BMW Industries Ltd.

Date: 16-02-2024

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 February 12, 2024 at 4.00 P.M. (IST) organized by Arihant Capital Markets Ltd, on the interaction of the Company's representative(s) on the un-audited financial results of the Company for the quarter and nine months ended December 31, 2023, 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
Date: 2024.02.16 12:31:27 +05'30'

Vikram Kapur
Company Secretary

"BMW Industries Limited

Q3 FY'24 Earnings Conference Call"

February 12, 2024

MANAGEMENT:	**MR. HARSH BANSAL – MANAGING DIRECTOR – BMW INDUSTRIES LIMITED** **MR. ABHISHEK AGARWAL – CHIEF FINANCIAL OFFICER – BMW INDUSTRIES LIMITED** **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 Q3 FY24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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 Markets Limited. Thank you and over to you, Mr. Shah.

Miraj Shah: Thank you, Neerav. Good evening everyone and welcome to the Q3 FY24 results conference call of BMW Industries. From the management today, we have Mr. Harsh Bansal, the Managing Director, Mr. Abhishek Agarwal, the CFO and Mr. Sanjeev Sancheti, Investor Relations from Uirtus Advisors. Without further ado, Sanjeev sir, I'll hand over the call to you.

Sanjeev Sancheti: Thank you, Miraj. Good afternoon to all the participants. Before I hand over the call to Mr. Harsh Bansal for the opening remarks, I would like to draw your attention to the safe harbor statement in the earnings presentation which has been uploaded on our website. I'll request all of you to go through that to understand the limitations and over to you, Mr. Bansal, to take forward the call.

Harsh Bansal: Thank you, sir. Good evening and a warm welcome to all of you to BMW Industries Limited's Q3 FY24 earnings call. In the following moments, I will guide you through the key business and operational highlights of the past quarter while our CFO Abhishek will share the financial performance metrics.

For those who are new to the company, let me give you a brief overview of BMW Industries. We specialize in adding value to semi-finished steel products. A strategic approach that ensures our ability to maintain stable profit margins and offers a safeguard against the volatility of the steel market cycle.

This approach allows us to sustain reliable cash flows by mitigating the impact of demand and pricing fluctuations. Our robust track record exemplified by a 30-year partnership with Tata Steel Limited reflects our financial stability. Our unique selling proposition lies in offering a comprehensive suite of services covering the entire value chain coupled with advantageous geographical proximity to clients.

Additionally, our strategic fleet of long-haul trailers enhances our end-to-end solution delivery capabilities. In the quarter gone by, our operating revenues stood at INR 14,393 lakhs, an increase of 1.5% year-on-year. This quarter saw an increase in volumes. However, due to a fall in zinc prices, which is a pass-through for us, the effect of volumes is not adequately reflected in the absolute numbers.

The company's gross profit margins stood at INR 9,818 lakhs, growing by 1.8% year-on-year. The gross profit margin has increased to 68.2% from 68% in Q3 FY23 and 63.5% in Q2 FY24. The overall profit for the quarter got impacted by a one-time debit note amounting to INR 10.73 crores from our key customer. The company decided to settle an old dispute and took this hit, keeping in view our long-standing relationships with the customer.

Consequently, we reported a PBT of INR 1,555 lakhs in Q3 FY24 as against INR2,281 lakhs in Q3 FY23. Had the debit note impact not been there, the PBT would have been INR2,628 lakhs for the quarter, registering a growth of 15.2% year-on-year. Future Growth Strategies As articulated in the previous call, the company continues to progress on implementing its growth plans.

Number one. We have planned expansion in pipes and tubes over the next two years due to the high demand potential in the sector. Phase 1 of the expansion is already underway, increasing our capacity from 204,000 MT to 534,000 MT by March 2024. While the second phase should get operational by the end of FY25, increasing the capacity to over 1 million MT. More details on the same will be shared by Abhishek.

Number two. The agreement for conversion of GPGC sheets through the CRM complex is due for renewal by April 2024. This renewal is anticipated to yield INR2,000 crores in revenues over the span of five years with an annual revenue projection of at least INR350 crores. Number three. An agreement encompassing the production of TMT rebars, scheduled to continue till November 2025, is anticipated to generate revenues of INR250 crores over the contract period.

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. We are dedicated to achieving sustained growth and maximizing 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 evolving market conditions, we are focused on establishing a distinct brand identity. This strategic initiative positions us to capitalize on opportunities in the B2C sector and reinforce our position as a leading provider of comprehensive solutions in the Indian market. I would now like to hand over to our CFO Abhishek Agarwal to provide updates on the financial numbers.

Thank you and over to Abhishek.

Abhishek Agarwal: Thank you, sir. Wishing you all a very good evening. We greatly appreciate your presence on the Q3 FY24 BMW IL earnings call. Before we proceed to the Q&A session, I will provide you with a brief overview of the financial figures for Q3 FY24. During Q3 FY24, companies operating revenue grew by 1.5% Y-on-Y from INR14,177 lakhs to INR14,393 lakhs, our gross profit also grew by 1.8% year-on-year and stood at INR9818 lakhs.

Operating EBITDA grew by 3.1% year-on-year from INR4,113 lakhs in Q3 FY23 to INR4,242 lakhs in Q3 FY24, while the operating EBITDA margin expanded by 46 basis points from 29% in Q3 FY23 to 29.46% in Q3 FY24. PAT for the year stood at INR11,49 lakhs as compared to INR17,29 lakhs in Q3 FY23, resulting in a fall of 33.6%. The fall was basically on account of the one-time debit note of INR10.73 crores from our key customer as explained earlier by our Managing Director, Mr. Harsh Bansal.

ROE for December, for the quarter December 2023 stood at 9.5% as compared to 8.9% in December 2022, while ROC stood at 11.7% as compared to 10.6% in the corresponding period previous year. Net debt continues to decline and stood at INR17,579 lakhs in December 2023. As compared to INR24,180 lakhs in December 2022 and INR22,998 lakhs in March 2023.

Net debt by equity stood at 0.27 in December 2023 as against 0.41 in December 2022. Our net cash from operating activity by operating EBITDA stood at a healthy level of 1.03 times. Cash conversion cycle also decreased from 253 days in December 2022 to 185 days in December 2023 as the company utilized its old inventory. Our Managing Director, Mr. Harsh Bansal, has already touched upon the expansion of pipes and tubes.

The first phase was planned to involve an outlay of approximately INR70 crores, which was to be financed through 50% debt and 50% internal accruals. We have already spent INR63 crores for Phase 1 expansion, with around INR21 crores sourced from debt and the remainder from internal accruals, which have helped us in improving our leverages. The second phase, scheduled to be commenced in FY25, will require an outlay of approximately INR100 crores, with a maximum debt of INR50 crores to be funded through debt and balance from internal accruals.

Our judicious use of debt in our expansion projects is helping us in keeping our debt in check, thus helping us to improve our return ratios as we grow forward. As was announced in the previous quarter, the rooftop solar project is in progress as planned and the company has already incurred INR13 crores from its internal accruals, out of the total project cost of INR21 crores.

The plant is expected to be commissioned in Q1 FY25. As we progress on our growth plan, we will come back with clear guidance in Q4 FY24. 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. Thank you.

Moderator: Thank you very much. We'll now begin the question and answer session. The first question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: Hi sir. First of all, congratulations on posting a good set of numbers. Sir, my first question is with respect to the pipes and tubes division. I just want to understand if we have had a 33%-35% jump in volume and our revenue seems to have only gone up 1%. I don't quite understand what the situation is there. If you could just please shed some light on that.

Harsh Bansal: So, Manan, one is that the impact of revenues will generally follow the increase in capacities, but notwithstanding that this I've mentioned debit note.

Manan Poladia: Okay, so the revenue is adjusted for the debit note?

Harsh Bansal: No, part of it is that. Part of it is all the revenues are not reflected because they'll follow. Part of it is because the dispatches have not happened. So while the production and we only bill on dispatches. So it's actually a mix of everything.

Sanjeev Sancheti: So I think there are two specific reasons. One is that the production we produced 31,000. Okay, dispatch is going to follow. So, the revenues on the basis of dispatch, whereas the number here is on production. These are not dispatch numbers. I think the second thing is that there was – there's a double impact of…

Abhishek Agarwal: There is no double impact. This is basically that the dispatches have not been through in the quarter, which will be done in the next quarter. So the revenue will occur in this quarter for the production done in the last quarter. So there is no increase in the absolute numbers you can find, whereas the production have increased.

Manan Poladia: Right, I understand. So secondly, just to first to follow up on that basis, this what you're telling me is the cost also incurred when the dispatch is made by your accounting standards?

Abhishek Agarwal: We took the changes in WIP. There is a balance sheet item in the inventory, raw material, finished goods and work in progress. So the change is taken care through WIP, the change in work in progress.

Sanjeev Sancheti: So let me explain here. So in the P&L, the sales is on actual dispatch, whereas the cost of production is on actual production, but then there's an adjustment of inventory difference. So ultimately in the P&L, the cost which comes in is only for the sale, which is happening, net-net.

Manan Poladia: Correct. So, my second question…

Sanjeev Sancheti: So when we show you the margin -- we show the cost net of the change in inventory.

Manan Poladia: Right, I understand. Thank you. Sir my second question is, this is the CRM complex. We've seen a small Q-O-Q decline in production over there. So just want to understand about the directionality of the business. Is there some seasonality in the business? Are we supposed to look at those numbers year-on-year, quarter-on-quarter? How do we understand this business as a company?

Harsh Bansal: So the business as a company continues to remain stable. We have absolutely no concern on the business going forward. The reduction you see is essentially because of a product mix change in this quarter. Now the moment we do that, and you're looking at a quarterly basis, if you've actually see an absolute number, it's only about 15,000 tons. It's about 5,000 tons a month. So it's essentially because of the product mix change.

Manan Poladia: Correct. I understand, sir. Thank you. Also, sir, my third question is with respect to the TMT rebar agreement that we have about 300,000 MT from what I understand, and the projection is about INR250 crores. So I just want to understand this rebar that we're going to manufacture, these are different from the brand that we want, Bansal Super. And these are for the Tata Steel brand of rebars?

Harsh Bansal: Correct.

Manan Poladia: So it's a white label business for them, effectively?

Harsh Bansal: Correct.

Sanjeev Sancheti: I mean, I'm not too sure what you mean by white label. It's white labeling. So we manufacture for them.

Manan Poladia: Correct. Right, sir. I'll get back in the queue, sir. Thank you.

Sanjeev Sancheti: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Darshan Gala from Gala Equity Firm. Please go ahead.

Darshan Gala: I had a question regarding the contract renewal. As it's in a contract renewal, some part of sales you would be doing even currently with them. So I want to know, after the contract renewal, how much incremental sales or revenue will you generate?

Harsh Bansal: So this is an ongoing contract which is valid up to March. We are already in discussion with them for the renewals and everything else. And we hope that this will be renewed before the expiry of the contract happens. In terms of incremental revenues, I'm not sure I can comment on that. But the contract as is, I mean, we mentioned a INR2000 crores revenue over the contract period of five years, with minimum every year being at least INR350 crores. So we don't see any change in that happening.

Darshan Gala: So the question was more regarding -- I understand that INR350 crores compared to that. The question is, how much is coming out of that currently?

Harsh Bansal: So the INR2000 that we are taking is only from April onwards. So current run rate is also the same.

Darshan Gala: Okay. Thank you, sir.

Harsh Bansal: Thanks, Darshan.

Moderator: Thank you. Next question is from Surya Nayak from Sunidhi Securities. Please go ahead.

Surya Nayak: Thank you for the opportunity. So one question is that...

Moderator: Hello. Surya, sorry, we lost your audio.

Surya Nayak: Yes. So what is the progression of the capex in the Phase 2? Another 500, 1000, that is one. And when did we increase the capacity to 534,000? And clearly, if you can give the direction, that will be helpful. And the pipe capacity.

Harsh Bansal: Let me just repeat the question to make sure I heard you correctly. The expansion of capacity to 534,000 tons, what's the status on that? And the capex to be incurred in Phase 2, is that correct?

Surya Nayak: Correct.

Harsh Bansal: Okay. So the 534,000 ton expansion, which was to close in March 24, there may be worst-case scenario delay of a couple of months because of certain customer-related issues. However, the production at a rate which is greater than earlier is continuing even now. The capex for most of that has already been done.

So there is no additional capex that we foresee because of the one or two-month delay. For the second phase, some of the expenses have already started happening. As you know, we have to give advances to the equipment suppliers and certain expenses need to be made. So those have already started being made. We do not foresee any kind of an overrun with respect to that. The amount for Phase 2 is outside, limit is INR100 crores with 50% debt and 50% from internal.

Surya Nayak: So what has been the -- shall I mean that from the first quarter of the next year, 534,000 capacity will be available per quarter?

Harsh Bansal: For the first quarter, yes.

Surya Nayak: Okay. And secondly, regarding the balance of 500, what is your preparedness? Have you gone through the civil works at the moment, or we are yet to commence?

Harsh Bansal: No, all the entire expansion of course is not one plant and one mill. So all the different units are at different stages. I mean, detailing in terms of civil and all is detailing.

Surya Nayak: Okay. And secondly, regarding the realization front, the pipes, we have seen that you have provided the volume data, and the pipes realizations are fluctuating from INR3,800 to INR5,200 here and there. So why the fluctuation in especially the pipe segment? I believe those are not non-galvanized, so mostly ERW black pipes, where the zinc element is not there. So why still the fluctuation?

Harsh Bansal: So in our case, the pipes also include galvanizing. So that is one thing. The second is, when you look at my chart in one of the previous pages, you will find that we have -- and we also just mentioned this a little earlier to one of our other friends, that we have taken the production numbers, but the dispatch numbers will be reflected in the following quarter. As far as the revenue fluctuation is concerned, on a per ton basis, I don't think there is a substantial fluctuation. The revenue is on dispatch.

Sanjeev Sancheti: I think you are comparing the production -- you are dividing production by the sales value, which may not give you the correct figure.

Surya Nayak: If you can help us, let's say in a given quarter we produce 100 tons, then how much is expected to be dispatched as a standard? There could be here and there some changes.

Harsh Bansal: Surya, in a normal stable situation, when we produce 100, the cycle of inventory continues rolling. But because we are currently in an expanding mode, so there is generally a lag.

Surya Nayak: Okay. So, I mean, because in steel and cement, normally we expect around 90% to 95% off-take will be there. So, in our case, what is the case? I mean, whether it is below 90% or around 80% to 90%?

Harsh Bansal: So, again, Surya, in the case of a stable market and a stable production, if I am not increasing my capacities, you will find that even I will be doing 80% to 90% dispatches. But because every month-on-month right now my throughput is increasing, so there is a slight lag for the customer to match the dispatches on the capacity. Now, once the capacity stabilizes, the dispatches also stabilize. But right now, because there is an increasing capacity, so the dispatches generally lag with 80% to 90% number.

Sanjeev Sancheti: So, during expansion, this is a transition period. I mean, otherwise in the stable state, the capacity and the production kind of goes together.

Surya Nayak: So, for fourth quarter, how much pipes capacity will be available for production? I mean, for the running quarter?

Harsh Bansal: So, for the running quarter, if you look at the quarter 3 '24, we are looking at 31,000. If in the current stage, current quarter, this should be higher than this. We will get to a run rate which is close to 350,000 tons.

Surya Nayak: Okay. Thank you, sir.

Moderator: Thank you. Next follow-up question is from the line of Manan Poladia from MKP Securities. Please go ahead.

Manan Poladia: So, my question is regarding the margins. So, since what I understand is our new contract is supposed to be in the range of INR2,000 crores for five years within the CRM complex. And I think that is the steady state that we are doing right now as well.

Since we are doing somewhere between INR90 crores and INR110 crores a quarter, I think we are already at that INR400 crores run rate or so. So, my understanding is that on CRM complex, revenue and volume wise, we are going to remain sort of flattish for the next five years?

Harsh Bansal: Flattish. I mean, I cannot comment on the absolute numbers that we may close the contract at. But I think it will be safe to assume a flattish at least where we are.

Manan Poladia: Right. So, following up on that, sir, what I want to understand is, since pipes from what I am given to understand are not obviously as high a margin business as the CRM complex that we are running is, could you explain them? Could you just give me some color on the margin differential between pipes, TMT rebars and the CRM complex?

Harsh Bansal: So, Manan, just to put things in perspective, even the capex for pipes and tubes is not as much as a CRM complex. So, it's a much, much higher capex business and therefore the margins tend to be slightly higher because even a small repair and maintenance job in a CRM complex can be very expensive. Now, when you look at the breakdown, the next would be TMT, rolling mills and others and pipes and tubes because it's a fairly -- no furnace, no melting. So it’s a fairly low margin, high volume kind of a job.

Manan Poladia: But could you just give me some color on the EBITDA margins that we intend to make in TMT rebars and pipes?

Harsh Bansal: So, Manan, I would stay away from giving you specific margins for each.

Manan Poladia: Even a ballpark number would do. Is that something you're comfortable with, sir?

Harsh Bansal: I'll pass on that, Manan.

Manan Poladia: I understand. I completely understand, sir. Not an issue. Sir, my second question is, this is the 410,000 MTPA capacity that we label as others, which I think adds up to about INR18-or-so-crores rupees worth of business a quarter. If you could just explain what products are those?

Harsh Bansal: So, besides the big three or four that you see on top, which is the CRM complex, the rolling mill, pipes and tubes and logistics, we also do a bunch of other things which are, how should I put it, they are less glamorous in some ways to put it. So let's say we've got a plant that only does slitting operations for the customer or a plant that does flat products processing. Now, all of these plants together, we consolidate into the others.

Manan Poladia: Correct. I understand that, sir. Sir, my last question is with regards to the TMT rebars business. As I asked in my previous question as well, you said that it's different from the business that we're going to do for Tata. Could you just explain to me what sort of capacity we have for our own rebars? And you spoke about the positioning in the last call with regards to that Tata TMT rebars are a big brand that is for urban cities and we're doing something that's rural. If you could just explain the positioning and why we're doing this sort of?

Harsh Bansal: So, number one is, Manan, I don't think I said Tata is for the urban. I just said that mine is for the rural, unserviced market. I'm not qualified to comment on Tata's strategy or what their product is meant to be. Number one.

Number two, my capacity on an asset-light model, I do not produce my own branded products in my plant. I get them produced based on the demand indications from my sales team. We are very, very conscious of the fact that we do not want to be in a conflict of interest situation with our primary customer. Number one. Additional to that, I do not have my own steel making facilities or my furnaces and all.

So as a strategy, what we've chosen is to make the business sustainable. We'll concentrate on markets which are underserved with certain service offerings which the competition does not offer. I mean, that's a way for us to differentiate our product in the market so that we can get enough margins to sustain us.

Manan Poladia: Right. And sir my last question is with regards to the TMT rebars that we're doing for Tata. You obviously indicated that you're getting a lot more billets and it's very visible in your production numbers for this quarter as well. Is that something that we should assume is now going to be steady state? Like, are you going to continue receiving billets since the new Tata facility…?

Harsh Bansal: It's a very tricky question because again, this is completely dependent on the customer's billet availability. Now, I mean, we know from various presentations that the customer may have made at various times that their billet availability continues to increase. And so I think it'd be safe to assume that people in industry like mine, servicing them will continue to get more. But again, this is completely based on billet availability from the customer. But yes, I think more or less a steady state is okay to assume.

Manan Poladia: Right. Thank you so much, sir.

Moderator: Thank you. Next question is from the line of Gaurav from Total Finserv Private Limited. Please go ahead.

Gaurav: Good evening, sir. I have a question about our business of own brands TMT rebars. So I wanted to know that what were the mistakes we had identified when we did this previously. And what different we are doing right now so that we don't go into the mess like last time? That's first question. And second one, what are the projections or what are the numbers right now? Because you are not mentioning them in the presentation separately.

Harsh Bansal: So Gaurav, I'm not sure what you meant by the first question. But the second one, the number is consolidated into the others, because even now it's a fairly small portion of the overall business.

Gaurav: Okay. But can you please highlight where in the presentation I could find that?

Harsh Bansal: It's in the slide which has the different business sectors. In the last, there is others. Slide number nine, revenue breakup.

Gaurav: Okay, that others. Okay. And what's the projection or what are the plans, if any?

Harsh Bansal: So Gaurav, the plan is to continue to increase the throughput in a profitable manner. So there are two things which we are very, very conscious and cognizant of. One is that we will not chase top line, we will not chase higher volumes at the cost of bottom lines and profits.

We want to be in a situation where we will continue to be sustainable, we will continue to be profitable at a cash basis. And we will continue to expand our dealer distributor base. So, you know, we kind of need to continuously find a sweet spot that addresses all these concerns.

Gaurav: Okay. And is that business profitable at the moment?

Harsh Bansal: It is on a cash basis.

Gaurav: Okay. And for the first question, what I was asking is, prior to 2020, we used to have sales of INR800 crores to INR900 crores and the sales has fallen to roughly INR500 crores, INR550 crores. And it's gradually growing. So I was asking that INR300 crores, INR350 crores, which we used to do by selling the bar under our own brand. So what went wrong then, which we are rectifying right now? That's what my question is.

Harsh Bansal: So Gaurav, one thing, I think COVID went wrong for everyone. So I think this entire business model came under question in 2020 and therefore we had to reset everything. But to answer your question, prior to that period, we were producing our own product in our own mills, which we have now outsourced, number one.

We were doing a lot of B2B sales, which were low, very, very low margin because we were changing volumes. We were producing our own product in our own plant, and we were changing volume for which the profits were getting sacrificed. COVID coming in 2020 didn't help, but it did give us a chance to kind of reset everything and take a deep dive into our model and do things differently this time.

This time we continue to, you know, we are very, very conscious of the fact that we will not chase top line also because having an asset light model allows me to do that. So I only produce what I can sell profitably and not more than that.

Gaurav: Okay. And any, if you could tell me what's the area we are selling those TMT bars in? Any states?

Harsh Bansal: These are mostly rural, underpenetrated areas.

Gaurav: Name of the state or location?

Harsh Bansal: Only in Bengal.

Moderator: Thank you very much. Next question is from K D Mishra from New Jersey Investments. Please go ahead.

K D Mishra: Yes, I have a couple of questions. So regarding our JV with the SAIL, so what do we manufacture over there and where is this facility?

Harsh Bansal: Mishraji, Namaskar. This facility is in Bokaro, and we operate a flat products processing service center. Our raw material comes primarily from the Bokaro steel plant, and it goes all over the country.

K D Mishra: Okay. And sir, I wanted to ask regarding the cash conversion cycle. So is it that we are having a little longer cash conversion cycle compared to peers in the industry who are in the value-added chain?

Abhishek Agarwal: Can you let us know the peers you are comparing with, first of all? Second of all, our cash conversion cycle has improved over the quarters-on-quarters and currently we are at 185 days, vis-a-vis 253 days earlier. Our payment with Tata Steel is almost a lag of 45 days. So we are definitely trying, but I don't think it's a bad number of cash conversion cycle what we have.

K D Mishra: And what is the current EBITDA per ton and realizations that we do in the TMT bars and the tubes?

Sanjeev Sancheti: We cannot share the division by EBITDA for proprietary reasons.

K D Mishra: Okay. And do we use the CRM for our captive use, or do we sell it to Tata Steel directly?

Harsh Bansal: Mishraji, the entire plant is exclusive to Tata Steel.

K D Mishra: Okay. And sir, regarding the debit note, what was it for actually and when it is pending?

Harsh Bansal: So with respect to this year and last quarter, last year, considering the size of the business that we do with them at any given time, there are a whole lot of disputes or claims which are ongoing.

Now these could be related to quality, dispatch, volume, commitment, anything. We took a call right now to settle it once and for all in the interest of long term.

K D Mishra: Okay. And any such disputes are remaining, or it is something which is an ongoing thing?

Harsh Bansal: That is one of the reasons why we took a one-time settlement.

Sanjeev Sancheti: So there is nothing as of now and nothing. So as a policy also, any such disputes which will occur in future, we will take provisions upfront. So as of December, everything is accounted for.

K D Mishra: Okay. That's good. So sir, our net debt is down to INR176 crores and wanted to know what is the gross debt figures currently and by when can we expect if the company wants to go debt free?

Sanjeev Sancheti: The gross debt number is already there in the presentation. They are INR163 crores.

Moderator: Thank you. Sir, the line for the participants has been dropped. 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 a couple of things that we mentioned. As you were mentioning that the debit note is a one-time impact and regarding any issues that were present, you have taken just the one clean slate at this. So can this be considered as an exceptional item as well because I think that would be the better categorization.

Harsh Bansal: Thank you, Miraj, for actually raising that. We treat it like an exceptional item but for obviously accounting and auditing reasons, it's reflected the way that it's reflected.

Sanjeev Sancheti: So Miraj, in that sense, yes, it is an exceptional item. But in accounting treatment, as per the accounting standard, the test of exceptional item is a very, very difficult test. And we don't like to play a borderline on accounting norms.

We are very prudent on that. So we've accepted it to be a part of the expenses of the current quarter. However, for the ease of comparison, we have in the presentation separated it out so that you do not confuse it with the current quarter situations and do a correct comparison.

Miraj Shah: Understood. And there are no other disputed figures anymore, right?

Harsh Bansal: No, Miraj.

Sanjeev Sancheti: You just said that in the previous question.

Harsh Bansal: Also, Miraj, I think it will be good to note that this has been a learning for us as well. And going forward, whenever something like this arises, I think we'll be much more prudent in showing you the provisions that we create transparently.

Miraj Shah: Understood. And sir, I think in one of the earlier questions, you had mentioned that the figures that we've given in production are not actually reflective in the amount of sales that we've done. Is it possible for you to highlight the actual sales numbers?

Sanjeev Sancheti: We can give that. We can get back to you on that. That's not an issue.

Miraj Shah: Understood.

Sanjeev Sancheti: Not immediately handy on the call, but we can get back to you on that.

Miraj Shah: Right. So, we can know what kind of sales are pending, volumes are pending to be delivered, as you mentioned. And lastly, for the future capex, we've highlighted partially debt, partially internal accruals. So, if you could just let me know two things, the current cost of debt and the anticipated cost of debt for the future debt that we'll be taking?

Abhishek Agarwal: Current cost of debt is, the term loan is 9.5%. And going forward, it's completely dependent on the repo rate and all, but it will not increase from 9.5. It will go down to 9%, 9.1%, 9.25%.

Sanjeev Sancheti: I think, depending on at what time we get this debt on our books, but if it happens, let's say two, three, one quarter away, probably it could even be sub 9%.

Miraj Shah: Under 9%. Okay, got it. And I think I've missed this one part over here. The plan to go debt-free, is that there or we are going to use debt in an effective manner going ahead?

Sanjeev Sancheti: So, see, in the longer term plan, obviously, we would like to go debt-free. But if there is just a larger expansion coming up, we would not like to lose the opportunity for the amount of debt. And I think she will add on to that.

Harsh Bansal: So, Miraj, one is prudent debt. I think there is no point idling of cash. So we will continue to have a little bit of debt on our books, which will help us in maximizing, one is the tax, the other is the idle cash that the company possesses at time to time.

The other is even going forward for the expansions and all, I'm not sure whether it's possible, but it will be great if we can look at the business as is right now. And the debt with respect to future businesses and the growth plans on a standalone basis, which means that, you know, so that you can then compare the existing business and the existing numbers with the existing debt that it may not have. As against the growth, the debt taken for that and the business which is kind of created out of that.

Sanjeev Sancheti: And also I would like to highlight that we are very conscious of the fact that we want to keep the debt under control. So if you look at the last couple of years, in spite of increasing expansion and adding capacity, our debt has continued to fall, which is a very good sign. So we will obviously try to take minimum amount of debt for the expansion.

So if you look at the opening remarks, very consciously we have written that our expansion for the tubes from 0.5 million to 1 million, the debt will be maximum 50%. It's not minimum 50%. So depending on what cash flow we churn, it could be lower than that as well.

Miraj Shah: Understood. Right. And sir, one more thing over here on the Bansal Super side, I don't think there is enough details right now.

So is the plan, you're still formulating on some of the ideas over there on the Bansal Super side? If you could just highlight or by when, you know, we could have a detailed understanding about how many regions are we targeting?

Harsh Bansal: So Miraj, you know, because this is an asset light model, this is, and we are kind of on a squeeze on both sides. We don't make our own steel. We don't make our own billet.

We only do kind of marketing and sales and branding. So the margin for us to play with is extremely, extremely tight. I think we will continue to establish; we will continue to grow our market in such time as we can justify setting up back-end facilities and then take the economies of scale which the marketing provides us.

So I think rest assured that whenever we have numbers which are decent enough to justify your attention, we will bring it forward. But I think it's safe to say that we will continue to cruise along. We will continue to increase slowly, steadily.

We will continue to make sure that we don't burn cash on that vertical while growing. And whenever we reach a number which is stable enough or which is large enough, we will kind of break it down into its own vertical in the distribution of business.

Miraj Shah: Understood. Understood sir. So I think hopefully in Q4, or I think we can come to know a lot more about this channel, right?

Harsh Bansal: That's too early. So this Q4 is a little early. See this business, in another 12 to 18 months, I don't see it creating its own vertical.

We will right now, our primary focus is to grow on the pipes and tubes to make sure that our focus is not kind of diluted on that. So we are pushing ahead very aggressively on growth on that vertical. This vertical, we've got a very prudent team which is working at it.

But right now, I don't think this Q4 results will be, it will be a little early to kind of share this. You know, the other thing I think we should all remember that we are trying to build a brand in the commodity business. So it is going to be a slow process.

We are trying to make it as less painful as possible. But we can't do much about the slow part of it.

Sanjeev Sancheti: So the important thing you should understand, we don't want the existing business, that the new business needs cross-subsidy from the existing business and the overall profitability is pulled down. And hence, till the time the brand reaches the critical mass, we are not going to invest significantly into the back end. And post that, we will come back to you once we reach that size.

Miraj Shah: Understood. Got that sir. And just one final thing, I believe you mentioned regarding the capacity of pipes and tubes of 5,34,000.

That will be available by Q1 FY '25, right?

Harsh Bansal: Yes.

Miraj Shah: Okay, that's it for now.

Harsh Bansal: Thank you, Miraj.

Moderator: Thank you very much. I now hand the conference over to Mr. Miraj Shah for closing comments.

Miraj Shah: Okay. Thank you so much sir, Harsh sir, Abhishek sir and Sanjeev sir for being here. And I believe we have clarified a lot of your doubts.

Sanjeev sir, over to you for closing remarks.

Sanjeev Sancheti: Thanks a lot, Miraj, the Arihant team and all the participants. Really appreciate taking out time for this call. Please feel free to reach to us, either me or Abhishek Agarwal.

If you have any further queries, we'll be really happy to address those. Thanks, have a great evening and all the best.

Moderator: Thank you very much.

Sanjeev Sancheti: Thank you.

Moderator: On behalf of Arihant Capital, that concludes the conference. Thank you for joining us. You may now disconnect your lines.