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"The first quarter of the next financial year will have a rising momentum"

La Tim Metal and Industries has delivered robust Q2FY22 and H1FY22 consolidated earnings. What factors have contributed the most to help you outperform?

The price of steel was under stress for many years and had reached its bottom by March 2020. This stress was worldwide and among many other reasons the primary cause was the invasion by Chinese goods. This was throughout the world and it had a huge impact on our steel industry too.

This situation changed during the emerging scenario of the pandemic. The Chinese government imposed many restrictions on exports by reducing export incentives and also restricted production by applying stringent pollution norms.

Coupled with restrictive trade policies for import of steel by the Indian government the following emerged on account of which we could deliver robust consolidated earnings:

- Vacuum in the steel supply to the world market created a huge demand from the international markets. This opportunity was seized by our mills. The price of steel improved dramatically.
- We make colour-coated sheets and this product is the last one among flat products. When a huge demand for steel came from overseas our big mills were busy in the manufacturing of top-line products such as hot rolled, cold rolled and galvanised coils. This created shortage of colour-coated sheets in the domestic market, which eventually went in our favour.
- The Indian economy was growing very fast. The government's policy was and is very friendly for local manufacturers. The government also flagged off various infrastructure projects and these also created a demand for our products.

What measures are you implementing to safeguard margin from cost pressures due to supply chain challenges?

We are a secondary manufacturer of flat products and depend on big mills for our raw materials like steel and paint. Our strong base lies in trading in the steel market since 1971 and have been witness to many ups and downs in the market. This has made us aware of the various factors that create highs and lows and therefore we are able to control our inventory very well. We have also developed special items like designer steel which none of the mills supply. We also focus on thinner gauge material which is least affected by price fluctuation.

Do you have plans to set up new projects in FY23?

We have two verticals in our company – production of colour-coated sheets and development of industrial plots for sale in the market. We have a substantial land bank comprising land in industrial zones which we intend to develop and sell. We will be establishing an industrial park on the road stretch of Khopoli-Pali which is a major hub of steel industries with such leading names as Tata Bhushan Steel, JSW, AMNS (Uttam Steel) and POSCO in the nearby vicinity. This area is very near to the ports of Nhava-Sheva and Dighi and is between two major cities i.e. Mumbai and Pune. This project will release huge funds for the company which we intend to use to put up a plant to make galvalum-coated coils. This product is not only our raw material but also has great potential in the market for diverse applications.

What are your growth levers and what are your top three strategic priorities?

The growth levers include:

- Development of different colours and catering to small users as per their requirements.
- Development of various designs on steel like flower, wood, marble, etc. where we have no competition.
- Import of finished products for the South India market for their demand of specific thickness and colours. This has logistical advantages also.

The strategic priorities include:

- Geographical expansion in unrepresented areas.
- Development of industrial parks in strategic areas, which is the need of the hour.
- Strengthening our group image.

What is your earnings' outlook for the upcoming quarter?

Steel price has been falling in the third quarter. It has become stable now and we consider that as an advantage. Once the price reaches the bottom it has only one direction to move. Even if it doesn't rise, the steady price is a big opportunity for secondary manufacturers like us because our profit comes from value-addition by colouring and catering to various buyers as per their requirements. In a way we are a specialist with limited production and catering to those who require customisation. We expect the last quarter of this financial year to be stable but the first quarter of the next financial year will have a rising momentum in the price with heavy pre-monsoon demand as the main use of our product is for roofing and allied applications.