BIL/SE/2023-2024 **10th August, 2023**

To,

BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001.

Scrip Code: 502355 (Equity)
Scrip Code : 973556 (Debt)

National Stock Exchange of India Ltd,
5th Floor, Exchange Plaza,
Bandra Kurla Complex,
Bandra (E), Mumbai 400 051.

Trading Symbol: BALKRISIND

Dear Sir/Madam,

Subject: Transcript of Conference call with Investors/Analysts conducted on 7th August, 2023 to discuss the Q1 FY2024 Results.

In continuation of our letter dated 31st July, 2023 and pursuant to Regulation 30(6) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of conference call with Investors/Analysts on Q1 FY 2024 Results of the Company held on 7th August, 2023. This information will also be hosted on the Company's website at https://www.bkt-tires.com/ww/us/investors-desk .

You are requested to kindly take the above information on record and disseminate.

Thanking you,

Yours faithfully,
For **Balkrishna Industries Limited**

VIPUL SHAH
Digitally signed by VIPUL SHAH
Date: 2023.08.10 17:53:54 +05'30'

Vipul Shah
Director & Company Secretary
and Compliance Officer
DIN: 05199526

Encl: As Above

"Balkrishna Industries
Q1 FY2024 Financial Results Conference Call"

August 07, 2023

ANALYST: **MR. JOSEPH GEORGE – IIFL SECURITIES LIMITED**

MANAGEMENT: **MR. RAJIV PODDAR – JOINT MANAGING DIRECTOR – BALKRISHNA INDUSTRIES**
MR. MADHU SUDAN BAJAJ – SENIOR PRESIDENT – COMMERCIAL & CHIEF FINANCIAL OFFICER – BALKRISHNA INDUSTRIES LIMITED
MR. RAVI JOSHI – DEPUTY CHIEF FINANCIAL OFFICER – BALKRISHNA INDUSTRIES
MR. SUSHIL MISHRA – HEAD ACCOUNTS – BALKRISHNA INDUSTRIES
SGA - INVESTOR RELATIONS ADVISORS

Moderator: Good morning ladies and gentlemen, welcome to Balkrishna Industries Q1 FY2024 financial results conference call hosted by IIFL Securities Limited. 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 an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Joseph George from IIFL Securities Limited. Thank you and over to you Sir!

Joseph George: Thank you Lizanne. Good morning everyone. On behalf of IIFL Securities, I welcome you all to the 1Q FY2024 results conference call of Balkrishna Industries. From Balkrishna Industries, we have Mr. Rajiv Poddar, Joint Managing Director along with other senior management team members. I will now hand over the call to Rajiv Sir for his opening remarks, post which we will start the Q&A. Over to you, Sir.

Rajiv Poddar: Thank you Joseph. Good morning to everyone and thank you for joining us today. Along with me, I have Mr. Bajaj, Senior President, Commercial and CFO, Mr. Ravi Joshi, Deputy CFO, Mr. Sushil Mishra, Head Accounts and SGA, our Investor Relations Advisor.

Let me begin with performance updates. Towards the end of June, we faced disruptions on account of Biparjoy Cyclone in the state of Gujarat. The operations of the Bhuj plant were suspended from the late evening of 13th June 2023 and while operations resumed on 19th June 2023, it led to a loss of five days of production. However, the dispatches were affected for all plants till June end due to disruptions at Mundra Port. This resulted in lower export volumes in Q1. The total sales volume for Q1 stood at 67,209 metric tonnes. Domestic sales stood at 21,012 metric tonnes. This saw a healthy growth of 19% year-on-year. In Q2, we faced challenges due to heat waves and recessionary fears in the export market. On a positive note, the global inventory-related challenges are now unwinding. However, we continue to see momentum in domestic markets.

As guided in the previous calls, we estimate the capex spend of Rs.550 Crores to Rs.600 Crores in the FY2024. Out of this routine maintenance capex will be Rs.250 Crores to Rs.300 Crores. The balance will be spend towards new product development like rubber tracks and giant solid tires to widen our product basket in the end market along with higher investments in brand building and marketing efforts, which is required to reach our market share goal of 10%. This market share aspiration will be reached in the next four years post next round of capex getting commercialized.

With this, I now move on to operational highlights. Our standalone revenue for the quarter stood at Rs.2115 Crores a degrowth of 22% year-on-year. This includes realized loss on forex pertaining to sales of Rs.5 Crores.

For the Q1 FY2024, 45% of sales came from Europe, 31% from India, -, and 15% from the Americas. The balance came from rest of the world.

In terms of channel contribution, 72% was contributed from replacement segment, while OEM contributed to 26% with the balance coming from off-take.

In terms of category, agricultural segment contributed 59% while OTR industrial construction contributed 38% and the balance came from other segments.

The standalone EBITDA for the quarter was at Rs.487 Crores with the margin of 23%. Other income for the quarter stood at Rs.66 Crores.

Coming to the net forex items for the quarter, we had a net forex gain of Rs.38 Crores, which includes realized gain of Rs.5 Crores and unrealized gain of Rs.33 Crores.

Profit after tax stood at Rs.312 Crores for the quarter.

Our gross debt stood at Rs.2861 Crores at the end of 30th June 2023 of which about 75% is relating to working capital debt. Our cash and cash equivalent were at Rs.2245 Crores.

The board of directors has declared a first interim dividend of Rs.4 per share. With this, I conclude my opening remarks and leave the floor open to Q&A.

Moderator: Thank you. Ladies and gentlemen, we will begin with the question and answer session. The first question is from the line of Aditya Jhawar from Investec. Please go ahead.

Aditya Jhawar: Good morning. Thanks for the opportunity. Sir my first question is overall on volume, we reported a decline and you alluded that there was an impact on production as well as disruption on the port, but just Sir wanted to check how is the demand situation. We had spoken about inventory destocking in the past, so where are we on that? Lastly, when you look at breakup between agri and OTR, the decline seems to be more of steep on the agri side, so overall, can you comment on the demand environment Sir?

Rajiv Poddar: So as I mentioned in my commentary, the challenges for this quarter continue. We are still not out of the woods, so we forecast challenging times. That said, if the disruption was not there, that would have given us five days extra production, which should have met. So it would not be as low as it is in this quarter but the challenges yet continue.

Aditya Jhawar: But Sir, you gave us some comments on the retail on the ground demand did it see some growth or we are seeing that even the end market demand has been challenging and where are we specifically on the destocking? How much more we can expect?

Rajiv Poddar: So the demand is continuing at the end user. As I mentioned in my commentary, the inventory level unwinding is decreasing. I mean it is clearing up so that is a good sign for us and that should kick in some demand but overall, challenges continue and we expect it to be stable at this moment.

Aditya Jhawar: Sir the second question is on the freight increase that we had taken and we are rolling back so to what extent it is left? We saw a decline in ASP as compared to last year? How much of the rollback we should expect in the next few quarters Sir?

Rajiv Poddar: We have rolled back the whole freight component in our ASP which has already gone through in the Q4 of last year.

Aditya Jhawar: Perfect and Sir the final question is on the margin trajectory? Other tire companies have reported reasonable gross margin expansion? How should we think about it in our case considering your product segment is very, very different but overall on the raw material side, how should we expect the benefit to flow through?

Rajiv Poddar: So difficult to give a number, but we expect a positive outcome.

Aditya Jhawar: Okay Sir. I will fall back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Mumuksh Mandlesha from Anand Rathi. Please go ahead.

Mumuksh Mandlesha: Thank you so much for the opportunity and congratulations on good EBITDA margin performance Sir related to the heat wave's impact on the demand, Sir, on the agriculture activity globally, will there be this one quarter impact or could we see the impact of few quarters?

Rajiv Poddar: So it is difficult to answer now, but as we mentioned the end user demand is there. There is inventory clearing out which has taken place so these are the positives. With that said, there are necessary fears and the heat wave impacts which will be there so we see demand being a little challenging at the moment. It is difficult to indicate which quarter or how long the impact will be there.

Mumuksh Mandlesha: Sir realization was lower this quarter by 1.5% sequentially? Sir any reason for that? Is it a product mix Sir?

Mr. Bajaj: Our realization is lower because of the raw material cost has decreased. That is why we have passed the benefit to our customers.

Mumuksh Mandlesha: Okay so 1.5% benefit was passed through right?

Mr. Bajaj: Roughly average. The average maybe a little more, but yes this is it.

Mumuksh Mandlesha: Okay and going ahead Sir how do you see the realizing Sir?

Rajiv Poddar: For the whole year as I mentioned in my commentary last time, we expect it to be around 300 to 305 on the lower side so that is where we should see it towards the end of this year.

Mumuksh Mandlesha: And this lower relation from the current level will be mainly because of pass through?

Rajiv Poddar: Pass through for raw material.

Mumuksh Mandlesha: Right Sir and Sir the volume growth has been very strong supported by better availability what should be the growth for the full year and how is the delay inventories Sir?

Rajiv Poddar: As we mentioned we are not giving you guidance for this year because we see challenges so it is difficult to give a number and where we will have that for the year. We will take it quarter by quarter and India as I mentioned, India remains strong, which is a good geography for us to focus on and continue to do so.

Moderator: Thank you. The next question is from the line of Raghu Nandhan from Nuvama Institutional Equities. Please go ahead.

Raghu Nandhan: Thank you, Sir, for the opportunity. Good to see margin at 23%. Sir on the demand side, the hope has been that demand should improve sequentially and as we go towards second half of the year, things should improve in terms of agri segment, in terms of Europe region or there could be triggers in terms of Balkrishna gaining market share on the OEM side, so, if you can just talk about we understand that currently the situation is challenging, but going forward as we go to second half of the year where the hope is normalization of demand, what are the triggers which could help the demand trajectory?

Rajiv Poddar: So yes typically, the second half is all better than the first half so we are, but we are not able to give a number of guidance to where it will be. We will wait and watch and take it quarter by quarter to see the impact of weather and recession and other fears pertaining in the market as explained.

Raghu Nandhan: Got it Sir. On the OEM side, the company has historically been gaining market share, so would you expect those trends to continue this year as well?

Rajiv Poddar: Yes.

Raghu Nandhan: I got it Sir and my second question just a couple of clarification so in Q1 that five days production impact and also the impact of not being able to do dispatches of Mundra Port, so, that benefit should spill over to Q2 any quantification as to what was the loss and dispatch because of this temporary issue and also if you can put a number where is the global inventory level currently and how does it compare with the normal level?

Rajiv Poddar: So yes, you are right. We had an impact of five day production loss and 10 day dispatch towards the end of towards the end of the quarter which was spill over, but with that said, you please bear in mind Q2 is always our weakest quarter so the spillover should get us at par to where we have been in the previous quarters so that is how we are looking at it. We will give you numbers when we reach the end of this quarter and as far as the inventory of the global end user, distributor, dealer level it is coming down and that is there. It is more or less close to normal where it should be.

Raghu Nandhan: Got it Sir close to normal levels. Thank you so much, Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Siddhartha Bera from Nomura. Please go ahead.

Siddhartha Bera: Thanks for the opportunity. Sir again on this general heat wave indications you have given, has it already led to sort out of the pool from the channel being lower in the current quarter? You have already started seeing that or this is more your expectations that some of these will lead to a slower pickup than what we had expected?

Rajiv Poddar: Yes. We have started seeing the impact, which is why we are highlighting it.

Siddhartha Bera: Okay and secondly, in general, given that we had this inventory benefit, in terms of the raw material not fully visible yet, so current quarter inventory levels, are they a current reflection of whatever the commodity prices are or do you think there can be some more benefit depending on wherever the commodities are right now?

Mr. Bajaj: Not full benefits have come and the raw material prices we expect now to stabilise.

Siddhartha Bera: It is likely to step up from the current level?

Rajiv Poddar: Stable.

Siddhartha Bera: Stable got it so you do not see any further commodity benefit coming up in the coming quarters based on the current commodity prices?

Rajiv Poddar: Yes correct.

Siddhartha Bera: Okay got it and Sir any color on this demand by when shall we start expecting some recovery on the volume side going back to that 75,000 to 80,000 will it happen by the end of this year? You think it may be longer given your understanding of the ground level demand?

Rajiv Poddar: We cannot put a date to it. We would like it to come as soon as possible. We are ready from infrastructure point of view to cater to that but we will wait and watch. I think we will give you guidance quarter by quarter as to what visibility we see but difficult to put a number by when it will come.

Siddhartha Bera: But Sir weakness is more on agri or OTR side? Which segment do you think with little more softness?

Rajiv Poddar: All over both the segments.

Siddhartha Bera: Okay and this weather pattern changing of heat waves and all, how does this impact demand generally for the farmer because replacement I would have hoped that it would have been quite so generally with heat waves does it demand pattern gets impacted?

Rajiv Poddar: It impacts the end user because he is not able to do his agriculture work because the soil has become so hot, so it affects the crop and it affects his income so he is also forecasting and seeing where to be so it is difficult to do the process of work that he would have normally done because it has impact on the crop that he would grow.

Moderator: Thank you. The next question is from the line of Pramod Amthe from Incred Capital. Please go ahead.

Pramod Amthe: . Sir the first one is with regard to the end market so what is the pricing competitive scenario because the slowdown seems to be surprising everybody? So is there a discipline happening by the competition or are they desperate to fight out one and dedicated to the same as the freight unwinding when the ASP is complete now or you feel there is some more to be passed on to be normalized?

Rajiv Poddar: So yes whenever there is a little slowness there will always be some international movements so we are competing with it and at the moment we are able to negate it, so we hope to continue to do the same in the coming quarters also. As I mentioned that towards the end of the year our realization may drop to levels of 305 the ASP. That is an indication that the pass on of raw material and the pricing competition may bring it down to that, but that is where we estimate it to be.

Pramod Amthe: The second one is with regard to the interest cost so if I look at your page number 125, you clearly call out for capitalize interest cost for last year was almost Rs.20 Crores in spite of the netting of leading to a Rs.40 odd Crores so it seems like you are capitalizing one third of the interest cost? Can you give me what is this for because our understanding was you are running such a big cash and you have lot of loans is in the working capital so is it you have taken loan for the plant and hence you are capitalizing it and what is the capital cost and interest in the Q1?

Mr. Bajaj: Yes so it is not prorate of one fourth what is being capitalized. The only capitalize portion is related to the long term ECB which is taken for the capex and the amount keep changing depending on the accounting principle.

Pramod Amthe: So would you quantify what is for Q1, when you have done an expense of Rs.20 Crores what is the capitalized amount?

Mr. Bajaj: It is hardly 10% to 12% of it.

Pramod Amthe: Because last year it looks like 30%?

Mr. Bajaj: Yes. It depends on the running exchange rate, actually so it keeps changing.

Moderator: Thank you. The next question is from the line of Mayur from Asian Markets Securities. Please go ahead.

Mayur: Yes just trying to understand it at one point you mentioned that the benefit of commodity you expect to remain stable at going forward and you also mentioned that you have taken a price cut so you have passed on this benefit so is it that you are looking at steady gross margins as a function and that is why you have taken the price cut or this is clearly from a competitive angle that you want to maintain the volumes and is why the price cut?

Rajiv Poddar: It is a mix of both.

Mayur: So as far as competition is concerned, should we read it that this is more competition coming from China because we still do not know whether China is kind of normalized or what is really the status in the European markets?

Rajiv Poddar: No it is coming from across the globe not China alone.

Mayur: Okay, what we are trying to read is it while at one point you said that realization could come off? You are also maintaining that you will still be able to close the year at 23% plus EBITDA margins?

Rajiv Poddar: Yes, we are quite confident of that.

Mayur: Great. Thank you Sir. That will be all.

Moderator: Thank you. The next question is from the line of Jinesh Gandhi from Motial Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Sir a couple of clarifications. On the RM cost benefit side if I recollect we had indicated that there was some high cost inventory which was still getting carried in Q1 so in that context not expecting any further RM cost benefit can you just touch upon how one should see that?

Mr. Bajaj: So high cost the inventory almost adjusted now and now the current inventory material we have is as per the current cost only and we expect stable prices now onwards.

Jinesh Gandhi: So the 1Q level of gross margins is what we should expect but for any changes going forward, but for any changes in RM going forward?

Rajiv Poddar: Yes we look to sustain these.

Jinesh Gandhi: Okay and the second question pertains to the capex guidance which we have given now so in that we are also talking about investment towards marketing site so is this over and above what we do normally through P&L or this is part of that?

Mr. Bajaj: No it is part of that.

Jinesh Gandhi: Okay and lastly with respect to the immediate quarter Q2, will there be some of benefit of the dispatches which could not happen in the dispatch loss which we talked about would that be done in -Q2 or it may not happen because to control the inventory on the ground we may defer that?

Rajiv Poddar: No it will happen in Q2.

Jinesh Gandhi: It will happen in Q2 and in that context Q2 should be stronger than what otherwise could have been?

Rajiv Poddar: As I mentioned earlier Sir that Q2 is always our weakest quarter, so you have to put that factor also in the demand is challenging so put those two factors and then add the spillover so do not it is not going to be normal quarter plus that also. You have to account for both these factors.

Jinesh Gandhi: Yes obviously -Q2 is the seasonally weakest that is very well appreciated

Rajiv Poddar: Because even in the domestic markets in Q2, you are hit with monsoon and everything so all those also come into factor so mean put both the numbers together to get to the real number.

Jinesh Gandhi: If I take a step back and get a broader margins on margin guidance of 26% to 28% and given that we have now at about 23% including the full benefit of RM how do we see between 3% to 5% point appreciation to margin over medium term coming from operating leverage is one part but beyond that what else should be enabling that margin expansion to our normalized range?

Rajiv Poddar: So I think the biggest driver will be volume growth because that would bring in lot of efficiency with that and then along with that you will have your hedge rates and other operating factors which will come in. That will be linked to product mix also.

Jinesh Gandhi: Okay got it. Right the product going in favor of OTR?

Rajiv Poddar: The realization.

Jinesh Gandhi: Got it. Great. Thanks and all the best.

Moderator: Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

Basudeb Banerjee: Other than freight expenses other expense line item was lower sequentially it is purely due to lower volumes or marketing expenses were curtailed or something?

Rajiv Poddar: So basically lower volumes and low freight rates, so the marketing expenses and all are stable. That has not contributed to that reduction.

Basudeb Banerjee: Second question Sir not futuristic but inventory levels have fallen in the export market but if you can give a qualitative idea of how the retail space of your portfolio has been happening say for the last three quarters?

Rajiv Poddar: Sir the retail level there is destocking and as I mentioned that destocking has now reached the level normalized level so that is the positive side but difficult to put a number and where we will end up and all that is very difficult at this stage.

Basudeb Banerjee: What I meant is end customer off take from your distributor at ground consumption level how has the volumes behaved in the last three quarters?

Rajiv Poddar: That has been stable so that has been stable and because of that there has been destocking. The stocking levels are at normal conditions because the end level demand will get holding up.

Basudeb Banerjee: Sure. So just wanted to understand if I look at 76% plus margin and 305 to 310 ASP per kg which means almost Rs.80 and historically, if I see your portfolio EBITDA per kg highest has been somewhere around Rs.78 in general close to Rs.70 or below that so what qualitative thing one should look at in the longer run that your EBITDA per kg is improving?

Rajiv Poddar: As I mentioned earlier the biggest driver will be volume growth followed by better hedge rates and also product mix and all these factors coming together will get us there.

Basudeb Banerjee: Sure and lastly what is the hedge rate for FY2024-FY2025?

Mr. Bajaj: Rs 87 and Rs 88 currently for the whole year.lP

Moderator: Thank you. The next question is from the line of Rishi Vora from Kotak Securities. Please go ahead.

Rishi Vora: Thank you for giving me the opportunity? Sir first on the commodities we have seen crude prices running almost 15% over the last one to two months so if the prices sustain at this levels do you expect any headwinds to come in 3Q or 4Q?

Mr. Bajaj: So demand is low currently. So we do not expect much change in the current price of the raw materials.

Rishi Vora: Understood and on the competitive intensity side. A lot of the domestic players are now focusing on OHT segment well obviously BKT over the last two decades have helped an exceedingly well so how are seeing the competitive intensity currently from the domestic player itself and if the competitive intensity increasing what are we doing to let us say offset the impact of this?

Rajiv Poddar: So when we are playing to our strength there is a huge market and big opportunity. We are focused on that. We have about 5% to 6% of the global share so that is a 94% to 95% market yet available and we are focusing on that in our product basket and in our category of premium players so that is where our focus is and that is what we are trying to do.

Moderator: Thank you. The next question is from the line of Mohit Jain from Tara Capital Partners. Please go ahead.

Mohit Jain: My question was related to the previous question which is the impact of the oil prices? Now you said that the commodity prices are stable and you expect the margins to move in line with the operating leverage, but just if you can talk about the impact of oil prices because they have moved up as the last participant said by almost 25% in the last one month?

Mr. Bajaj: So as we told that globally the demand is low of the entire segment so the raw material prices are not likely to go up from here much. It is likely to be stable for the rest of the year. That is what we understand.

Mohit Jain: Understood so then it is fair to say that in the very near term volumes remain the main or the only levers for margins to improve and also on the hedging you said that the hedging will help? Your hedging levels were €80. INR is at Rs.90 so the hedges will be slightly out of the money right now?

Mr. Bajaj: Correct because earlier when Euro was Rs.80 that time also hedging was a continuous process so once it is going up then we will be getting the benefit of that so it is slight here and there but for the full year Rs. 87 and Rs. 88 we will be standing at Rs. 87 and 88.

Moderator: Thank you. The next question is from the line of Ashutosh Tiwari from Equirus Securities. Please go ahead.

Ashutosh Tiwari: Sorry I joined a bit late. First question other income is very high in this quarter Rs.66 Crores any one off in that?

Rajiv Poddar: So there is a mark to market impact in that on the forex and the treasury.

Ashutosh Tiwari: How much is that in the market to market like generally basically going ahead what should we assume on a quarterly basis on the other income thing?

Rajiv Poddar: I do not have the exact number with me but it is about Rs.60 Crores to Rs.65 Crores in that range.

Ashutosh Tiwari: Okay and out of this 21000 India volume you mentioned for the quarter what is the split between agriculture and OTR?

Rajiv Poddar: I do not have the breakup for the Indian market but the overall company wise I can give you the breakup. We are at.

Ashutosh Tiwari: That I know from the data that is okay.

Rajiv Poddar: We do not give out the breakup geography wise so I do not have that numbers with me.

Ashutosh Tiwari: Generally in this quarter mainly agriculture has picked up in India or it is also a others did well?

Rajiv Poddar: All over Sir both our segments.

Ashutosh Tiwari: And what is the gross debt as of June?

Rajiv Poddar: Rs 2850 cr.

Ashutosh Tiwari: Lastly on the realization part you mentioned Rs.300 to Rs.305 per kg but that also includes carbon black is probably ramping up now so even despite the fact that your carbon black plant will come up and it has been growing in sales do you expect this kind of fall in the realizations?

Mr. Bajaj: So we expect that there will be some fall that is the lower limit we have there.

Ashutosh Tiwari: Okay what is the utilization level of current carbon black plant of 170,000, 1.7 lakh tonnes what is the utilization level?

Mr. Bajaj: -

Ashutosh Tiwari: -

Mr. Bajaj: Around you can say 85% to 90%.

Moderator: Thank you. The next question is from the line of Rajat from Incred AMC. Please go ahead.

Rajat: Thanks for taking my question. Just one thing Sir you said that the current market share is 5% to 6% and that your goal is to achieve 10% market share in the next four to five years Sir just wanted to understand if that would mean like more than doubling on your sales from current levels so incrementally how much more capacity would you need to achieve this 10% market share and what do you think would be the expected capex spend?

Rajiv Poddar: So as I mentioned in my commentary that this will be four years after the next capex cycle and that is where it will get us so once we do the capex planning and all we will make announcements and after which it comes online it will be four years.

Rajat: Alright okay and one more thing Sir the employee expenses seem to have slightly declined on a Y-o-Y basis from Rs.107 Crores last year to Rs.105 Crores this year so have we not taken any employee raises for this year and is it expected to come at the later part of this year?

Mr. Bajaj: So this is because of the volumes. Volumes are low so fortunately it has been reduced.

Rajat: Okay so we have lot of contractual labours is this or pardon my ignorance?

Mr, Bajaj: Majority contractual labour.

Moderator: Thank you. The next question is from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Thanks for the opportunity. Sir you have around 3200 SKUs so how much SKUs do you have in OTR segment and if you can throw some more light on the new business meaning OTR segment in overseas and India?

Rajiv Poddar: We do not give the breakup segment wise so I do not have those numbers for the SKU.

Abhishek: If you can throw some more light on the new business in the OTR segment in overseas and India?

Rajiv Poddar: That is a normal continued process so as I said, roughly the OTR contributed about 38% of our business and continues to grow.

Abhishek: And as you had mentioned that you are looking for the 50% means from the OTR segment so where do you see the potential opportunity for BKT which all the markets you are looking for targeting?

Rajiv Poddar: Globally all across the globe. We are targeting everywhere we can get the sales going so it is not a particular geography.

Abhishek: In domestic business growth was very much strong so have you won the new business in domestic market and just wanted to know what is the replacement versus OEMs in domestic?

Rajiv Poddar: We do not give individual geography breakup but yes we have won new business in India and that is why it is reflecting in the numbers.

Abhishek: So this run rate will be sustainable in the coming quarters because of this new business win?

Rajiv Poddar: Yes but only as I mentioned in my commentary earlier the numbers will sustainable over long term. Quarter may be a little up or down because of the weather because this is both because of the weather and rain. Both agri and construction activities are generally slower so if you account that the rest of the business should sustain at these levels in the other quarters.

Abhishek: Thanks Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Devrath Jhunjhunwala from Nepean Capital. Please go ahead.

Devrath Jhunjhunwala: You mentioned the gross debt of Rs.2850 Crores is there any plan to restructure or repay this debt over the next financial year and beyond?

Rajiv Poddar: So the short term borrowing the working capital is getting adjusted as per the business and long term as per the repayment schedule we will be repaying. That will be as per the schedule given when we took the loan so we do not see any issue in the repayments and we are following that schedule.

Moderator: Thank you. The next question is from the line of Garvit Goyal from Nvest Analytics. Please go ahead.

Ca Garvit Goyal: Sir my question is on demand outlook side only like you mentioned India is doing well Europe is showing the problem so my question is on the recessionary trend you mentioned the reason for it so it is more in the Europe side or in the America side and further it is more towards the agro segment side or the OTR side?

Rajiv Poddar: It is in both the geographies and both the segments the recession fears are in both Americas and Europe and in both the segments agri and OTR.

Ca Garvit Goyal: Understood and Sir secondly we are doing capex but like you mentioned the major geographies are facing the problem so does that mean that the capex is mainly for India or the things will get improved in one year’s time?

Rajiv Poddar: Sir the capex is done for across the world. We do not see that these issues will continue for long term so when those markets come we will be able to cater to them and also these are new products so we will be opening new areas of revenue for the country across for the company.

Ca Garvit Goyal: Understood Sir and lastly Sir are we seeing any problem in the terms of like rising import into India from other geographies?

Rajiv Poddar: Not for us at this point in time.

Moderator: Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Disha Sheth from Anvil Wealth. Please go ahead.

Disha Sheth: Sir just wanted to ask that as India is growing very nicely so going forward our margins as India does not have that high margin as the export market so if you can give some guidance how are margins will shape up in the coming two years as India is growing faster?

Rajiv Poddar: We will be vetting off the utilization of capacity so margins should sustain at similar levels. There will be lower margins for domestic but overall it will be at the break level.

Disha Sheth: Okay great and Sir last question wanted to check when you said Q2 will have spillover but it will be similar level to last Q2 or last Q1 that was FY2023 Q2 like last year? It had a very good results? We had like 83,000 of volumes so when you said it will be on similar level it will be on Q1 similar level or Q2 because of the challenges you said?

Rajiv Poddar: Madam I do not want to speculate a number. Let us wait for the quarter to get over and then we can comment on a number because we do not want to have speculative numbers given.

Disha Sheth: Not in terms of, I am not asking any numbers but when you said it will be on similar levels it will be on a Q1 similar trend that is what I am trying to understand?

Rajiv Poddar: More or less similar to Q1.

Disha Sheth: And Sir how much would be loss of production in Q1 itself which has gone by and because of that five days Mundra Port disruption?

Rajiv Poddar: Roughly 4000 to 5000 metric tonnes.

Disha Sheth: 4000 to 5000 metric tonnes okay that is it from my side. All the best.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Joseph George for his closing comments.

Joseph George: Thank you. That brings us to the end of the call. I will hand over the call to Rajiv Sir for concluding remarks if any.

Rajiv Poddar: No. Just wanted to thank everybody for taking out the time and hearing us. Thank you for your support as always. Thank you.

Moderator: Thank you members of the management team. Ladies and gentlemen, on behalf of IIFL Securities Limited that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.