



ROLEX RINGS LIMITED

[CIN: U28910GJ2003PLC041991]

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August 18, 2021

To,
Corporate Relationship Department,
BSE Limited,
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai-400001

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Script Code: 543325

Script Symbol: ROLEXRINGS

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we wish to inform you that the company participated in Investor/Analyst Call as given below:

Date	Type of Meeting/Event	Location
August 16, 2021	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for 1QFY22	Zoom Meeting (Virtual)

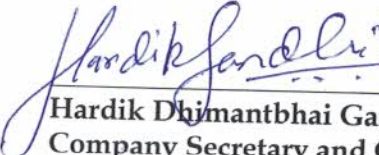
No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.

However, as a matter of better compliance & investors' services, the Transcripts of the said Analyst Call is attached herewith, for reference & record please.

Please take the same on your records

Thanking You,

Yours faithfully
For Rolex Rings Limited


Hardik Dhimantbhai Gandhi
Company Secretary and Compliance Officer
[Membership No. A39931]



File Name: Rolex Rings 1QFY22 Concall_Recording

Duration: 45:00

Ashutosh [00:41]: Yeah, good afternoon everyone on behalf of Equirus Securities I welcome you all on ___ (00:48 inaudible) conference call of Rolex Rings Limited. From the management side we have Mr. Manish Madeka, Chairman and Managing Director, Mr. Mahir Madeka whole time director marketing and Mr. Hiren Doshi, CFO without further ado, I hand over the call to management for their opening remarks post which we will open up for Q&A. So, Hiren Doshi Bhai you can go ahead.

Hiren Doshi [01:18]: Yeah. Good afternoon to all of you. Thank you very much Icarus team to arrange a post result announcement call. First of all, I would like to acknowledge the overwhelming response what we got during our IPO subscription, we are very much thankful to the investors and more particularly the shareholders, who got the allotment and we are going to just commit them that we will be doing our best to get the maximum and quite positive output from our business. I would like to brief you about certain things of our business that we are producing bearing rings and auto components. When I say bearing rings, these are the inner and outer component of bearing or rather you can say a first component of bearing. We supply these bearing rings to all global multinationals who are into manufacturing of bearing. Apart from that, we have also diversified into auto components business where in we are supplying to few of the OEMs as well as tier one supplier, tier two suppliers of OEM. In auto component segments, we are there from say a two wheeler segment, into passenger cars, then into commercial vehicles, light commercial vehicles, heavy commercial vehicles, off highway vehicles, windmills, industrial suppliers, and all these things. Same way we do have quite versatile range in terms of bearing rings also. We are one of the top five forging companies in terms of capacity in India. We have accumulated a manufacturing capacity is a one lakh forty-four thousand seven fifteen metric ton precisely of which we can achieve almost in between 75 to 80% to the best possible out product mix as the range of the product what we are producing is quite wide, when I say in terms of bearing ring say a component of inner diameter of 20mm bore to more than 900mm outer diameter product what we are offering. Same way in terms of weightage from a 10-gram single product to 163 kg single component we are able to produce. That kind of manufacturing capabilities we do have. Other than the forging we are offering many value added processes till the level of final machining as well as grinding equipment and so on. At present company is having 22 forging lines, which consists of high speed hot ___ (04:23 inaudible) lines from Japan and Switzerland, then rolling lines from France, then high volume component line from Japan also. Apart from that, we do have a quite a huge machine shop wherein we are consisting more than 528 spindles through which we are able to offer a value added process of final machining and so on. The manufacturing capabilities as I told you that in Rajkot, we do have three manufacturing plants within the periphery of two to three kilometers' and wherein all these facilities are integrated and where we are just currently operating. Company is having a quite versatile customer base as I told you. The revenue of the company is almost 60% from overseas and balance from the domestic market. When I say bifurcate into the bearing rings and auto components, again 59% is something from bearing ring business and 41% is from auto component business. The customer profile, what we do have the product range what we are able to offer and the value added processes what we are able to offer these kinds of manufacturing capabilities under one roof definitely it's not available in India, and we are the top among all as far as the facility manufacturing capabilities in the addressable segment is concerned. I would like to tell you that the bearing industry there are main five players bearing manufacturers who caters almost 80% of domestic market. Fortunately, all these five players are the customer of Rolex and we do have a quite long association with these customers which is more than 10 to 15 years. Few of the customers again it is more than two decades we had. The advantages

what we do have is locational advantage as we are there in western part of the country in Gujarat, as you people are very much aware the infrastructure facility is quite good. The resources as far as the electricity and labor, which are the key resources for company, those are also uninterrupted. And we do have a quite good access for the port availability where from our Mundra port, kurla port from where we do our majority of the exports. Apart from that company has also installed 8.75 megawatt windmills through which they can compensate its power requirement to the extent of almost 50% of overall power requirements. Besides that, company has already initiated to put the solar rooftop plant which has already been commissioned and the generation got started also and the company has initiated for the ground mounted solar project to the extent of 16 megawatts from now to down the line in one year we would be having entire 16 megawatts solar plant would be available, which will reduce drastically to the extent of 30, 35% of my power cost. Would be that power costs is one of the major costs from next to raw material in our manufacturing process. So company is always in process of getting the better yield to optimizing the equipment efficiency to get the maximum capacity utilization to the extent of the product range and our concentrate is also there to strengthen our bottom line as well as top line. So these are the certain cost reduction measures and market development what we are doing. We have good B's as far as bearing rings and auto components diversified into auto components into overseas and domestic market. Nowadays we...

Ashutosh [09:06]: Hiren Doshi Bhai. I think there's some issue, just wait for a moment. Hiren Doshi Bhai.

Hiren Doshi [10:49]: Hello. Am I audible?

Ashutosh [10:55]: Yeah, Hiren Bhai yeah, you are audible now. Please go ahead.

Hiren Doshi [10:57]: Okay. I'm sorry because of some technical glitches but I don't know Ashutosh from where I was cut off so if you can... you can tell because I was continuing talking.

Ashutosh [11:12]: So, you're talking about the customer basically in domestic market top 5 forging companies, large customers.

Hiren Doshi [11:20]: Yes, yes. Okay. So, we do have strong customer base in domestic as well as in overseas market where we are associated or rather we have relationship with those kinds of customer which is more than one and a half to two decades or so, certain customers again beyond two decades or so, in domestic as well as overseas market. Apart from that I was telling that company was very much concerned about the utilization of capacity, about the cost reduction, about the maximum yield of the product and even for the strengthening the bottom line more. Company has installed windmills for 8.75 megawatts the power which is generated over there and those are compensated at our manufacturing plant, apart from that company's in process of installing ground mounted solar project to the extent of 16 megawatts which is to be operational partially by end of this fiscal and partially by the first half of next fiscal. The power cost is the major cost next to the raw materials so, the company would be post installation of this entire 16 megawatts, the company would be able to save more than 30% into their power cost, which will definitely quite strengthen my bottom line. Apart from that company has already installed 1.5 megawatt rooftop solar plant, which has already operationalized and we are getting the output and compensated our electricity cost. Most importantly, I would like to tell you that company has already started supplying the certain components which are to be used for electric vehicles. So, company is looking a good opportunity, great job opportunity in terms of components manufacturing for the electric vehicles, because the facility what company have the forging lines as well as machining lines, where they are quite flexible in terms of producing bearing rings, auto components and even

certain components for the electric vehicles. So, company is having quite a good expectation for the EV market also, as the penetration will go up definitely it will give us more business we expect from the overseas clients as well as maybe from our domestic one. On the Saturday only we have disclosed the first quarter numbers as we told even earlier in our virtual presentation that we would be surpassing the numbers what we had in 2019 we are on the track. The quarter one numbers has already you know almost 8% has grown with compared to the last quarter of FY21. The company has recorded at the same time the EBITDA has also increased what it was there in March 21 quarter and the same we are expecting on a quarter on quarter basis to the extent of seven odd percentage of incremental revenue on q on q basis. So definitely we would be having a new milestone in this particular fiscal what we had in 2019. We are quite hopeful to touching the revenue top line of with the four digits. That is all a brief about the company as of now, again, I would like to mention one small thing that company is also concentrated on just repay its long term debt and maybe by December end or in the first quarter of March 22 the company would be paying entire CDR debt and it would be a long term debt free. Though we had a small term loan of what we raise in the March 21 quarter particularly in the last 10 days of the March 21 that COVID, it would be there on the balance sheet which is hardly 28 crores and that will be repaid in the next four fiscals. That is the brief what I would like to inform you people must have seen our numbers, you must have got the quarterly numbers. I request Ashutosh or Icarus team that we can open a Q&A session.

Speaker 1 [15:48]: Thank you Hiren sir for the opening remark. Ladies and gentlemen, we'll begin the question and answer session. Anyone who wants to ask the question can use the raise your hand option. Ladies and gentlemen, we'll wait for a moment until the question queue assembles. So, our first question is from Sonal Gupta, please unmute your line and please go ahead.

Sonal Gupta [16:14]: Sure. Good afternoon and thanks for taking my question. This is Sonal from L&T mutual fund. Sir first thing like you have given the percentages as a percentage of product revenue sales. So could you tell us what was the product revenue sales for the quarter?

Hiren Doshi [16:32]: Yeah, as far as the bearing rings are concerned, it is 59% of my revenue and auto segment it is 41%. Again, in terms of segmentation for the overseas and domestic overseas business is 58% and domestic is 42%

Sonal Gupta [16:51]: No, no sure that is mentioned in the presentation what I was asking is that because you have mentioned that is excess scrap etc. so, I wanted to understand that your net sales is 227 crores, how much of that is product revenues, which are like how much is scrap basically, scrap and others. So, what is the net product revenues sir of which you have given the presentation.

Hiren Doshi [17:15]: Yeah, for the quarter scrap revenue was 14 crores and the remaining is my product revenue that is 210 crores apart from that we have export incentives and windmill income. So, all put together is 230 crores.

Sonal Gupta [17:38]: So, sorry the windmill revenues are in other income or is it another operating income which is part of your...

Hiren Doshi [17:45]: They are on the numbers what we have given that is part of 227 crores.

Sonal Gupta [17:52]: Yeah, so scrap and then the other operating income windmill etc. what is the total for that?

Hiren Doshi [17:59]: That is 227 crores sir.

Sonal Gupta [18:04]: No sir. So, what I was trying to get is what is your product you've given that my exports are 58% and India is 42% so, these numbers are calculated as a percentage of which number?

Hiren Doshi [18:19]: So, you want to know the component sales which is 210 crores and the balance 17 crore consisting of my scrap sales, export incentives, windmills, and yeah, windmills that is there.

Sonal Gupta [18:33]: Okay. 210 crores is the number.

Hiren Doshi [18:36]: Yes, yes.

Sonal Gupta [18:37]: Okay.

Hiren Doshi [18:38]: In March 21 quarter, that was 191 crores.

Sonal Gupta [18:43]: Okay. So, 191 crews that makes sense. And sir how best should we look at this business? Should we look at it on tonnage basis or something would you share tonnage for the quarter, I mean, just trying to get a sense of how best to look at this.

Hiren Doshi [19:10]: Sir, definitely tonnage is one of the aspect it's not only the tonnage you know, it depends on the value additions what we are getting. There are certain products a big component do not have much value addition, do not have much critical operations. So, those things also needs to be considered because wherever the value addition is more the critical operations are more there the margins are definitely bit on a higher side. Let me tell you say for example, electric vehicles, the component what we are producing having couple of additional processes and the tolerance level etc. is quite on a lower side compared to the normal catalogue products or something like that there we have definitely a good margin, or rather better margin.

Sonal Gupta [20:01]: Okay. Sure. And so, for Q4, could you give me the mix of how things were like between India and exports and between bearing rings and the others auto component.

Hiren Doshi [20:16]: Q4 more or less it is same. It was 58 and 42% something like that 58 was the export, domestic was 42 and again auto bearing ring was somewhere about 58%, auto segment is 41 and a half or 42% something yes.

Sonal Gupta [20:37]: Okay. So, similar.

Hiren Doshi [20:39]: Yes.

Sonal Gupta [20:41]: And just lastly from my side before I get back in the queue, I mean like largely the revenues in India are from bearing rings or is there a meaningfully large auto component also?

Hiren Doshi [20:57]: Yes, definitely as of now, it is largely from domestic market that is from bearing rings, but let me tell you say for example, one year back, we had hardly less than 5% in the auto segment presence in domestic. Today in this first quarter, my domestic presence for the auto component is almost 12%. So, it is on the increasing side, couple of new customers, what we have added

for it would be giving me an additional revenue, but much chunk of my revenue it is from the bearing rings.

Sonal Gupta [21:34]: Okay. Great sir. Thank you so much sir. I will join back again.

Speaker 1 [21:44]: So the next question is from Mr. Nilesh. Please unmute your line, and ask your question.

Nilesh [21:57]: Hello am I audible?

Speaker 1 [22:00]: Yes.

Nilesh [22:01]: Hi. So, thanks for the opportunity and congratulations sir on your maiden results and a good set of numbers. So just, I had a quick question on your P&L. So I just noticed that the interest expense during this quarter was about six crores. So I recollect, last year, a full year was about 12 crores only, and directionally, your net debt has been declining only so what's the reason for this.

Hiren Doshi [22:30]: Yeah. See, there are three four multiple reasons for that. First of all, as I was mentioning, during the earlier talk in the month of March, that is somewhere about 22nd of March, if I'm not mistaken, we have raised COVID loan. So, in my last quarter there was no interest cost for that portion, which is there in this entire quarter, which is to the extent of 28 crores, you may say it's somewhere about six million interests apart from that as now we are following Indian accounting standards in this we have to categorize my finance cost, the forex fluctuation under finance cost. Let me tell you in last quarter what we had our notional entry as on 31st March 21 the same has been reversed on the very first April of 21, and again in 30th June, I'm supposed to provide a new notional entry. Now, let me tell you in March 21 there was a gain for this forex fluctuation which I was accounted as in revenue in March 21 but it came to my debit of the P&L in the April 21. Again on June 21, we had that figure negative which is a loss on fluctuation of foreign currency on my interest outstanding of my working capital, which is again somewhere about 3 million. So, these both put together you know, almost 1 million has debited into this numbers. 1 million is this and apart from that, as I told you, that 6 million interest so, 1.6 million interest has added because of this. Again there are as you better know that we are caring a non-convertible preference shares on my balance sheet. So, I need to provide an notional you know that the interest cost on that which is a compounding financial instrument what we have displayed in our balance sheet. So, those notional entries to be added at the cut off period 30th June. So, all put together somewhere about 22 million interest cost has been increased because of these things in this quarter.

Nilesh [24:45]: Right. Got it. So, your core interest with whatever long term debt you have would be the remaining is it, four crores approximately?

Hiren Doshi [24:59]: No my long term interest cost is hardly one and a half odd crore.

Nilesh [25:04]: Yeah. So, six crores you said out of six crores 22 is because of this forex fluctuation and...

Hiren Doshi [24:59]: Yeah, and this notional entry.

Nilesh [25:10]: Okay. So, are there any other those export related cost like those guarantees and those which are also part of it?

Hiren Doshi [25:21]: No, no, we didn't have any kind of such arrangement sir, no guarantees, no LC nothing.

Nilesh [25:27]: Yes, LC sorry, LC cost that is what I was referring to. Okay. Got it.

Hiren Doshi [25:32]: That is for the import of this thing, not for anything, so because almost 25%, 27% of my purchases are from import, so there we do have LC cost, but which is generally in the range of you know, it's 100% variable or an operational curve.

Nilesh [25:48]: Got it, got it. Fair enough. Maybe I got some sense, maybe the other aspects, I'll check with you later. And the second question was on the current capacity utilization levels, how are you placed? I mean, in terms of broad level, and you mentioned that you received some new orders during this quarter, maybe you can just throw some light on that too.

Hiren Doshi [26:16]: Not exactly new order something what it has been already awarded in the last year only, but the bulk revenue has been started dispatching in this quarter with the couple of customers like one auto component manufacturing plant just recently before one and a half year be back it was commissioned at OSU. So there we are supplying key transmission components. So, those started again, as I told you that electric vehicle, it has an incremental supply of 30 odd percent 25, 30% of what we had in our earlier quarter and say it would be increasing.

Nilesh [27:01]: I got it. And on the capacity utilization?

Hiren Doshi [27:05]: Capacity utilization as of now for this quarter particularly, we are almost 53 to 54 percentage.

Nilesh [27:15]: Okay. Got it. Fair enough. Yeah. That's all from my side. Thanks sir. And all the best.

Hiren Doshi [27:23]: Thank you.

Speaker 1 [27:33]: Anyone who wishes to ask a question can use the raise hand option. Yeah, so the next question is from Nikhil Jain. Please unmute yourself and ask your question.

Nikhil Jain [28:04]: Yeah, thank you. Thank you for taking the question. I just wanted to understand what would be management guidance for this particular year, let's say in terms of what apply so we will be going ahead that 2019 numbers comfortably or we'll be reaching that number. So, that's what I want to ask. Thank you.

Hiren Doshi [28:27]: It will be more than 19 figure. It will be more than four digits.

Nikhil Jain [28:33]: Okay.

Hiren Doshi [28:34]: Yeah, we are targeting sir as we have already recorded revenue of 231 crores in the first quarter. And as I was mentioning, we expect seven odd percent quarter on quarter incremental revenue for this next three quarters.

Nikhil Jain [28:49]: Okay. And today, let's say next question would be sir out of our total product sales of around 210 crores, what would be the percentage that is coming in from the electric vehicle? I understand that it may be a small right now, but what is it right now and what maybe let's say management's view or let say aspiration over the next three or four years to take the organization towards.

Hiren Doshi [29:13]: It maybe more than 4% at present and going forward it will be approximately 10% the total revenue.

Nikhil Jain [29:28]: Okay, sir. Sure.

Hiren Doshi [29:31]: Again it depends on how the penetration on EVs are going to because we got mixed opinion that maybe in certain developed countries it is moving faster and there are certain it is just gradually it depends on how it would be penetrated.

Nikhil Jain [29:48]: Right. And maybe if I can ask one more question, so, on a fundamental basis, so, in an electric vehicle would the number of machining components be lower or higher than let's say our regular our conventionalized vehicle. So what is...

Hiren Doshi [30:09]: Yeah, definitely see the number of let me tell you say for example, in a four wheeler today, maybe 16, 18 odd numbers of bearings are required, these number might be reduced or rather it would be reduced in the electric vehicle, because of the removal of engine and all these things, but the components which are required to be used in EVs, as I was also mentioning those are with the highly precision this thing with a couple of value added processes also. So, overall quantum in terms of value that might be near to the you know as of now, what the total cost of components we are using in our regular vehicle.

Speaker 2 [30:49]: What we heard from our customer, more penetration will be of hybrid car, and then it will be converted into electric car. So, going forward a hybrid car penetration will start then electrical car penetration will start.

Nikhil Jain [31:09]: Right. Sure. Okay, fine. Thank you, sir. Thanks.

Speaker 1 [31:16]: Next question is from Mr. Sonal Gupta. Please unmute your line and ask your question.

Sonal Gupta [31:24]: Yeah, thanks for taking my question again. Sir, just wanted to get a better sense on the domestic side like 41% of your revenues are coming from the domestic and mainly coming from the bearing side. So, in this I mean, could you sort of explain a little more in terms of which applications is it going for because you are supplying to people who already have 80, 90% of the domestic bearing market so, are you into specific applications for which your bearing rings are being used? Or are you supplying across the board I mean, like I think in the opening comments, you mentioned that you also suppliers for two wheelers etc. but could you sort of give us some more sense on domestic bearing which applications they are going into.

Speaker 2 [32:16]: See most of our customers now have started plant for the import substitute. So, out of that, only one has ramped up their production and other two are new. So they are also trying to ramp up their production in India and that segment is not for automotive. So, they are for large __ (32:41

inaudible) so mainly used in railway then steel plant in electrical __ (32:47 inaudible) wind turbine. So that segment now customers are growing, they're increasing their production. So they have already put new plant. So there we have a potential to get the new business we have already started getting the business and from the last quarter of this month, we will be adding one more customer for large bearing and apart from that now there is a generation three, it is called generation three bearing which is a combination of bearing and wheel hub so we have started getting more revenue from this segment also. So, these are the two three sector where we are expecting some.

Sonal Gupta [33:42]: Right. Sir, I mean these I guess are the new growth areas. But, currently, I mean, if you were to sort of split India bearing revenues into auto and non-auto would you be able to do that?

Hiren Doshi [34:00]: Let me tell you say there are a couple of customers in India to whom we are supplying bearing rings and maybe if both these customers if I will take, it would be somewhere about almost, you know, 12 to 14% of my total revenue, but these customers are completely out of auto segments. And as we were mentioning that wheel hubs even certain Korean company having visit India, they are sourcing this wheel hubs and in turn, they are exporting for the particular OEM. So, that demand has also growing up, but as you were just asking in terms of the bifurcation of auto and non-auto for the domestic bearing ring market, I would like to say somewhere about 60% something would be there in the auto component or rather the auto related this thing and balance would be other applications that is Railway, wind turbine, industrial applications and so on.

Sonal Gupta [35:04]: Okay.

Hiren Doshi [35:06]: Talking about bearing rings only, sir.

Sonal Gupta [35:08]: Right. Sure, got it, sir. And thank you, that's very helpful and just on the interest cost, I mean, you gave some explanation so what sort of interest cost and debt levels do you expect by the end of the year?

Hiren Doshi [35:21]: By the end of the year, as I was mentioning to you my long term debt apart from that small loan what we have taken that would be out of the balance sheet or rather we are going to repay and hardly even in last week, only I have already paid nine and a half or something. So, now, it is somewhere about 14 and a half or something is remaining onto my books which I would like to repay by December or so. As far as my working capital is concerned, we do carry that working capital for our better flow of the business, because business are growing and as you better know in the overseas we expect much growth and where my involvement of working capital would be on a higher side compared to the domestic one. And where the working capital cost is you know, as we have in foreign currency, it is less than 5% or even less than that. So, broadly if I will tell you the term loan interest cost would be somewhere about six to seven or something for the entire year and working capital again to the tune of not more than 1.2 crore or something like that per month, but when we just going to have the annual numbers definitely these notional entries will make certain change.

Sonal Gupta [36:40]: Okay. And what was the fx number that I missed that part you said there are some fx fluctuations which are there in the interest cost.

Hiren Doshi [36:52]: See as I was telling you my 80% of working capital that is there in the foreign currency as you better to know before three years back whatever the fluctuations I do, borrow my pre shipment facility into dollar then again, it is backed by discounting and I'm getting that revenue from the

customer it will be set up like that. So, prior to two years back whatever the gain loss because of these timing gap of say from the date of pre shipment finance to post shipment finance, that was considered or accounted as a forex gain loss and from now or rather from last year onwards, it has been accounted or rather it has been stipulated to accounted as the finance cost of the company, that is why it has added to the finance cost and on every cutoff date I need to you know, as you better know that mark to mark entries so, whatever be my working capital outstanding as on that book, the gain or loss of that amount also needs to be accounted as finance cost. So, it would be reversed on the very first day of the next quarter like that.

Sonal Gupta [38:00]: Got it. So what was the number sorry could you repeat the number for this quarter.

Hiren Doshi [38:05]: For what?

Sonal Gupta [38:06]: For the gain loss on the fx side.

Hiren Doshi [38:10]: Let me tell you in the March quarter there was a gain of somewhere about 8 million. It has reversed in the first of April. So, again that has been booked as an expense in this thing. And in the end of June again it got because of currency fluctuation, 4 million or something has been added. So you can say 1.2 million of this working capital forex gain loss is accounted in this 67.0.

Sonal Gupta [38:43]: So, in this quarter only 4 million impact, right?

Hiren Doshi [38:46]: No, no, I'm talking it's 67 sir, June quarter I'm talking for.

Sonal Gupta [38:52]: No, no so June quarter 67 million is the total interest cost out of which the fx impact is only 4 million right?

Hiren Doshi [39:00]: Yeah, fx impact not 4 million sir, it is almost 10 million as I was mentioning to you. It was the reversal of last quarter as well as added up 30 June. So, both put together It is almost 11 million. Apart from that as I also mentioning that we do carry as we were adopted Indian accounting standard in the March 21 financials. So, whatever the non-convertible redeemable preference shares was there on the balance sheet, we need to bifurcate that interest cost and as an other comprehensive financial instrument, so, that also needs to be accounted notionally though it is not supposed to be paid, but it is to be accounted as an expense.

Sonal Gupta [39:44]: Right. So, how much is that impact?

Hiren Doshi [39:47]: I think somewhere about 3 million.

Sonal Gupta [39:49]: On a quarterly basis that will continue.

Hiren Doshi [39:52]: Yes, yes. And one more thing is also mentioned that we had this small term loan in the end of March quarter. So the cost of that term loan was not significant or are very marginal in the March quarter, but it was there in the for the entire quarter. So that is somewhere about 6 million. So all together 21, 22 million something is for these kind of numbers.

Sonal Gupta [40:20]: Sure, sir. Great, thank you so much.

Speaker 1 [40:28]: The next question is for Mr. Nikhil Jain. Please unmute your line and ask your question.

Nikhil Jain [40:34]: Thank you, thank you once again for taking my question. So, just one question. So, right now, the company is in the CDR, which we are saying that we will get out of CDR by the end of this financial year. So, what are the current constraints that we have because of CDR and once we are out of the CDR by end of this year, so, what sort of flexibility we will get and how are we planning to use that flexibility?

Hiren Doshi [40:59]: See once we will be out of CDR definitely certain relaxations what we had in terms of overall interest cost that would go in line with my credit rating and so on. But at the same time, we do have opportunity to explore our working capital requirements with the other banks maybe with the private banks, where we are expecting quite better terms in terms of interest and in terms of services, that is the benefit what we are expecting post CDR.

Nikhil Jain [41:31]: Right. And one last question. So out of our total capacity of around 145,000 metric tons. So what is the current capacity utilization If I may ask.

Hiren Doshi [41:41]: As I was mentioning to you, it is somewhere about 53 54% for this particular quarter.

Nikhil Jain [41:48]: Okay, sir. Sure. Thank you.

Speaker 1 [41:57]: So, the next question is from Mr. Sonal Gupta, please unmute your line and ask your question.

Sonal Gupta [42:03]: Yes, sorry, one last question. Sir, just wanted to understand on the gross margin or on the raw material cost side that has gone up this quarter to about 45.3, but still your margins are pretty healthy and have improved. So, how do we understand I mean, do you see more raw material cost pressure given that steel prices etc. have been going up or and any thoughts on the overall margins, do you think this quarter levels are sustainable?

Hiren Doshi [42:32]: Definitely, we do not foresee or rather pressure on our margin, because whatever the raw material pricing fluctuations are there that we do have 100% pass through mechanism with our all customers, whether it is domestic or overseas both. So a bit of timing impact that would be there but it will not have a significant impact. And as I told you say for example, the material price has gone up by 10 rupees per kg. so it would be available to me for the stocks what I'm carrying for that particular customer, the stock which is in transit, the stock which is lying at the warehouse and the stock which it was there at that premises. So in all these numbers, I'm going to get the incremental pricing, you know something what I have already produced on that also I'm going to get the incremental price benefit. So definitely, we do not foresee the margin pressure because of commodity fluctuation.

Sonal Gupta [43:36]: Right. And overall this margin this quarter has been very strong at around 23.6%. So, you think that sort of level is sustainable anywhere your revenues are going to grow quarter on quarter so, I guess there should be more operating leverage as well right?

Hiren Doshi [43:55]: Yeah, definitely we are expecting but let me tell you that it would be in the range of this thing only there is no question of going down, but our margin would be ranging somewhere about 22 to 23 and a half 24% something like that, it would be ranging. You know, there are few portion would be which is not controllable in terms of fixed costs as well as variable but definitely we are expecting more than 22% that would be the consistent margin and it is there even in my last quarter of last year and even we got these kind of numbers in 2019.

Sonal Gupta [44:36]: Okay, okay. Sir is this because like, I mean, it will depend on your export mix etc. that is higher the export mix, the better the margin is that.

Hiren Doshi [44:45]: Sir, mainly it is related first of all with my capacity utilization as I told you that we will get a good amount of fixed costs adsorption that is one of the things definitely exports we do have better margin compared to domestic because the majority of the export products are having value added processes and critical operations. So we would be having and again, export incentives are there.

Sonal Gupta [45:12]: But incentives as of now you're not getting right?

Hiren Doshi [45:15]: No, we do get duty drawback.

Sonal Gupta [45:20]: Okay, okay. Got it sir. Thank you so much.

Speaker 1 [45:51]: Anyone who wishes to ask a question can use the raise your hand option.

Ashutosh [46:10]: I think there are no further questions so, we can end the call here. Hiren Bhai any closing comments from your side.

Hiren Doshi [46:18]: Again, I would like to thank all our investors and shareholders, we are going to perform or rather we are going to get the execution of these things in a better way. It is our always interviewer to get the numbers what I have told you that quarter on quarter growth and capacity utilization, that is the main concentration what we do have as down the line we do not foresee a significant amount of capex also for the next three to four years something like that. Thank you very much Equirus team to arrange this thing and also like to thank to all the participants who have attended. Thanks a lot.