USHA MARTIN LIMITED

Q2 FY 2025 Earnings Conference Call Transcript

November 07, 2024

Moderator: Ladies and gentlemen, good day and welcome to the earnings conference call of Usha Martin Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*", then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anoop Poojari of CDR India. Thank you and over to you, sir.

Anoop Poojari: Thank you. Good afternoon, everyone and thank you for joining us on Usha Martin's Q2 FY25 earnings conference call. We have with us Mr. Rajeev Jhawar – Managing Director of the Company; Mr. Abhijit Paul – Chief Financial Officer; and Ms. Shreya Jhawar from the Company's Strategy and Growth team.

We hope all of you had the opportunity to go through the results documents shared earlier. We will initiate the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session. Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation.

I would now like to invite Mr. Rajeev Jhawar to make his opening remarks.

Rajeev Jhawar: Good afternoon, everyone. On behalf of the management team of Usha Martin, I would like to welcome you all to our earnings conference call. I will begin by sharing some updates on operations and strategies, following which, Mr. Abhijit Paul will run you through the key financial highlights.

We are pleased to report a resilient financial performance and strong operational execution in Q2 FY25. We have delivered healthy results, with volumes increasing by 11% year-on-year and topline growth of 13.6%. Our core Wire Rope division performed well across both international and domestic segments, contributing 73% to our overall consolidated revenue. Revenue from the Wire Rope segment grew by 19.2% year-on-year, while revenue from the wire segment grew by 16.2% year-on-year. The LRPC segment continued to face challenges this quarter, reporting a 6.7% year-on-year decline.

Our focus on higher value-added products has enabled us to maintain an operating EBITDA margin of 18% in Q2 FY25. The contribution of the value-added industry segment to our revenue rose to 54% in H1 FY25, up from 52%

in FY24. Within the Wire Rope category, the value-added segment share increased to 72% in H1 FY25 compared to 71% in FY24. The elevator and oil and offshore categories in particular have been key drivers at this expansion. Additionally, the international markets contributed 55% to our total revenue, and we also saw favorable performance in the domestic market. These trends have played an important role in supporting margins.

With our newly expanded facilities, our teams in domestic and international markets are well equipped to promote sales of our high-quality Wire Rope for critical applications. This positions us to capture a larger share of the global market while consistently meeting our clients' rigorous standards.

Additionally, our ongoing expansion efforts in Ranchi and Thailand are expected to further ramp-up volumes gradually over the next few months, enhancing our performance.

In parallel, a portion of our CAPEX initiatives has been dedicated towards investments in digitalization and automation. These initiatives will elevate operational efficiencies, further enhancing our ability to respond to market demand, while maximizing productivity across our operations.

An important strength that complements our CAPEX initiative is our machinery and technology. Our in-house teams' capability to design, develop and maintain our own machinery sets us apart from competition. This capability allows us to operate with greater efficiency and agility by building and maintaining a number of our equipment in-house, we reduce dependence on outside sources, enabling us to swiftly address maintenance needs and exercise strong control over our processes. This distinct advantage is vital to Usha Martin's long-term resilience and growth, reinforcing our market position as we continue to expand.

In our UK facility, a dedicated capital expenditure has been allocated to support the production of synthetic slings with commercial operations expected to commence by the start of Q4 FY25. Trial runs are already in progress, and we plan to initiate marketing activities this month. Synthetic slings represent a high potential segment that is experiencing promising demand across leading markets. We are excited about the opportunities this product line presents, and if successful, it has the potential to evolve into a major vertical for Usha Martin in the years to come.

The Company continues to prioritize the domestic market, where Usha Martin is implementing essential strategies to leverage its well-established dealer network to capitalize on robust growth opportunities. Looking ahead, various Government infrastructure projects are expected to drive ongoing demand for our products in the domestic market.

In conclusion, I would like to emphasize our commitment to expanding Usha Martin's global footprint and strengthening our operational strategies to capture growth opportunities across all markets. The Company's strategy is firmly centered on value-driven volume expansion, focusing on maximizing the utilization of existing capacities to enhance both operational and financial performance. By modernizing plant operations and expanding our global distribution and marketing efforts, Usha Martin is well positioned to leverage its inherent strength to drive sustainable long-term growth for all our stakeholders.

With this, I would now like to invite our CFO, Mr. Abhijit Paul, to present the financial highlights for the quarter ended 30th September, '24. Thank you and over to you, Abhijit.

Abhijit Paul: Thank you and a very good afternoon, everyone. I will now provide a brief overview of the Company's operating and financial performance for the quarter and a half year ended 30th September, '24.

The consolidated net revenue from operations stood at Rs. 891.2 crore in Q2 FY 25 compared to Rs. 784.7 crore in Q2 FY24, reflecting a 13.6% year-on-year increase. This growth is mainly supported by increased contributions from our core Wire Rope and Wire & Strand segments, with the Wire Rope segment showing consistent revenue performance and accounting for around 73% of our overall revenue.

Despite a traditionally softer quarter due to the monsoon season, our core Wire Rope division performed strongly, recording 18.5% growth in volumes and 19.2% increase in revenue. This performance highlights the strength of our operational execution across domestic and international markets. Despite the LRPC segment's contribution declining this quarter, we remain positive about the increasing demand and order inflow for galvanized and plasticated LRPC products. We expect this segment to make a favorable contribution in the upcoming quarters.

Our operating EBITDA for the quarter stood at Rs. 160.8 crore as against Rs. 144.3 crore in Q2 FY24. The operating EBITDA per tonne stood at Rs. 32,253. Additionally, the Q2 FY25 operating EBITDA margin stood at 18%, which is marginally lower from 18.4% in Q2 FY24. Net profit for the quarter stood at Rs. 109.3 crore as against Rs. 109.5 crore in Q2 FY24. PAT for Q2 FY24 included a one-time income of Rs. 18 crore.

For the half-year period, net revenue from operations stood at Rs. 1,717.5 crore compared to Rs. 1,599.1 crore in H1 FY24. Notably, the Wire Rope segment's contribution to total revenue grew to 73% in H1 FY25 from 71% in FY24. Operating EBITDA for H1 FY25 was Rs. 314.8 crore, up from Rs. 290 crore in H1 FY24. Profit after tax for H1 FY25 stood at Rs. 213.2 crore compared to Rs. 210.3 crore during the same period last year.

On the balance sheet front, Our net debt stood at Rs. 127 crore as of 30th September 2024, compared to Rs. 124 crore as of 31st March, '24. This slight increase in net debt is attributed to our ongoing CAPEX initiatives. Despite these investments, our net debt remains at comfortable levels. The Company aims to maintain a strong balance sheet going forward. As most of you are aware, our credit rating was also upgraded in H1 FY25 to 'IND A / Positive' with a 'stable' outlook from 'IND A'.

As we move forward, we remain committed to driving growth in both volume and value. We are confident in our ability to sustain and enhance our performance for the remainder of the year, particularly with the stronger demand typically seen in the second half.

In conclusion, I would like to emphasize that the Company is dedicated to maintaining strong financial discipline while capitalizing on its inherent strengths. Usha Martin is committed to enhancing its financial performance and is well positioned to deliver greater value to all the stakeholders as we move forward.

This brings me to the end of my address. I will now request the moderator to open the line for question-and-answer session. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Rajesh Majumdar from B&K Securities.

Rajesh Majumdar: Congratulations on a steady set of results. Despite an enrichment of the product mix in terms of Wire Rope and lower volumes resulted in LRPC, the EBITDA margin in percentage terms as well as per tonne terms is lower on quarter-on-quarter basis and slightly lower even on a Y-o-Y basis. What is the reason for this?

Shreya Jhawar: So, on the margin front, we have been facing pressures in certain segments for general purpose ropes and also certain categories of crane ropes as well. But despite these pricing pressures that we have been facing because of the enhancement in product mix that you mentioned, we have been able to maintain the EBITDA per tonne at Rs. 32,000 level as well as maintain the margins at 18% level. The goal was value-driven volume growth, so we have seen the volumes pick up in the Wire Rope segment nearly by 19% year-on-year and also in the wire segment by 22% year-on-year. The goal is that we want to continue this volume growth in light of our expanded capacities, while not compromising on our prices and keeping our product mix at that level where we have that 73% mix of Wire Rope as well; so that we are able to maintain these margins and gradually grow as the product mix increases.

Rajesh Majumdar: So, how should we look at the EBITDA per tonne? Because we have seen over the last four years our EBITDA per tonne has gradually been improving and also the EBITDA margins. So, now do we come to a period where we will not expect a major growth in the EBITDA per ton or will it still grow after the new CAPEXs start giving us reasonable volume?

Rajeev Jhawar: As we have been maintaining that this is a level which we would like to definitely maintain. And of course, as the overall economic situation globally and within

India improves, and as our new volumes start growing, we should start getting some advantage of our increased volume and operating leverage. And if that happens, it may take a few quarters, we can expect it to be moving gradually upwards.

Rajesh Majumdar: My other question is on the working capital where we have seen a deterioration in both inventory and debtor days for the first half, and probably if some of it is to do with the ongoing Gulf issues. But how should we read into it in terms of full year basis and going forward on the working capital side?

Rajeev Jhawar: The Red Sea crisis has, especially for our exports to Europe and US, the transit time has increased by almost three to four weeks because of the route through South Africa which is taking this extra time. So, this is unfortunately building some inventory in the system. But we are looking at the inventory as a whole for the whole organization, and I would only say that some major actions we have taken in regards to this, we hope to see that we start seeing a gradual reduction in coming quarters as these strategies get implemented.

Moderator: The next question is from the line of Aman Kumar Sonthalia from AK Securities.

Aman Sonthalia: We have seen that there is a significant increase in the cost of Wire Rope. Also due to Red Sea crisis, there is a significant jump in the freight rate. So, how we will manage this situation going forward?

Shreya Jhawar: So, to your first point of the increase in the wire rod prices, yes, for this quarter, wire rod prices were at about Rs. 55,000 per tonne compared to Rs. 52,000 per tonne in Q1. Going forward, there still might be an increase in the upcoming quarters, but we do have some wire rod inventory in place that should help us manage this in Q3. In terms of the Red Sea crisis, yes, freight rates also have increased. But we think they have peaked now, and we are seeing a reversal and slight gradual decrease in the freight rates with more availability of containers. In 60% - 70% of the cases we are able to pass on this freight increase, but in some cases, we are impacted, and we have to absorb that cost.

Aman Sonthalia: Recently we have seen lot of landslides in all the mountainous area. So, when our galfan wire division will start production? Also, what are the chances, scope of further expansion and what are the margins we are expecting from this division?

Rajeev Jhawar: The zinc aluminum line which we are setting up with the capacity of around 7,000 tonnes to 8,000 tonnes per annum. The cold trials are going on, the plant is under commissioning, and we expect that in the next two months we should be able to start producing from this and stabilize the plant. We expect commercial production to start at the end of this quarter, definitely in Q4. And there is a fairly good demand, both within India and international market for these products, and we expect to gradually ramp up the capacity to the 6,500 tonnes, 7,000 tonnes in next financial year. But of course, it will start from the fourth quarter itself. And the contribution per tonne is close to between Rs.

35,000 to Rs. 50,000 per tonne, depending on the different products for different applications. So, this is, I would say, it's a new product line, it's a higher value-added and in both export and domestic market, it should do well. In terms of expanding the capacity, first we have to ensure that this plant stabilizes, and we are able to achieve the rated capacity. And if the demand which looks to be good, we should definitely look at adding further capacities, either in India or Thailand, over the next 18 months.

Aman Sonthalia: In the month of April, we entered Saudi Arabian market, so when you will see a noticeable topline and bottom line from there?

Rajeev Jhawar: See in Saudi Arabia, our setup is up and running, we have our team there now. It took us some extra time to get all the regulatory approvals. And I would say that we have got some good responses from customers, having local facilities and being able to serve them locally. Q3 also we have started getting some good orders, but supplies based on these orders would commence partly in Q3. In Q4, we should see a significant increase in volumes coming from Saudi Arabia. But by the time we get all the approvals from the various big customers like Aramco and others, it would take towards the end of this year the local infrastructure and facility we have created. In real sense, I would say, next year would be a very important year for us with Saudi Arabia going all out with all approvals, with regulatory as well, and with important customers to take the business, a major leap in Saudi Arabia next year.

Aman Sonthalia: Any update on synthetic sling project?

Rajeev Jhawar: Yes, as I mentioned already, the synthetic sling plant is under commissioning and we should be able to start trial productions in this quarter, and we should make a soft launch in Q4 this year. The facilities, including the testing facilities, all are coming up very well. Our team is also getting ready to launch this in Q4. And as I mentioned in my opening remarks that, this is a very important step for us towards synthetics and the market is decent, it’s buoyant. We are getting a lot of positive signals from our initial marketing from prospective customers. And because this is our first foray into this, it may take 3-4 months for us to really get into the relationship with these customers, initial trials. I would say, next year should be a fairly decent year where we can see good progress quarter-on-quarter growing this business.

Aman Sonthalia: Any update on Parvatmala project because I think it will require a lot of certifications. So, is it that in our facility we have to change something to get big orders from in the Parvatmala project?

Rajeev Jhawar: As far as Parvatmala project is concerned, let me tell you that we are in touch with all the customers, the customers are in touch with us. We are the only producers of locked-coil Wire Ropes and all the other types of ropes which goes into these types of projects. And we have started giving provisional offers and technical offers, and our global development center is working very closely with our team in India to work for these contracts. But it takes time for these contracts to mature. So, we need to be patient, because these projects do not happen overnight. Even if we secure orders, the supply will start only two to three years from now because there is initial construction and lot of other works involved before you get the rope supply. So, we need to be patient on this. But I can assure you, our team is on the job as far as working with most of the prospective customers.

Coming to the approval, yes, there are approvals required, CE certification, which is from the European Union and our Global Development & Design Center, and our team in India working closely. Also, I am told that we are in the final stages of getting this approval. It's a tedious process. We have been on it for a few months now. Once that comes in, then we are certified and then we go back to the customers, and hopefully that should even help us moving faster on this.

Aman Sonthalia: When will we see volume growth in plasticated LRPC, significant volume growth?

Shreya Jhawar: The plasticated LRPC, as we have mentioned, is a project-based business. Monsoon is generally a bit subdued period for LRPC overall in general. But we are seeing both for plasticated as well as for galvanized LRPC the demand now picking up in the domestic as well as some of our export market. So, we expect to have a demand of about 400 tonnes to 500 tonnes per month on average for this product starting in the upcoming quarters.

Moderator: The next question is from the line of Krupanshu Shah from Thinqwise Wealth.

Krupanshu Shah: On Parvatmala scheme, I wanted to understand that for a typical project of say Rs. 100 crore, how much Wire Rope is required? Like if you can speak in volume terms or value terms as well. So, over the last two years, I think project tendering has been in the range of Rs. 7,000 crore to Rs. 8,000 crore, right, and the Government had laid out a plan for Rs. 1.25 lakh crore to be executed on this. So, it has been a little slow over there. So, I just wanted to understand, is it actually a big tailwind for us going forward? Could you speak a little more about it?

Rajeev Jhawar: A good question. The ropeway projects typically take a minimum of three to five years to actually see them after you get the orders, because there are so many clearances required, and it depends on the terrain. So, it is a slow process. There are a lot of projects and a lot of tendering going on. But as I mentioned earlier, it is going to take a lot of time.

On your question that what is the component of percentage of Wire Rope, it could be between 2% to 4% of the entire project cost. So, if it's a Rs. 100 crore project, it could be between Rs. 2 crore to Rs. 4 crore depending on the length of the rope way, the terrain, the total passenger, or the total traffic on it. So, that depends on these things.

To your question that whether it is a good opportunity and is it going to happen soon or it is going to take time; - yes, it is a good opportunity, but the real benefit of the real projects coming on stream where ropes will be required and start getting into the starting of the ropeway, because this will be the last part for the project when they require this rope. Because the construction and the other activities and the carriages they take the maximum time, the Wire Rope supply comes absolutely in the last 20% of the project execution time. So, I would say, in a medium to long term it's a good opportunity. Short term, it is just the process of tendering and technical evaluation and working with customers.

Krupanshu Shah: So, roughly 2% to 4% of Rs. 1.25 lakh crore is our addressable market?

Rajeev Jhawar: Yes, if those projects actually come on ground, that would be the percentage we are looking at.

Krupanshu Shah: And in Wire Rope volumes, now I understand that 70% to 80% of it is recurring in nature, but can you tell us how much in volume terms is it recurring? What I mean by that now say for elevators in that space, so do we have an annual replacement that comes through? So, can you speak about in tonnage for Wire Ropes how much is recurring?

Rajeev Jhawar: So, to give you a specific example of elevators, if we do as a group 12,000 tonnes of elevator per annum, I am giving you a rough number, it would be plus, minus 10%; so 85% would be replacement and 15% would be new. So, if you are doing 12,000 tonnes of elevator, almost 10,000 tonnes would be replacement and 2,000 tonnes to 2,500 tonnes would be going for new elevators. And if you talk about the entire industry, it is almost at a similar level, 85% to 90% would be replacement and 10% to 15% would be for original equipment.

Krupanshu Shah: So, like if you have done roughly 94,000 metric tonnes of volume for full year in FY24, so 85% of that would be just recurring in that sense every year. Is that a fair assumption to make? And then additional volume growth can come through new clients?

Rajeev Jhawar: Yes, absolutely.

Krupanshu Shah: I have this one question on steel prices; in our presentation we have put it has sequentially increased. But as per our understanding, steel prices were on a declining trend month-on-month, say from Q1. And even our LRPC realizations have actually improved, sequentially. So, could you explain the dichotomy there? And as our plasticated LRPC share increased from say 200 metric tonnes per month that was there in Q1, has it increased?

Rajeev Jhawar: In the overall steel price there are two types of steel generally in the industry. One is the flat products which goes for auto manufacturing, those prices have been subdued in the country. But for the wire rod prices all over the country, being just three or four suppliers, these prices have been firm. They were firm, before the monsoon period the prices had gone up, then they have come down during the monsoon period. We have been able to secure some quantities at decent prices and we will get some advantage of that going forward. So, the wire rod prices have actually gone up in the country compared to the flat products and we have been able to pass on that increase in our wires and LRPC. And, of course, when it comes to the rest of the products, these are more engineering products where this percentage is small compared to the final realization what we are able to get.

Coming to the plasticated LRPC, as Shreya mentioned, because these are project-based business and due to the monsoon and the overall demand of construction is generally low this period, we were doing about 200 tonnes to 220 tonnes a month. In the coming quarters, once monsoon is over, we are expecting to go from between 400 tonnes to 500 tonnes per month based on the projects which we have secured within India and some good export orders which we have got. We expect to stabilize at 400 tonnes to 500 tonnes in the coming months. Our current capacity is 500 tonnes. We are looking at even optimizing to see if the demand goes up, and how to increase it. But as of now, we expect it to be at this level.

Krupanshu Shah: We have done CAPEX of Rs. 120 crore in H1, can you tell us how much is in plan for H2?

Rajeev Jhawar: As we had said that we had done about Rs. 308 crore in our Phase 1 project which we completed in March. And we expect the second phase, total out of Rs. 590 crore of project, we have completed Rs. 310 crore last year, and then Rs. 120 crore this half year, we expect to spend a similar amount in the remaining part.

Krupanshu Shah: So, another Rs. 100 crore and Rs. 120 crore in H2 is expected?

Rajeev Jhawar: Yes.

Krupanshu Shah: So, the debt level, do we assume that they will be in this range itself, gross debt of Rs. 300 crore?

Rajeev Jhawar: Gross and net debt should remain at these levels or should even be slightly better as we progress through the year.

Moderator: The next question is from the line of Shraddha Kapadia from Share India.

Shraddha Kapadia: I majorly wanted to understand that how do we actually manage the fluctuating raw material prices? Like you have given in the presentation with regards to the EBITDA per tonne and the steel prices, how they have shot up and how EBITDA per tonne is managed. But do we have a future contract or how do we go about it?

Shreya Jhawar: Looking at our three product lines, as we mentioned for wires and for LRPC, primarily it is purely pass through for the steel prices. For the Wire Ropes, for the general-purpose Wire Ropes also in most cases it is a pass through. For the more specialized engineering products, if there is a small increase or decrease, since it's a very small percentage of the overall realizations that we get, it's not a pure pass through. But if there is a meaningful shift in the steel prices then the prices and realizations would also be adjusted, accordingly.

Shraddha Kapadia: Also, it was mentioned that we had a very sharp recovery in the domestic market, so any specific industry or changing trend which was observed?

Rajeev Jhawar: You see, basically this is linked to, the Wire Rope is mainly consumed wherever there is construction or where there is infrastructure growth. So, areas where we saw significant growth in India, one is the elevator industry where we see a very strong demand coming not only from the Tier 1 cities, but even from the Tier 2 and Tier 3 cities, and we see that continuing to grow in the coming years. So, that has been one area. Number two, for all our products which goes into ports or into construction like the high-speed railway projects, or even the big bridges and the roadways, lot of construction activities. So, we see a lot of demand coming from crane ropes and from our elevator ropes and from our engineering products. And we see that our distribution network is very strong, and we are working very closely with them to understand wherever the opportunities are there to proactively work together to gain our market share. And this is something which is going to grow as India's CAPEX expenditure keeps on growing in the near future, we should see a steady increase in the domestic market.

Shraddha Kapadia: Also, if you could just give brief guidance for the next two to three years, that would be great.

Shreya Jhawar: See, over the rest of this year as well as FY26, as we mentioned before, 10% to 12% volume growth is what we expect in light of the CAPEX that we have done in terms of the topline growth as well at similar levels because we want to get this volume growth without compromising on our prices. In terms of the EBITDA margins, like we were saying earlier, we have been able to maintain at the Rs. 32,000 per tonne level, as our product mix increases, the wire rope and the product mix as well as the value-added products increase in the product mix we hope to gradually increase the EBITDA per tonne as well.

Shraddha Kapadia: From what I remember, previously we were guiding for approximately 19% to 20% of the EBITDA margin. So, do we stick to that, or do we revise it?

Rajeev Jhawar: As we said that, we would try to maintain at Rs. 32,000 and close to between 18% to 20%, and that is something which we feel confident that we should be able to achieve that.

Moderator: The next question is from the line of Dhaval Shah from Girik Capital.

Dhaval Shah: My question is regarding the US mining opportunity. If you could help us understand, how many order wins have we had, what is the share of business right now, and what outlook would you have for it and along with that the US Oil and gas and Australia mining, these three segment.

Rajeev Jhawar: We have made decent breakthroughs, and we have got almost four or five different big mine or mines where we are supplying groups in the US, and three or four in Australia. And I am happy to say the products are well established and the quality and we are getting repeat orders. But at the same time, growing the mining business is not as simple as going and selling and engineering simple GP rope business, because change over from one supplier to the other supplier means a lot of working with the mining at the lower level. And I am happy to say that the relationships which we have built, we have been able to successfully maintain and keep on growing our share with them. But if it is exponential growth, probably it will take some more time before we are able to see a major growth coming in, in the mining. But steadily we are growing in both Australia and the US.

And the good part is that the only way you can continue to increase your market share if your supply and your quality of product is equally good, if not better than your competition, basically European and the Australian manufacturers. So, that part has been successfully achieved and our products are well accepted. And they also come in annual contracts, some of them come in once in two years contracts. So, we are waiting for the right opportunity. Once the trials are over, we will participate in those contracts. So, it will take two to three years, and I am sure that we will continue to grow. And this is an important area, a high margin, decent business. So, we are on track to do that.

Coming to oil and gas and renewable energy, that business is fairly strong in Europe, in the US, South America and probably the rest of the world, including the Middle East. And that is an important area for us, almost 18% to 20% of the share of our business comes from this segment. And this segment, as we are growing our volumes, we are also seeing a good demand from both these sectors, renewable as well as the regular energy, oil and offshore business. And we expect this to atleast continue, the feedback that we get from our customers based on the various projects they have. Then next two to three years should be a fairly decent market for oil and gas.

Dhaval Shah: On the oil and gas and both mining, I would like to understand, what is the life of our products i.e after how much time we get a repeat order?

Rajeev Jhawar: You see, for mining there are different applications. Say for example a dump rope which goes into one part of the guideline is 15 days, then some are 30 to 90 days, some are even one year. So, these are different products where different applications are there. And it could be anywhere between 15 days to one year as far as the open shaft mining is concerned. For grid line rope, for the oil and offshore, for the cranes, it could be between one to three years, depending on how often they are used. And if it is drill line ropes, it could be between six months to a year. And if it is going to be anchor mooring ropes which go into the anchoring of the oil platform, it could be between three to five years, depending in which kind of sea they are working, is it very soft, you know, so, it's very relative. Also depends on how deep it is and how often it is being used. But we see generally that it's a fairly recurring business. And again, here also we get about 85% to 90% repeat business through the replacement market and 10% to 15% through OEM.

Dhaval Shah: Sir, there's a comment regarding that we are expanding our sales distribution, and we are growing volumes capacities now. So, how should we understand the employee cost figure on the P&L? By the time you are done with the CAPEX, and you fully utilize it, over the next three-to-four-year period how will this employee cost move? In FY24 we had Rs. 428 crore, now current quarter we are run rating at Rs. 120 crore quarterly. So, how will this employee cost figure be? As you mentioned the operating leverage coming in for the Company, so how will this number stabilize going forward?

Rajeev Jhawar: This is a very good question, and this is something which we are looking at it very carefully because we are expanding the volumes. On one side we need a workforce pushing the volumes into the market, but at the same time we are also conscious that the costs need to be controlled. I can only tell you that there is a strong focus to optimize this, and you will see some good benefits coming from Q1 of FY25, when you see the things. So, next two quarters we are putting a lot of efforts on this to optimize it, relooking at every single penny which is being spent. And it's not possible for me to comment on numbers, but you will see decent progress on this in Q1 FY26 onwards. And that is where I personally feel we will get the full benefit of the volume growth kicking in and the operational leverage, which I mentioned earlier, would start kicking in. So, you will see some good results on this.

Dhaval Shah: And now again from a three-year perspective, the incremental Rs. 1,000 crore to Rs. 1, 500 crore sales which we will do over next three-to-four-year period, should that come in at around 30%, 32% margin? Is my understanding correct? Because we are doing everything value addition largely, and so that our total margin should inch towards 20% to 23%. Am I being too optimistic or is it possible with the kind of trajectory we are going to follow now, and we are following already?

Rajeev Jhawar: This is the question which we have been replying every time, we have gradually pushed it up from 14%, 15% to 18% to 20%. As of now, it also depends on how we manage our product mix, how we manage our volumes, how we manage our cost. So, all these are very dynamic in a global environment which is pretty uncertain at this moment. So, our endeavor is to definitely try to keep on improving it as much as possible based on what we have been able to achieve. But what we feel confident as of today is maintaining Rs. 32,000 and maintaining between 18% to 20%. If the overall market situation and global situation changes, probably things could get better. But it would be better to go cautiously, because on one side we have to also see that we get more market share, increase our volumes, increasing and getting more volume, market share always does not happen at the same price, so you need to compete. So, there are so many dynamics involved in this. I would prefer to say that we remain at this level and hopefully we should get better, that's all I can say.

Dhaval Shah: We have changed our logo, so could you spend two minutes and just spell out like, why at this juncture have we decided to do this and what other things have you seen in the organization changing?

Shreya Jhawar: So, in terms of the logo change, there were a couple of reasons. So, as we are shifting from more of the commodity products to the high value engineering segment, we wanted our logo to also reflect that change. And we are on this transformational journey where we are going more towards these specialized products, and we do expect to see a growth over the next few years. So, that was the primary reason. Previously, we were also in the steel making business and the logo was associated with our legacy businesses. So, we thought at this point it was the right time to refresh the logo and come out with this new identity where our focus is on the core Wire Rope business, which is an engineering product.

Secondly, you would have also noticed that the logos of our various entities, the subsidiaries globally, have also come together under one sort of visual identity. What we were noticing as we were growing in the international markets that customers were not realizing the scale of our business because all the visual identities of our different entities, whether it was Brunton Shaw, Brunton Wire Rope, our service centers, DE RUITER, EMM, they all were speaking a different language and we wanted to come together as one Usha Martin to be able to convey to our customers the scale of our business and how we are working well in an integrated manner. Because operationally we have made a lot of changes where we are not working in silos anymore and collaborating overall as an organization. And we believe and we thought it was the right time to reflect that externally in our identity as well. And that has been received very positively. The initial reactions from the customers have been great, especially in the European market where all of our various entities, whether it's the global development center, EMM and DE RUITER, all have come together under one visual identity, the customers over there have been appreciating that and now relating these entities to each other as well.

Moderator: The next question is from the line of Sagar Dhawan from Value Quest.

Sagar Dhawan: On the Wire Rope segment, I just wanted more color on the volume growth. So, is the volume growth coming from value-added ropes or general-purpose ropes in this quarter?

Rajeev Jhawar: It’s coming from both, as we have a mix of both the products and both general purpose. I would say it is growing equally; whatever growth is coming; I would say it is coming half and half from value-added and half and half from the GP rope.

Shreya Jhawar: Yes, I would say that since FY23, if you look at from volume terms, the overall mix of value-added by Wire Rope in the overall mix of all products was under 30%, in terms of volume, right. But in Q1 FY25 and the H1 FY25 overall it is about 32% or so, of the total mix, including if you look at LRPC wires, Wire Rope, all combined, like 32% comes from just the specialized Wire Rope.

Sagar Dhawan: And if you were to look at the Wire Rope segment, what is the share of value-added in terms of volumes within the Wire Rope segment? I think you shared it on the value terms, just wanted to understand the same mix in volume terms in Wire Ropes.

Shreya Jhawar: Yes, in value terms, it would be about 73%, in volume terms it would be about, ballpark, about 60% or so.

Sagar Dhawan: And if you can also give a rough difference in terms of the realizations between the value-added ropes and the GP ropes.

Rajeev Jhawar: The GP ropes would be around Rs. 130,000 to Rs. 140,000 per tonne, and the specialized rope could start anywhere from Rs. 220,000 to Rs. 280,000 a tonne, and some products even would be close to Rs. 4 - 4.5 lakh per tonne.

Sagar Dhawan: If I look at your growth prospects in the international market, what would you say would be the volume growth that you will be targeting for international markets within the VAP side, value-added product side, what is the volume growth possible here and what is the market size, your current market share within that, and the right-to-win over here?

Rajeev Jhawar: I would say that in the domestic market we used to do around 37,000 - 38,000. Based on the various initiatives taken, we should be close to 47,000 - 48,000 this year in our domestic market. Because that's a market where we have a very strong distribution and very close working relationship with all the major OEM's and customers. So, we took a strategy that as we are growing our volumes, let's catch the domestic market where we were losing opportunities and get the share. So, that is something which is on track. On the international market also, I expect the growth by 10% to 12% per annum than what we are doing, because it takes time to get to new OEM approvals and takes time to get into that network. But I expect 10% to 12% growth coming from the international market also in the at least next two to three years with the various initiatives which we have taken.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Rajeev Jhawar: I would like to thank everyone for attending this call and showing interest in Usha Martin Limited. I hope we have been able to answer all your questions. The Company is dedicated to creating value for all its stakeholders in a sustainable manner. Should you need any further clarification or would you like to know more about the Company, please feel free to reach out to us or to CDR India.

Thank you once again for taking the time to join us on this call. And see you all in the next quarter. Thank you.

Moderator: On behalf of Usha Martin Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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