraj Shah for closing comments.

**Miraj Shah:** Okay, yes. Thank you so much, Harsh sir, Abhishek sir and Sanjeev sir, giving us the opportunity to host you all once again. I think you all have cleared a lot of doubts and guidance is something that is also a positive takeaway for everyone on the call. And yes, that's it for my side. Thank you so much. I hope you beat the guidance that you have given.

**Harsh Bansal:** Thank you, sir. Even we hope to do that. Thank you.

**Moderator:** On behalf of BMW Industries, that concludes this conference. Thank you for joining us. You may now disconnect your lines.