



# SURYA ROSHNI LIMITED

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SRL/23-24/44  
November 7, 2023

**The Secretary**  
**The Stock Exchange, Mumbai**  
New Trading Ring, 14th Floor,  
Rotunda Building, P.J.Towers,  
Dalal Street, Fort,  
MUMBAI - 400 001  
Scrip Code: 500336

**The Manager (Listing Department)**  
**The National stock Exchange of India Ltd**  
Exchange Plaza, 5<sup>th</sup> floor  
Plot No. C/1, G Block  
Bandra Kurla Complex, Bandra (E)  
Mumbai – 400 051  
NSE Symbol: SURYAROSNI

**Sub: Transcript of Earnings Call with respect to Financial Results for the 2<sup>nd</sup> quarter ended 30<sup>th</sup> September, 2023.**

Dear Sir,

This is with reference to the Company intimation dated 20<sup>th</sup> October, 2023 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the earning conference call to discuss the financial results for the second quarter of the financial year ended 30<sup>th</sup> September, 2023 scheduled for Thursday, 2<sup>nd</sup> November, 2023 at 4:30 P.M, (IST).

Further to the audio recording filed with the stock exchanges already on 2<sup>nd</sup> November, 2023, we are enclosing the Transcript of the said Earnings Call.

The same is also being uploaded on the website of the Company at [www.surya.co.in](http://www.surya.co.in) under Financials in the Investor section.

This is for your information and records.

Thanking you,

Yours faithfully  
**For Surya Roshni Limited**

**B B SINGAL**  
**CFO & COMPANY SECRETARY**

Enclosed: as above.

# SURYA

## “Surya Roshni Limited Q2 and H1 FY24 Earnings Conference Call”

**November 02, 2023**

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 2<sup>nd</sup> November 2023 will prevail.

# SURYA



**MANAGEMENT: MR. RAJU BISTA – MANAGING DIRECTOR**  
**MR. TARUN BALDUA – ED & CEO STEEL OPERATIONS**  
**MR. JITENDRA AGRAWAL – CEO LIGHTING AND**  
**CONSUMER DURABLES**  
**MR. B. B. SINGAL – CFO AND COMPANY SECRETARY**

**Moderator:** Ladies and gentlemen, good day and welcome to the Surya Roshni Limited Q2 and H1 FY24 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 the operator by pressing ‘\*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raju Bista – Managing Director at Surya Roshni Limited. Thank you and over to you, sir.

**Raju Bista:** Namaskar, good evening. On behalf of Surya Roshni Limited I extend a very warm welcome to everyone for joining us today.

Before starting the call today, I would like to take this opportunity to wish everyone a very Happy Diwali.

On this call we are joined by Mr. Tarun Baldua – CEO, Steel Operations; Mr. Jitendra Agrawal – CEO, Lighting and Consumer Durable; our Investor Relations Advisor SGA and our CFO and Company Secretary – Mr. B. B. Singal.

I hope everyone had an opportunity to go through the financial results, press release and investor presentation which has been uploaded on the stock exchanges as well as on our Company’s website.

Surya Roshni is celebrating its Golden Jubilee year in FY23-24 marking 50 years of excellence in steel pipes, electrical appliances and consumer durable industry. Surya Roshni products are trusted by millions of consumers in India and around the world and the Company has a very strong presence in global market with export to over 50 countries. As Surya Roshni celebrates its Golden Jubilee year, the Company is poised to enter a very new phase of growth and development. The Company has a very strong foundation, a very clear vision and a talented team to execute its plans. I am confident that Surya Roshni will continue to achieve new heights in years to come. On this special occasion I would like to thank all of our stakeholders, employees, customers and partners for their continued support over the years. To reward the shareholders on our Golden Jubilee, Board of Directors has approved an interim dividend at 50% on the paid-up value.

And now moving onto the highlights of the quarter:

Due to favorable volume growth in steel pipe and value-added goods in lighting and consumer durable segment, the firm reported better profitability on a year-over-year basis despite a marginal fall in revenue. Due to the successful implementation of backward integration strategies and favorable volume growth, the Company witnessed a notable improvement in its EBITDA which increased by 6% to reach ₹139 crores. Furthermore, the Company achieved a commendable EBITDA margin of 7.3% for the quarter Company as a whole.

Over the past few years, the Company has placed its emphasis on reducing the debt. Even during H1 FY24, in the last 6 months, the debt reduced by almost ₹190 crores and the debt-to-equity ratio stood at 0.11 as of 30<sup>th</sup> September 2023. With this the Company intends to become debt free by next year.

And coming to lighting and consumer durables, the segment reported a revenue of ₹ 377 crores in Q2 FY24, which is almost similar to the corresponding period last year. This was achieved despite the shift in festival seasons from Q2 to Q3 in the current financial year as compared to the previous year where the Company recorded revenue related to festive season in Q2 FY23 as well. Both Q2 FY24 and H1 FY24 have demonstrated enhanced profitability aligning with the management previously communicated expected (to be read as 'expectations') as highlighted in their commentary during preceding quarters.

Despite observing favorable volume growth even in lighting segment, but we experienced price reduction in the range of about 15% to 20% on year-on-year basis and 10% to 15% during H1 FY24 resulting in flattish revenue performance, but our Company has consistently demonstrated a proactive approach to backward integration leveraging our investments in PLI program. This strategic move has not only enhanced our competitiveness within the market, but also has resulted in improved operating profitability at an EBITDA margin level to 9.3% for Q2 FY24.

The professional lighting segment reported 20% growth in Q2 and 23% in H1. Robust expansion of professional lighting segment can be primarily attributed to the concurrent growth observed in both private as well as government related investments.

Consumer lighting has also experienced decent volume growth. The consumer lighting segment has exhibited robust growth in various categories such as LED, LED Batten, Downlighters, Decorative lighting and other Solar lighting with impressive double digit volume growth expansion.

Within the consumer durable segments certain segments have exhibited robust growth. The strong growth in this subcategory was also aided by the successful introduction of the 12 innovative fan models and 16 consumer appliances products in FY24 Q2.

PVC pipe witnessed an 11% growth in Q2. During the upcoming quarters, our Company will continue to strategically introduce a diverse range of very innovative products within the

Lightning Consumer Durable business segments and this forthcoming product launches are expected to contribute significantly to our overall growth and market presence.

We are hopeful of achieving double-digit revenue growth for whole FY24 on the back of better H2 FY24. In terms of profitability, we hope to achieve our target that we have outlined in our previous commentaries.

Our strategic focus remains on bolstering our market presence and brand recognition through intensified investment in advertising and marketing. This effort aims to augment our market share and enhance the visibility of our brands. Additionally, we are committed to fortifying our dealer and distributor network by implementing a range of engaging initiatives.

Based on our analysis, it is anticipated that our Lighting and Consumer Durables segment will exhibit a very positive performance in H2 FY24 and FY25 provided that all sectors of the Indian economy maintain their current growth trajectories.

Now moving on to the steel pipe business, the segment has experienced a good volume growth of about 12% which was overshadowed by the downward pricing pressure ranging from 10% to 15% across different grades of steel during H1 FY24. On a full-year basis we continue to anticipate a 12% to 13% volume growth. Our optimism stands on the back of a strong order book of about almost ₹800 crores especially from Oil and Gas segments for API pipe as well as the potential for growth in the domestic market as well, which we believe will help mitigate any potential shortfalls we may encounter in the exports market.

Within API pipes, the line pipe business has experienced a deceleration in order due to the upcoming general elections. The other key business sector for API pipes order is from City Gas Distribution sector which has demonstrated commendable growth and has a potential (to be read as 'positive') outlook. We expect a very positive business momentum for GI pipes to persist throughout the fiscal years 24 and 25.

And lastly, we remain confident about the opportunities that lie ahead of us. The Company is focusing on geographical expansion, innovation, efficiency enhancement, infrastructure and human capital to deliver the best class solution to our customers.

And now I would like to request our CFO, Mr. B. B. Singal to share his thoughts.

**B. B. Singal:**

Thank you respected MD, sir, and a very good evening to all the participants on the call.

For the quarter, despite a marginal decline in revenue, the EBITDA and PAT grew by 6% and 12% on a year-on-year basis to ₹139 crores and ₹76 crores, respectively. For the first half of Financial Year '24, revenue was ₹3,791 crores as compared to ₹3,824 crores. EBITDA and PAT stood at ₹255 crores and ₹135 crores as compared to ₹202 crores and ₹90 crores, respectively. The increase in the operating performance can be attributed to the PLI scheme, backward integration and the increase in demand for value added products.

In Lighting and Consumer Durables, for the quarter the revenue stood at ₹377 crores as against ₹383 crores. EBITDA and PBT stood at ₹35 crores and ₹28 crores registering a growth of 14% and 21% respectively. For the half year, revenue stood at ₹751 crores as against ₹718 crores, a growth of 5% on year-on-year basis. EBITDA and PBT stood at ₹68 crores and ₹54 crores (to be read as ₹54 crores) a growth of 30% and 46% respectively.

In the Steel pipes and Strips, during the 2nd Quarter Financial Year '24, the Company's revenue stood at ₹1,539 crores, while the EBITDA witnessed a growth of 3% year-on-year basis with an EBITDA per metric ton of ₹5,104 per metric ton. PBT for the quarter grew by 11% to ₹76 crores. For H1 Financial Year '24 revenue stood at ₹3,042 crores while EBITDA and PBT grew by 25% and 55% year-on-year basis to ₹187 crores and ₹131 crores, respectively.

As of 30<sup>th</sup> September 23, the Company has reduced debt by ₹190 crores and continues to remain long-term debt free. Debt equity was reduced to 0.11x as on 30<sup>th</sup> September 23.

As on 30<sup>th</sup> September 23, the net working capital days stood at 65 days, inventory days stood at 52 days, debtor days stood at 32 days and creditor days stood at 19 days.

As on 30<sup>th</sup> September 23, ROCE improved by 439 basis points and stood at 20.2% as compared to 15.8% in the last quarter. ROE stood at 15.57% as compared to 12.49% as on 30<sup>th</sup> June 23, a growth of 308 basis points.

With this I conclude the presentation and we can now open the floor for further question and answer.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jatin Damania from SVAN Investments Managers. Please go ahead.

**Jatin Damania:** Sir just wanted to understand that for the steel pipes, you said, that you have in volume terms, we have grown by almost 10% to 15%, but because of the lower realization there was a hedge. So I want to understand is there any one-off or inventory loss that we have taken during the quarter due to which EBITDA per ton has come down? Sir, how can one look at the operating performance going here for the next couple of quarters?

**Raju Bista:** Under steel division there is an impact of ₹400, ₹500 ton in this quarter, but as I said there is a growth of 12% in volume and we believe that we will maintain a volume growth of 12%, 13% throughout this entire year. But particularly in this quarter the Q2 of FY23, steel prices were lower by ₹3,000 per ton. And if I see in comparison to Q1 versus Q2, then steel prices are down by ₹1,000 per ton.

**Jatin Damania:** Sir have we taken any inventory loss in this quarter, or we are properly hedged in terms of the raw materials?

**Raju Bista:** Yes, we have taken an EBITDA per ton loss of ₹400 to ₹500 per ton.

- Jatin Damania:** Means the current EBITDA per ton of ₹5,100 will be near ₹5,500 or ₹5,600?
- Raju Bista:** And as I have said earlier in my commentary generally in Q3 and Q4 due to festival and agriculture, so we are in the same line which we have given in our commentary. It is true that this time due to the shifting of Diwali and revenue being equal, I can say that we are little below from what was our expectation, but we will cover that under Q3, Q4.
- Jatin Damania:** It is great that the second half will be strong for us, what is the status of the expansion of steel pipes which we were doing of 1 million ton to 1.2 million ton? And till when that plant capacity will come?
- Raju Bista:** Actually, we are doing 3 investments in our factory's, NCR- Bahadurgarh in which investments of ₹40 crores for Cold Rolling is in execution stage and land acquisition process at Hindupur with investment for LDP and GP worth ₹75 crores is complete. It took some time because we had to buy land from the government and purchasing of rest other equipment is in process and we are making third investment in LDP at Bhuj Anjar in Gujarat. The technical team is working on it, we can say the purchase of technology and machines are in the final stage. NCR of Bahadurgarh will take 9 months and the remaining 2 projects will take almost 1 year to complete.
- Jatin Damania:** Sir as you told that we are almost closer to a debt-free or debt-to-equity 0.1. So when I see our cashflow, then we are generating EBITDA ₹400 crores and if we would generate another ₹400 crores next year, so what is our capital allocation policy? Can you give us any idea and has the Board decided on any dividend distribution policy to reward your shareholders? Like in this quarter you have announced of ₹2.5 dividend for celebrating our 50 years, but how shall we look going ahead, how shall we look forward to capital allocation and the dividend distribution policy?
- Raju Bista:** You said it well, I have told this many times that whatever cash we will generate, annually we will spend half of it on CAPEX and whatever is left over is shareholders money.
- Jatin Damania:** Last question on the steel pipe, like last time you told that probably we will reach to a 10% EBITDA margin, and we are closer to that, so is there any further increment one can expect from steel or can we assume 10% margin on a steady state-run rate basis going forward?
- Raju Bista:** Are you asking about lighting?
- Jatin Damania:** Yes, sir for lighting.
- Raju Bista:** Last time I said that we will be on 10%, so in Q3 it will be above 11% and Q4 will be also same, so we will surpass double digit which was our commitment and I feel that we will land between 10% to 11%. And in Lighting Division it is like that we are changing product mix, our focus has shifted on higher value items. And besides Tier-2 and Tier-3, we are reaching towards Tier-1 cities. And across PAN India level our electricians and retailers meets are being organized. As I told in my commentary that in Lighting 10% to 15% price erosion has been seen, that means

overall competition has also reduced the prices. Despite that, there is improvement in our margins because we have done backward integration and secondly under purchase we went to the advanced stage and did negotiation, and third biggest role is that we have paid a lot of attention towards innovation. Due to all of these reasons, we saw improvement in margins, despite such a price fall.

- Jatin Damania:** Thank you, sir and wishing the entire team of Surya Roshni a very happy Diwali.
- Raju Bista:** One more thing in Lighting Division we are seeing flat revenue, but if we add that price erosion then there is a 17% to 18% growth in volume.
- Moderator:** Thank you. The next question is from the line of Shweta Dikshit from Systematix Group. Please go ahead.
- Shweta Dikshit:** Sir can you give some indication of the volume outlook in the second half for steel segment? And what was the capacity utilization this quarter? And what are you setting in the coming quarter?
- Raju Bista:** As you asked regarding volume, in H2 FY24, the volume will be around 5 lakh ton for the next 2 quarters and capacity utilization is about 78% to 80%, in some plant it is more and in some plant it is less, but on an average it is 78% to 80%. If we talk about the volume for the whole year, then we will be little more than 9 lakhs (to be read as 9 lakhs ton).
- Shweta Dikshit:** Any view on the volumes next year, considering your capacity expansion?
- Raju Bista:** Next year, we will do 1 million (to be read as 1 million tons) plus.
- Moderator:** Next question is from the lines of Rucheeta Kadge from Iwealth. Please go ahead.
- Rucheeta Kadge:** Sir basically my question was, currently how much is value-added, as a percentage of your total mix? And in the second half, like for the full year are we expecting what we should do around a 6,500 EBITDA per ton, so how do we see the sales mix changing in the second half which would help us to get that kind of EBITDA per ton, so right now these are the 2 questions?
- Raju Bista:** So, right now our value-added is around 35% and in Q3, Q4 contribution from this segment will be around 40%, 42%. And last year our EBITDA per ton was ₹6,500 and we have said that this year, instead of ₹6,500 our EBITDA per ton, it will be near ₹5,500 per ton to ₹6,000 per ton throughout the year.
- Rucheeta Kadge:** And sir you expect this going ahead also for this to sustain or you expect to improve going ahead?
- Raju Bista:** We will both sustain and improve it, because as I told we are gradually increasing our value-added product in both Steel and Lighting. And doing some special product in an oriented manner,



so I think we will not only sustain but we will also see an improvement in that. And if you see the last 10 years track record, then you will see that despite the ups and down in the industry, Surya Roshni has been stable and recording a reasonable growth.

**Rucheeta Kadge:** And sir if you could just mention how has the trend been of this value-added over the last 5 years? Has this improved or it has been stagnant? And what do we expect going ahead?

**Raju Bista:** If I talk about the last 5, 6 years from 10%-12%, the contribution of value-added products has reached to 35%. We have shifted our full focus. So, in the coming times, gradually our immediate target is to increase the contribution from value-added products to 50% and in which margins are little better.

**Rucheeta Kadge:** And this you aim to achieve by which year?

**Raju Bista:** I think next to next year, we will come to the level of 50% and precisely I was seeing, that we had started in FY18-19 with 9%, which now stands at 35%.

**Moderator:** Thank you. The next question is from the lines of Kuber Chauhan from Anand Rathi. Please go ahead.

**Kuber Chauhan:** Sir I have couple of questions over here, like you told that we are seeing more growth in Lighting Division compared to Steel division, so are we saying that our primary focus would be on Lighting Division from now because there is a little shake out in steel prices? Are we saying that?

**Raju Bista:** No, our focus is equal on both places, because we have exclusive 2 different teams. I am a common man otherwise from CEO down to the level below, there are 2 different teams, they have their own different visions, and our focus is on both segments and both segments are also doing good.

**Kuber Chauhan:** And how you are saying steel prices like second half of FY24, so what will be the outlook on that? And how we are witnessing it like how is it, is it stable or are we witnessing some more correction?

**Raju Bista:** There is not much scope and not much volatile either, if we talk about 3, 4 months. In India HR coils rate is around ₹57,500. There is a scope for correction of about ₹1,000, ₹1,500 in future or in next 1 or 2 months. So I am saying this from the perspective for the coming 3, 4 months only, as it is very difficult to predict the future.

**Kuber Chauhan:** So, you are saying that same numbers will be there in Q3 in terms of steel division we can say that?

**Raju Bista:** No, in Q3 we will get better results from this in terms of volumes and improvements will also be seen in margins in per ton EBITDA.

- Kuber Chauhan:** And even in Lighting Division as Diwali is coming, so how we are witnessing that? Are we witnessing uptick there also?
- Raju Bista:** Under Lighting Division, as Diwali season has shifted in this quarter means under Q3, so we expect the EBITDA margins to increase from 9.3% to 11% plus in Q3 in Lighting Division.
- Kuber Chauhan:** 19%?
- Raju Bista:** No, 11% plus percent EBITDA margin is expected in Lighting Division.
- Moderator:** Thank you. The next question is from the lines of Shreyans from SVAN Investment Managers. Please go ahead.
- Shreyans:** Sir I just want to understand what will be our CAPEX guidance for FY24 and FY25?
- Raju Bista:** So, FY24 which is the current year, we have taken approval for ₹200 crores from the board and for next year our requirement will be ₹100 crores. So adding both these years, CAPEX will be around ₹300 crores, ₹325 crores in FY24 and FY25.
- Shreyans:** And sir wanted to understand that our debt of ₹200 crores, ₹225 crores will be repaid this year or will be there in FY25?
- Raju Bista:** ₹200 crores are left and our stock level is at highest level, so precisely I will not say that in H2 it will be fully completed, but by the H1 of next year FY25 we will definitely be debt free. Because precisely our balance debt is around ₹200 crores.
- Shreyans:** Sir just wanted an outlook for October in Steel segment, how is our volume and EBITDA per ton ramp up going on? And just if you could give us some understanding on that?
- Raju Bista:** No, currently the result is pending, but October was good, whether it was Lighting or Steel division. And as I have told, Q3, Q4 is anyways in case of Surya Roshni whether it be Lighting segment or Steel division. Historically, if you see our past results, in comparison to H1, H2 is substantially in better position.
- Shreyans:** And sir in starting you told that capital allocation our policy is 50% towards CAPEX and 50% towards dividend, so the guidance which we are giving of ₹300 crores towards CAPEX for this year and next year combined, then it gets reduced?
- Raju Bista:** No, I have given in combined, sometimes ₹100 crores will be less, sometimes ₹100 crores will be more. But precisely it is not possible that I will spend ₹200 crores, that is not the case. But if I say in general terms, spend around half on CAPEX on a regular basis. So, I am telling this on an expected line. Suppose that tomorrow we have to set up a new factory, then in that single factory ₹200 crores investment will have to be made. So it depends, in some year it will be less, in some year it will be more. And this year, in 3, 4 projects which we have got approved from

the board, there was delay due to some reasons, that is why I think in FY25 we will be able to do capex of around ₹100 crores, ₹125 crores.

**Shreyans:** And sir I wanted to understand in Lighting, how much will be the contribution of Pipes in this?

**Raju Bista:** In CAPEX?

**Shreyans:** No, what will be the contribution of PVC pipes in our revenue in Lighting segment?

**Raju Bista:** Our revenue from Lighting for the whole year will be around ₹1,600 crores to ₹1,625 crore, and from that around ₹90 crore to ₹100 crore will be from PVC pipes.

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

**Saket Kapoor:** Namaskar, Bistaji. As you mentioned, historically our H1 is lower compared to H2. And if we compare last year's H1 to current year H1, then there is a significant growth. And if I am right then last year, we have gained significant inventory in H2. We got significantly higher EBITDA per ton for Steel business, which is not so high this year. If I am not wrong, it was ₹9,000 plus. Correct me if I am wrong. If all these things are taken in consideration, then do you see us coming close to last year's number, because the inventory gain which we got last year, we are not expected to get this time. Is it correct to assume like this, sir? Please correct me.

**Raju Bista:** H2 of FY24 and FY25 will be almost in the similar lines and as I told substantially good numbers came in Q4 of last year and that is why at the start while giving Q1 guidance, we had said, that in comparison to ₹6,500 EBITDA per ton, we will achieve ₹6,000 EBITDA per ton. So it is expected in similar line, it could be less by ₹100, ₹200 EBITDA per ton and only time will tell this.

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

**Shweta Dikshit:** If you can throw some light on your capacity expansion of 200 KTPA, in that what will be the value-added product portfolio?

**Raju Bista:** Are you asking regarding CAPEX, what will be our focus on investment on value-added?

**Shweta Dikshit:** Yes, it is an expansion of full 200 KTPA?

**Raju Bista:** In that almost ₹150 crores of CAPEX is being invested in value added and ₹40 crores, ₹50 crores we are doing in Cold Rolling.

**Moderator:** Thank you. The next question is from the lines of Rucheeta Kadge from Iwealth. Please go ahead.

- Rucheeta Kadge:** So, just one more question. On this value addition, so, sir for every one percent value addition how much does an EBITDA per ton improve, if you can give a ballpark number?
- Raju Bista:** This depends on a product-to-product and precisely it is not easy to tell the exact numbers, but still it depends a lot on the product-to-product and product mix.
- Rucheeta Kadge:** Sir because right now when you are at 35%, we are expecting around ₹5,500 to ₹6,000 EBITDA per ton and you are saying by FY25, this mix would become 50%, like APL Apollo Tube just for comparison, sir they are 60% something is there value-added and they make around ₹6,000 EBITDA per ton, so can we go to that on a sustainable basis? Just for my understanding?
- Raju Bista:** I can talk about myself, but if you compare it to your peers, apple-to-apple if you see segment wise, then I think in comparison to our peer group you will find our EBITDA per ton better. So, from this it reflects that what is the percentage contribution from value added products.
- Rucheeta Kadge:** This value added would be your API and your GI pipes basically?
- Raju Bista:** Yes, API, galvanized and export market too. There can be many definitions of value added, so much is dependent on that.
- Moderator:** Thank you. The next question is from the lines of Miraj Shah from Arihant. Please go ahead.
- Miraj Shah:** Sir only 2 questions. First one is as you have highlighted CAPEX, 3 different CAPEX that we are planning plants with timeline, sir what will be its total revenue potential keeping in mind the current prices only? And secondly, currently what will be the contribution of our export sales in Steel Pipes business? Just these 2 questions.
- Raju Bista:** Our CAPEX which will be of ₹200 crores, Its contribution will be near to 20% that is it will be near 1.75 lakhs ton to 2 lakhs tons. And specially you asked regarding exports, so our contribution from exports segment is 18% precisely.
- Miraj Shah:** Currently 18% of Steel only or total sales?
- Raju Bista:** Steel.
- Miraj Shah:** And from the CAPEX which we are doing, in value terms how much additional revenue can be done?
- Raju Bista:** As I said near ₹1,000 crores, that is 20% will be its impact.
- Moderator:** Thank you. The next question is from the line of Yogesh Mittal from Investore. Please go ahead, sir.

- Yogesh Mittal:** I wanted to ask a question regarding the factors you serve mainly in the Steel pipes like if you can just categorize the top 3 sectors or top 4 sectors like Structural steel or like Agricultural pipes or like that? So, if you can give the top 3 or top 4 users, the segments?
- Raju Bista:** Our biggest segment is Trade and Distribution which contributes about 55%. It basically constitutes of agricultural and structural pipes. The contribution of our PSU and API is around 16%. And Cold Rolling which we give to automobile ancillaries, and automobile companies contribute almost 10% and export's contribution is almost 18%-19%.
- Yogesh Mittal:** The raw materials which are used for this are mainly the HR coils or do you have other raw materials also?
- Raju Bista:** We have 2 raw materials; one is HR coil, and another is zinc, that's it
- Yogesh Mittal:** Sir just wanted to understand, like it was being alluded by so many callers in the call, when you are talking about the raw material, which is HR coils price reduction or the overall the final product price reduction in the market because of which the EBITDA has been reduced. So wanted to understand what is the pricing power in case the raw material prices reduce with the Surya and other competitors in the market?
- Raju Bista:** We don't manufacture HR coils. We make only make pipes. So if HR coils prices are reduced, then we have to pass it on and if it increases then we get the increased price. At the time of increasing and decreasing prices, all the engineering is that, during decreasing times keep less stock and during increasing time, keep more stock, so that we get an advantage.
- Yogesh Mittal:** Sir I just wanted to understand, it is not clear why this EBITDA per ton reduced?
- Raju Bista:** If we see our EBITDA per ton from H1 then it is slightly better only and if we compare it with FY23 then also our per ton EBITDA is better only and if you see for the whole year then also per ton EBITDA will be around ₹6,000. And regarding HR coil, it is not very volatile this year. I mean there is a little bit volatility, which is always there.
- Yogesh Mittal:** Sir 55% which is your Trade and Distribution sector, mainly your off takers - in that what is the outlook in the market right now? The dealer talks or the discussions which you are having - how is the outlook?
- Raju Bista:** The overall outlook is good. Bharat's outlook is good, and demand is good. Depending upon the price it goes one month up or down, otherwise throughout in our 50 years history it has been our strength and will continue to be. And in many states we get credit and premium and even today in many states, Prakash pipes is the first choice of farmers for agricultural use and for customers.
- Yogesh Mittal:** One of the last things which I want to ask, Sir when we talk about the product, is there competition in the product in terms of this new CPVC pipes are coming. Is there any competition in any targeted market?

- Raju Bista:** In the market there is competition on each and every product. And I say that if there is competition or challenge in the market, then only one is able to perform well, so competition is everywhere. Today if you look under Lighting, the maximum competition is in Lighting because this Lighting industry has not matured yet, after LED came. Today also I am not able to understand that the product which I am introducing will last for a year or before that only I will have to switch to a new product. The main reason is that the in Lighting industry more than 50% of market share is with the unorganized sector, who brought imported material under CKD and SKD and used screwdriver technology and made it and sold it in market. So this is a phase in Lighting industry and in fact for the last 3, 4 years it has been very tough. And similarly competition is there under Steel Division also, But my experience of so many years in Steel Division is that generally our preference is to sell our goods through dealer network. There a lot depends on our 50 years track record, on our relationship basis and our quality. Our major chunk is from exports also - there as soon as we get the money in advance from the stockiest, or we get LC and then we dispatch the material. And there is a segment - project and API, where competition is there, but despite that the margins are much better.
- Yogesh Mittal:** Sir I was specifically asking about the CPVC pipes, like in some segments the product itself, not about the competitor, in terms of the product being competing with this? Please tell regarding that also.
- Raju Bista:** In this we have a small business, and we don't make a huge investment in that every quarter that is why I never mention it. However, in thus business also, we have doubled our capacity in one year.
- Yogesh Mittal:** Sir, what I was asking is like your Pipes which are used in agriculture or any other segments like agricultural pipes and plumbing whatever in that, is there any competition with CPVC or is it used for specific use only?
- Raju Bista:** Our plumbing segment has almost shifted to PVC, because with steel pipes a plumber can fix one bathroom per day, but with PVC pipes he can fix 3 to 4 bathrooms.
- Yogesh Mittal:** So, there is no competition in your existing steel pipes product segment? That was I was trying to ask?
- Raju Bista:** In that, there is no risk due to PVC plastic, because our segment cannot be catered PVC, at least till now no such technology is there.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** Congratulations, sir on a good set of numbers. Sir my question is that as you have told that we will do almost 9 lakh ton under Pipe segment roughly in FY24 and in Lighting will do double

digit growth. So I want to know that is there any number in your mind for FY25 like how many lakhs ton you want to do in FY25? And in Lighting what growth can come?

**Raju Bista:** As I told regarding steel if I say for next year FY25 then our volume will be 1 million plus in Steel segment and under Lighting division, although earlier also I felt that there should not be more price erosion. I don't think there is much scope left now and in Lighting division if we see for the past 5 years in terms of volume growth we have been growing regularly around 15% to 20%, despite of all the hurdles. So, I feel that in FY25 we will make 15% growth despite some price erosion. And in the Lighting division, there is a scope for improvements in margins. At one time, we were at 14% when CFL was peak. Now in the same direction we are moving forward, gradually with new products, with new technology and with a new product mix.

**Vignesh Iyer:** You have given the CAPEX plans for next 2 years. So you will have significant cash flow after considering the CAPEX. So sir, have you thought about doing buy back or anything like that - because investor has to bear higher taxes on dividend side of upto 30%?

**Raju Bista:** See I have given a rough calculation, but you assume that whatever CAPEX is done, besides that whatever is there it is for shareholders, but it will not be a form of dividend. I can say that it will be there, it is our firm commitment. We regularly increase and pay some dividends every year, but still no such firm decision has been taken by the board, so I don't think it would be right to comment on that. So, hopefully by the next Q3 or Q4 there will be some clarity on it, But you are right that from ₹1,500 crore CAPEX by doing growth in volumes, we have reached this level, so I think the future is good. We have to do more CAPEX and have to expand in more geographical locations and by changing our product mix I see much more potential in our valuation.

**Vignesh Iyer:** You are correct, sir we are seeing that from 2, 3 quarters your performance is improving and as an investor I want to share that if you think of separating your Lighting division, then the Company can get a good valuation - means the valuation which you are getting in market from the Lighting business, the entire Company is not getting that much. So I think that from that side also, value creation can be made for investors. This is just my thinking which I wanted to share with you.

**Raju Bista:** Many have suggested this and as you are our investors and our promoters are investors only, so we have also informed our board and your suggestion is in our mind. But that will happen when the decision is taken. But besides that, we work regularly on creating value for the shareholders, because it is our shareholders who have kept us as the MD, Directors in the board and it is our duty towards you and we are doing it sincerely and will continue to do so in the future also.

**Moderator:** Thank you. Ladies and gentlemen, we take that as the last question and now I hand the conference over to Mr. Bharat Bhushan Singal – CFO and Company Secretary for closing comments.

**Bharat Bhushan Singal:** Thank you everyone for joining us today on this earning call. We appreciate your interest in Surya Roshni Limited. I sincerely once again thank to our MD and the CEO for sparing their valuable time and addressing queries raised by the participants who attended the call. I would also like to take this opportunity to wish everyone on this call a very Happy Diwali from the entire Surya Roshni family. For any further queries kindly contact SGA, our Investor Relation Advisor. Thank you once again.

**Moderator:** On behalf of Surya Roshni Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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