# "Vardhman Special Steels Limited Q1 FY2022 Earnings Conference Call"

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**Moderator**: Ladies and gentlemen, good day, and welcome to Q1 FY2022 Earnings Conference Call of Vardhman Special Steels Limited, hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Urvil Bhatt from IIFL Securities Limited. Thank you, and over to you, Sir!

**Urvil Bhatt:** Thanks Rituja. Good afternoon everyone. On behalf of IIFL Securities Limited, I welcome you all to Vardhman Special Steels Limited Q1 FY2022 results conference call. From the management side, we have Mr. Sachit Jain, Vice Chairman and Managing Director along with his team. Over to you Sachit for your opening remarks!

**Sachit Jain**: Good afternoon everybody and thank you for joining us on our earnings call for the first quarter. On the call with me are Mr. Sanjeev Singla our CFO, Mr. Sonam Taneja, our Company Secretary and Compliance Officer, Bridge Investor relations team and my daughter Soumya Jain. So briefly about the first quarter, of course COVID impacted us because there were individual and partial lockdowns in the states that affected sales. April started very strong and then they got affected. In addition, we were diverting oxygen to supply to the city of Ludhiana, we were supplying at the peak almost 2000 cylinders per day more than half of the oxygen of Ludhiana, so that affected a bit so of course those factors are gone now. The other big event of the last quarter is that we finally got the environment clearance from the Ministry of Environment to increase our capacity from 200000 tonnes to 280000 tonnes per annum. In the first phase, we intend to increase our capacity to 250000 tonnes by the end of financial year 2023. Of course, this requires capex. Capex process has already begun so some equipment is going to come in by November some other equipment is going to come in later and continuously coming in till December of next year. We are also working with our partner Aichi to achieve better operational efficiencies, better quality, and safety. So, as we shared with you earlier that we will continuously work on our EBITDA on capital employed March 31, 2021, previous year we had 19.5% this year we will target around 22-22.5%, I mean that is the kind of target we have and by 2025 we expect to hit a figure of about 25%. So, we will gradually keep moving upwards towards our 25% EBITDA on capital employed. On EBITDA per tonne this quarter has been pretty good, but we continue to maintain that our range will be Rs.7000 to Rs.9000 a tonne and this is a good year so we will be at the higher end of the range. In the previous quarter, you have already seen the results and there is no point in going about the results or I will ask at my end, Singla if you would like to quickly get the highlight for the results and then we can take on the questions.

**Sanjeev Singla**: Sure, Sir thank you. In the first quarter volumes stood at 43,705 tonnes as against 47,828 tonnes in the Q4 FY2021, this we are comparing with Q4 of last year because the Q1 corresponding quarter of last year is not comparable as Q1 was severely impacted by COVID related lockdown. Revenue from Operations in the current quarter is Rs.330 Crores as against Rs.334 Crores in Q4 and EBITDA including other income for the quarter is Rs.53.71 Crores as against Rs.54.68 Crores in Q4. EBITDA per tonne for the quarter is 12,289 as against 11,433 in Q4 and Q1 net profit after tax stands at Rs.27.80 Crores as against a profit of Rs.26.36 Crores in Q4 of last year. So that is all on performance side thank you and now we are open for questions.

**Moderator**: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vivek Ramakrishnan from DSP Mutual Fund. Please go ahead.

**Vivek Ramakrishnan**: Thank you and very good set of numbers given the quarter, could you just let us know whether there has been a buildup in inventory, how are OEMs looking at stocking and whether the material is moving across because most of the OEMs and the auto sales also slowed down so this would be very important for us, thank you.

**Sachit Jain**: So if we look at how things are going currently, cars seem to be doing very well, two wheelers and heavy commercial vehicles are not going so well and this segment of auto component exports is doing very well so that is also a decent part of our portfolio, many of our customers are actually ultimately component exporters so since the U.S markets are doing very well and the exports which are targeted towards the US, they are doing pretty good. So, the point is basically you would be wanting to know how is the second quarter looking, the second quarter is looking okay not roaring but pretty decent so we will be meeting our budgets and our targets.

**Vivek Ramakrishnan**: Okay Sir just as a follow-up no unusual inventory build up at your end?

**Sachit Jain**: We have a shutdown coming in November that is a 15-day shutdown and we were building up inventory so there is an inventory buildup as of June 30, 2021 however we had a problem in Punjab as you are aware that monsoons were delayed and they were massive power cuts so our plant was shut for about 10 days so there was no power so this was an unplanned unscheduled cut, luckily since we had a lot of inventory, we have been able to use a part of that and we might have to buy some billets from outside to load up our inventory to be ready for the November shutdown, so we are quite prepared for that.

**Vivek Ramakrishnan**: Thank you. Good luck.

**Moderator**: Thank you. The next question is from the line of Aniket Redkar, an Individual Investor. Please go ahead.

**Aniket Redkar**: Hello sir, good afternoon and congratulations for the good set of numbers. I have a couple of questions, so my first question, can you give breakup of black bars and the bright bars for the current quarter?

**Sachit Jain**: We do not share that breakup but very roughly our bright bars about 15%-20%. It was very rough idea let us give just an order of magnitude, but we do not have the number.

**Aniket Redkar**: Okay Sir. Sir as we can see current quarter our volume is 43 plus 1000 tonnes. So, is this sustainable run rate for the next few quarters?

**Sachit Jain**: Yes, we have said that we are targeting about 1,55,000 tonnes for the full year so this is 165 to 170 or something if we are targeting so this is sustainable.

**Aniket Redkar**: And what kind of production schedule we have received from the auto manufacturer?

**Sachit Jain**: As I said we do not have the craziness that we saw last year, but still decent we will have a good second quarter in terms of volume, the problem of course is the raw material costs have gone up and we have asked for a big price increase, so all depends on what kind of price increase that we will get. Normally we used to have six monthly price settlements since this high volatility in raw material prices come in we have all agreed that we will have three monthly settlements.

**Aniket Redkar**: So, increase in the raw material prices we are passing these prices to customers?

**Sachit Jain**: Yes, with customers and those price increases are not settle but we have asked for a price increase. If we get the price increase that we are expecting, we are looking forward to second quarter also will be very good if the price increase that we get is less than what we expect it may not be so good but even the worst situation we get a zero price increase it is still a decent quarter and we have already said these figures of the first quarter 12,200 EBITDA per tonne is not a sustainable number. We have said that please judge us from Rs.7000 to Rs.9000 EBITDA per tonne if we get more than that that is a bonus.

**Aniket Redkar**: Okay and how do you see the EBITDA per tonne in the coming quarters because current quarter it is...

**Sachit Jain**: We believe in the range of 7 to 9.

**Aniket Redkar**: Okay and what is your export contribution for current quarter?

**Sachit Jain**: It is very small; it is increasing but it is still very tiny. Second quarter is going to be more than first quarter but it is around 5% but really the kind of sample development that is going on for exports is huge so by 2024-2025 our target is to be 25% to 30% exports so there is going to be massive increase in exports. Of course, it is if we negotiate good margins.

**Aniket Redkar**: Okay have we added any new OEM recently?

**Sachit Jain**: There are not too many OEMs right?

**Aniket Redkar**: And what about the demand coming from where we are getting more demand?

**Sachit Jain**: Demand is coming from all our major sectors; two wheelers is a little lower. Cars will make up and exports will make up so we are second quarter looking fine from volume point of view.

**Aniket Redkar**: Okay.

**Sachit Jain**: And ahead also we are looking forward to good times it is just a fear of this third wave which is there which maybe keeping some customers away so put it this way second quarter of this year of every year we expect a major boom so kind of boom is not happening but still the demand is good. If we had a major boom we would not have been able to meet the requirements so from our point of view from Vardaman Special Steels point of view, we are doing pretty fine from volume point of view.

**Moderator:** Thank you. The next question is from the line of Abhilasha from Axis Bank. Please go ahead.

**Abhilasha**: Sir my question pertains to your capex so you said for the rolling mill initially in the first phase you will be going to 2,50,000?

**Sachit Jain**: Right.

**Abhilasha**: What would be the capex estimate for that?

**Sachit Jain**: The total estimated capex that we have announced is between Rs.200 Crores to Rs.250 Crores in the next five years and that includes the investment for environment reasons as well as it includes investment for some bright bar which will not really increase the capacity for quality reasons. All investments are going to be in the range of to about Rs.200 Crores to Rs.250 Crores as we foresee it at this point in time.

**Abhilasha**: Okay since this first phase expansion you said you will be completing by 2023 so that will be like a guidance for the coming year the capex that you are doing so is it possible to give a number for this?

**Sachit Jain**: There will be some scaling.

**Abhilasha**: Okay you do not have a number for this rolling mill expansion as such.

**Sachit Jain**: No.

**Abhilasha**: Okay fine that is all.

**Moderator**: Thank you. The next question is from the line of Devang Sanghvi from ICICI Direct. Please go ahead.

**Devang Sanghvi**: Thanks for the opportunity and congratulations on a good set of numbers. Firstly, I would like to ask that recently the speciality steel PLI has been announced by the government recently and can you throw some light how can we participate in this particular PLI, which products?

**Sachit Jain**: So, the automotive power train steels are included and what remains to be seen is the details of the scheme. The details of this scheme are not yet out so very difficult to comment whether it is an attractive scheme or not.

**Devang Sanghvi**: Correct Sir, we will be one of the beneficiaries of the same?

**Sachit Jain**: We can be a beneficiary; it all depends on what is the kind of scheme that comes out. Yes, we are eligible from the point of view that our products are included in the scheme.

**Devang Sanghvi**: Right Sir that is helpful and secondly on the negotiation part that we are discussing with the OEMs, any tentative deadline on when that could be finalized?

**Sachit Jain**: Normally the price increase is for the quarter and for this quarter most probably the price increase settlements normally happen in mid September or end September when everybody is under pressure to close the quarter.

**Devang Sanghvi**: Right Sir and my third question regarding the movement in the scrap and electrode prices for Q2 and where it stands currently?

**Sachit Jain**: Currently the prices of graphite electrodes I think 275, Singla correct me if I am wrong.

**Sanjeev Singla**: Yes, Sir presently it is 275.

**Sachit Jain**: And this is for delivery in March right.

**Sanjeev Singla**: Current delivery Sir, current delivery.

**Sachit Jain**: 275 is the current price and shredded scrap is about $530-$540.

**Devang Sanghvi**: Thank you Sir and all the best.

**Moderator**: Thank you. The next question is from the line of Ritwik from One-Up Financial Consultants Pvt. Ltd. Please go ahead.

**Ritwik**: Good afternoon Sir, great set of numbers. Sir I had a few questions firstly in the previous concall you have mentioned that we have sent our samples to Aichi and their customers and awaiting feedback so is there any update on this have we got?

**Sachit Jain**: We will not be sharing those updates. The samples will keep going because there are so many parts to be changed so every quarter samples are going for more customers, the number of inquiries coming is huge, so we will not be able to cope with the inquiries it is that big set of inquiries.

**Ritwik**: Okay Sure.

**Sachit Jain**: Because not only Aichi, there are other customers as they have come to know that Aichi is with us there are other customers who are buying from Japanese sources are sending us inquiries to ship to us and you should all be aware that China has put export tax so earlier there was an incentive to expose first they removed that incentive then they put some export tax so clearly the disadvantage India had vis a vis China is going to gradually disappear so we are being swamped with inquiries and our people we are strengthening our R&D department and export department to be able to handle this.

**Ritwik**: So, it is not only Aichi other OEMs are also approaching us.

**Sachit Jain**: Yes, but then again you see because of the political situation in terms of who Toyota competes with and so on there will be friendly companies and not so friendly companies on all those things happen so for export business we consult with Aichi before we respond to inquiries.

**Ritwik**: Sure, and Sir second question is on the capex front, you mentioned in your opening remark that till the end of next calendar year we will be receiving our shipments of machineries for the expansion of capacity so would it be fair to assume that by FY2023 end we would be up and running on 2,80,000 tonnes rated capacity?

**Sachit Jain**: 2,50,000 around that we should be up and running.

**Ritwik**: Okay by the end of FY2023?

**Sachit Jain**: Correct.

**Ritwik**: So, assuming that most of the capex would go for this would it be fair to assume that this incremental capacity would come at Rs.75 to Rs.100 Crores of capex?

**Sachit Jain:** No we have said that that total capex is about Rs.200 Crores to Rs.250 Crores which is a amalgam of many things it includes the capex for expansion, it includes equipment for R&D, it includes equipment for safety, equipment for environment and normal replacements it includes all these and we are going to shift our bright bar so there is also some investment for our bright bar which will not increase our capacity is also included in this.

**Ritwik**: Okay sure and Sir you mentioned that our EBITDA per tonne conversion margin will be between 7,000 to 9,000 and at the upper end given the current market scenario so would it be fair to assume that this Rs.12,000 per tonne in excess that we did in Q1 would be incremental about 9,000 would be purely because of inventory gain?

**Sachit Jain**: It is very difficult to say all those figures you see these are all broad numbers we do not look at exactly how much is because of inventory gain; how much is because of that very difficult to say all those things. These are broad numbers to look at our company's performance but yes, we have clearly said Rs.12,200 kind of EBITDA per tonne is not a long-term sustainable number. Please judge us if we get 9,300 for example in a particular quarter, please do not say 300 is because of inventory gains and 9,000 is because of performance, it is very difficult to allocate these things this is giving you broad range.

**Ritwik**: Okay sure sir that is it from my side. All the best and thank you.

**Moderator**: Thank you. The next question is from the line of Bhavin Cheda from Enam Holding. Please go ahead.

**Bhavin Cheda**: Good afternoon Sir. Congrats on a good set of numbers and strong momentum. I guess the question so whenever you are getting the OEM approvals or supply are you replacing, are your products import substitute or you are one more supplier to already what Tata steel or JSW may be supplying to these companies who are the competitors in your production?

**Sachit Jain**: So, neither Tata steel is a competitor nor is JSW really a competitor for us. Our main competitors are Mukand and Sunflag these would be our main competitors in some cases Kalyani and in some cases one or other companies so but being competitive really where we compete coming up across them are Mukand and Sunflag.

**Bhavin Cheda**: Sure, and you eventually are targeting close to 3 lakhs tonnes by FY2025 or so do not you think that you have a much more scalable opportunity beyond this and this number looks too small in overall scheme of things in steel industry and also specialty steels because government is talking of very big numbers in specialty steel when they announced the PLI scheme so are we conservative in our growth forecast?

**Sachit Jain**: No, we are not conservative, but you are also right so what all we are saying is based on this current location and this current plant. This current plant even this 2,80,000 tonnes is a stretch whether we live to achieve that or not is difficult to say so this is a stretch in the existing plant to answer your question is this being conservative, yes so as an overall opportunity, the opportunity is much bigger than this and we have started thinking of what next after this but as of now those are under only thinking stage and we have already said publically that we intend to be between a 7,00,000 to a million tonne company by 2030 now by what time before 2030 will be difficult to say at this point in time.

**Bhavin Cheda**: So, you are talking about alternate locations so basically?

**Sachit Jain**: It will be an alternate location, this location has no possibility of going beyond this 2,80,000 tonnes of billets and 2,50,000 tonnes of rolling at this location, beyond this there is no possibility.

**Bhavin Cheda**: Sure, thanks a lot.

**Moderator**: Thank you. The next question is from the line of Rohan Mehta, an Individual Investor. Please go ahead.

**Rohan Mehta**: Good afternoon Sir and congratulations for a great quarter. Sir just a couple of things as you mentioned earlier, you mentioned that this year would be like a year of sampling with respect to Aichi so just wanted some more color from your end about what can we expect on that front?

**Sachit Jain:** So there is nothing that will be visible to you, it is just that we are sharing with you this is what we are doing so it is just extra cost coming in because when you sample products maybe you make heat of 35 tonnes and two tonnes of that will go and the remaining will either have to be remelted and wait for sometime before they are diverted to some other customers because these are all unique grades so sampling is heavy cost and of course we are examining with our auditors whether we can capitalize on those costs or not because this is going to yield business results, has nothing to do with current operations that as an investor or the results you will see nothing out of this. Next year you start getting some trial orders then you start seeing something but again that would be too small to notice so that is why I have said all along that what you will start seeing on the bottom line will be from 2023-2024 and the real benefits come in 2024-2025 and then to add to your question and the previous question, very clearly the problem staring at us in the face is we are going to have a massive capacity shortfall because our current capacity is 1,80,000 tonnes, we are going to increase it to let us say 2,40,000 or 2,50,000 tonnes at 70,000 tonne increase and Aichi itself requires between 50 and 70,000 tonnes. In addition to that there are other Japanese OEMs and Thailand etc., from Thailand or from Philippines or Indonesia who are wanting material plus there is growth in the Indian market plus there is EVs or demand for EVs is coming in some of our customers are supplying to EV so we have started supplying steel for the EV segments so with newer business coming in we are going to have a capacity problem in the next two to three years so as a management team we have started reexamining as what are strategic options available to us.

**Rohan Mehta**: Okay right Sir you mentioned about the capex plans over the next four to five years?

**Sachit Jain**: Those capex plans I think despite that we will have a capacity problem, so we have started thinking now as to what to do after this, but no plans have been made which is why we have said this capex plan is for the existing announced plant. We have started thinking about the next plant but that is only in thinking stage it is not even in planning stage so first it is thinking then it will come into discussion and planning and then it will come into announcement execution and so on after having increased plans but I do feel that COVID has delayed these things because our partners are unable to come here and these kind of discussions need to happen face-to-face, but I think one year from now we will have more clarity about our next plants so I do hope that next year that we close the financial year 2021-2022 we hope to by then to have some clarity that we can share with our investors about the next plant.

**Rohan Mehta**: Okay and Sir what would be our recent environment clearance that we have got, would it have any bearing on capex plans whatsoever Sir?

**Sachit Jain**: The capex plans of this Rs.200 Crores to Rs.250 Crores includes the investments required for the environment so all this is already budgeted and announced that we went ahead and announced those things with the assumption that we will get the clearance and we share with the market this is what we are going to be investing so all the investments required for the environment clearance or let me re-state that all the foreseen investments are part of this Rs.200 Crores to Rs.250 Crores.

**Rohan Mehta**: Okay got it Sir. Sir just one last query about our debt situation which is we have repaid a fair bit of our working capital debt so would we be needing any more funds as such we will need more for that in the coming quarters or can we expect a similar level of short-term debt?

**Sachit Jain**: No, the total net debt equity for the company, the net debt in the company was about Rs.130 Crores in the year ending March 31, 2021, Singla am I correct Rs.130 Crores?

**Sanjeev Singla**: Yes, Sir Rs.130 Crores.

**Sachit Jain**: Yes so there will definitely be an increase at that level when we end this financial year for the simple reasons that the capex would have happened one, two the scale of operations is going to be big, last year it is 1,50,000 tonnes here we are saying 1,65,000-1,75,000 tonnes so there will be a bigger volume and therefore bigger finished good inventory outstanding will be higher and three because the price increases the per tonne value of inventory per tonne value of outstanding is going to be higher so very clearly, the capital employed is going to be higher at the end of this financial year and therefore the debt figures should be a bit higher, but we are very clear for now the net debt equity will be definitely below 0.5% for now and with the current plans as foreseen the current announced plans we expect by 2025 or 2026 we should be a zero debt company again I am repeating with the current foreseen plans.

**Rohan Mehta**: Fair enough got it Sir. Thank you so much that was all from my side. Thank you so much and wish you all the best.

**Moderator**: Thank you. The next question is from the line of Urvil Bhatt from IIFL Securities. Please go ahead.

**Urvil Bhatt**: Thanks for the wonderful explanation as always. Just a couple of questions one bookkeeping question you mentioned that the target plan is around Rs.200 Crores to Rs.250 Crores capex over the next five years so just want to understand I mean should we build around Rs.50 Crores to Rs.70 Crores would be run rate for the next couple of years?

**Sachit Jain**: No, the larger part of the investment will be done by the end of next year so first year would be lighter and second year will be heaviest and third year will be lower, this year we will expect within Rs.40 Crores to Rs.50 Crores Singla?

**Sanjeev Singla**: It will be Rs.30 Crores to Rs.40 Crores Sir.

**Sachit Jain**: Sir about Rs.40 Crores let us say this year, the second year will be far higher. The second year will be very heavy.

**Urvil Bhatt:** So, second year will be around Rs.100 to Rs.120 Crores?

**Sachit Jain:** We have to work those numbers, but second year is going to be heavier, third year would be little less, fourth year it will scale off.

**Urvil Bhatt:** Understood that is helpful and I mean on the working capital side what kind of increase have you seen in terms of inventory just because of the pricing effort I mean prices have increased significantly and you are still negotiating for another price hike so should we expect further increase in working capital in the coming quarters?

**Sachit Jain:** Yes, that is right and please remember quarter-by-quarter you see because we are building up inventory pressure down.

**Urvil Bhatt:** Yes, correct understood.

**Sachit Jain:** That is why we are saying for the year end, so the year end we expect our working capital figures on us.

**Urvil Bhatt:** Understood that makes sense and on the expansion side if you can?

**Sachit Jain:** Can just give a guidance last year our net capital employed was Rs.600 Crores. I would expect roughly 10% to 15% increase in the net capital employed let us say around 10%, very rough idea and around 10% increase the net capital employed, as of now that is our forecast that may change but as of now that is the forecast.

**Urvil Bhatt:** Understood.

**Sachit Jain:** Again, Singla please correct me if I am wrong?

**Sanjeev Singla:** This is correct.

**Urvil Bhatt:** Sir one more follow-up question on the capacity expansion side, what kind of a product mix are we envisaging and how would that impact our overall margin profile once we reach full utilization levels in 2023?

**Sachit Jain:** They are similar, these are products for cars so the big change will be the proportion of cars will increase in our product mix significantly, today cars and two wheelers are almost similar so the large part of the increase is primarily in cars so that is one, and two the grades are very different because Toyota uses very different grades and specialized steels so that is the second part and third we have already said that we will expect this range of Rs.7,000 to Rs.9,000 per tonne to increase to Rs.10,000 tonne.

**Urvil Bhatt:** Understood that accounts for the improving product profiles.

**Sachit Jain:** And once those products stabilize you see because there is also a cost for that to stabilize, it takes time to stabilize, we would then expect at this point in time this is just a rough forecast we would like to target as a management Rs.10,000 to Rs.12,000 EBITDA per tonne.

**Urvil Bhatt:** Understood that is all from my end.

**Sachit Jain:** This Urvil we are talking off about five years from now.

**Urvil Bhatt:** Yes, I understood it is around once he started delivering to Aichi.

**Sachit Jain:** Yes there are lots of if's and but's between provided we reach the right quality level and then provided the rejection levels internally are not so high and lots of provided, but this is what I am sharing with you as a management that is what we are going to be targeting so as you have seen also we have been steadily increasing our forecast for a long time between 4.5 to 6 where we increase the forecast to 5 to 6.5 then we increase the forecast to 6 to 8, we increased it further to 7 to 9 and now we are saying 10 and then we are saying 10 to 12 so we are increasing our volume and increasing our margin and third we are also working on our capital employed so which is why we are targeting an EBITDA on capital employed of crossing 25% which means ROC EBIT on capital employed of about 20%.

**Urvil Bhatt:** That is helpful. Thanks Sachit.

**Moderator:** Thank you. The next question is from the line Manish Segal, Individual Investor. Please go ahead.

**Manish Segal**: Congratulations just quickly wanted to check you mentioned the China impact on the industry now you had when you had guided for these EBITDA numbers I do not know if that was taken into account whatever structurally it will change the industry so do you think there is a risk to the upside to your guidance of 7,000 to 9,000 because of the structural change. Secondly although alloy steel perhaps may not be one of the impacts on this price structurally, but given the other companies can substitute the product this may have an impact on structurally higher margins for this one as well and the last question is whether acquisition of a plant is also in the realm of things that you are thinking about?

**Sachit Jain**: So, to answer your first question there is no direct impact of alloy steel in India from China at least in our product segment so really, we see no direct impact on our current business. Where we do see an impact is in the business in Southeast Asia, in Thailand, in Philippines and Indonesia where the main players are Japan, Korea and China and China was the least priced competitor. As Chinese prices go up the floor prices will go up which means the attractiveness of the export customers is going to be better than before than what we assumed. So, in that sense yes that will be a benefit to our new business which is why for the first time today I have used term 10 to 12 so in a sense I have indirectly put in the impact of China that we will expect, a higher range of Rs.10,000 to Rs.12,000 EBITDA per tonne as we stabilize the Japanese business, so this is as far as the first part is concerned. The other part you said is that indirect another impact could be as domestic steel suppliers some of the large players like JSW, JSPL, Tata long products even some people like Sunflag can convert to other products and export those products because Indian prices are much lower than international prices and therefore create a shortage of alloy steels in the country yes in fact that factor is already playing which is why we have got higher price increases from the customers and you are already aware that even today the Indian HRC prices are lower than global HRC prices so that means there is still headroom for HRC prices to rise and if those prices rise then as demand picks up then you will see even possibility of domestic price rise also so if that happens clearly this range of Rs.7,000 to Rs.9,000 will get breeched on the upper side. That is very difficult for me to forecast those parts but if that happens, clearly it is likely to be breeched on the upside.

**Manish Segal**: Sure, I think that is a factor to look out for perhaps.

**Sachit Jain**: And the third question that you said is an acquisition or something on the cards as I said nothing is on the cards but in the thinking stage very clearly we need capacity and very clearly again an acquisition is the fastest way to produce capacity but an acquisition is fought with its own dangers one it will not be in a state that you would want to be in, two the culture would be very different and three will you find somebody who already has approval that was willing to sell so there are not too many players in the country. It is not that you can just buy a steel plant and convert it to an alloy steel plant.

**Manish Segal**: Sure.

**Sachit Jain**: If an opportunity comes, we will be open to it.

**Manish Segal**: Thanks Sir.

**Moderator**: Thank you. The next question is from the line of Rohit Ohri from Progressive Shares. Please go ahead.

**Rohit Ohri**: Sir, just one question or maybe a clarity I was asking that with the cautious optimism that you are showing and which is quite evident from your commentary as well and the promoters slowing nibbling in to the shares and it has gone up from 59.78% to around 60.87% from December 2020 to today, my question is the capacity problems we are alluded already and the demand which is there in the market and with these demand constraints that are there, do not you think that you should be increasing the guidance from 7,000 to 9,000 to is slightly higher because knowing that there are just four or five players or maybe some new entrants that might come in the business so do not you think that the guidance has to be improved in the current scenario?

**Sachit Jain**: Difficult to say because there are so many variables just now on which we do not have a handle because currently we are negotiating for a price increase, if we get a good price increase we have asked for if we asked for a price increase of Rs.7000 a tonne if we get 6000 to 7000 a tonne second quarter will be a block buster quarter but will we get 6 to 7, it is very difficult to predict the kind of price increase will get because this is not a commodity business, this is a negotiated business and today the auto sector is not booming in terms of like as last year there was shortage of material everywhere it is very difficult to forecast that and the other part of the question yes not promoters in general I especially in my personal capacity I have been increasing my stake because any liquid funds I had I was investing in buying our shares but then I reached a particular level where this is a totally disproportionate amount of my personal liquid funds available and the problem of markets is when promoters buying the shares it is all a positive but the more if I need some liquidity and I need some money and I sell some shares it is seen as a negative so for now I do not think I will be buying any more shares. For the moment let me share out here it is highly unlikely that there will be a major change in the promoter shareholding because I was buying in my personal capacity only and I would like to now diversify my small surplus funds into other investments so that I can sell, liquidate if I need money.

**Rohit Ohri**: Okay Sir that was the only question that I had, thank you.

**Moderator**: Thank you. Ladies and gentlemen this was the last question. I now hand the conference over to the management for closing comments.

**Sachit Jain**: Ladies and gentlemen thank you for being here with us. The last question of course I should have answered it there and then but we remain cautiously optimistic and frankly if you ask me, I would like to give a higher guidance than this, but then the problem is there are also small investors who invest based on management comments and so on and we must understand it is a risky business and so Rs.7,000 to Rs.9,000 that we talk about is we are fairly sure we will be within the range and this year can we exceed Rs.9,000 I probably think we will exceed this but as a guidance I keep repeating please do not invest in our company from a short-term point of view please invest in our company from a long-term point of view and a long-term to give a guidance beyond 7 to 9 at this point in time with current factors in. Thank you so much for being with us and I hope to very soon physical meetings happen, and we have a physical conference in Mumbai sometime. Thank you so much.

**Moderator**: Thank you. On behalf of IIFL Securities Limited that concludes this conference. Thank you for joining us. You may now disconnect the lines.