"Refex Industries Limited - Q4 & FY'24 Earnings Conference Call"
May 27, 2024

MANAGEMENT: **MR. ANIL JAIN – CHAIRMAN AND MANAGING DIRECTOR (MD)**

MR. DINESH KUMAR AGARWAL – WHOLE-TIME DIRECTOR (WTD) AND CHIEF FINANCIAL OFFICER (CFO) *

MODERATOR: **MS. CHANDNI CHANDE – KIRIN ADVISORS**

***NOTE:** MR. DINESH KUMAR AGARWAL HAS BEEN APPOINTED AS THE WTD & CFO OF THE COMPANY, W.E.F. JUNE 01, 2024, IN THE BOARD MEETING HELD ON MAY 24, 2024.

Moderator: Ladies and gentlemen, good day and welcome to Refex Industries Limited Q4 and FY '24 earnings conference call hosted by Kirin Advisors. Please note that the duration of this call is 60 minutes. As a reminder, all participants' lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Chandni Chande from Kirin Advisors. Thank you and over to you, ma'am.

Chandni Chande: Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Refex Industries Limited. From the management team, we have Mr. Anil Jain, Chairman and Managing Director, Mr. Dinesh Agarwal, Whole-Time Director and CFO.

Now I hand over the call to Mr. Anil Jain. Over to you, sir.

Anil Jain: Thank you so much. Good afternoon, everyone. I would like to extend a warm welcome to all of you and thank you for joining us on this first earnings conference call of Refex Industries. Today we'd like to intimate you about our performance in the recent quarter and provide insights into our strategic initiatives and future outlook. Before we delve into the numbers, let me take a moment to highlight our core business areas and recent developments. Refex Industries was incorporated in 2002 and headquartered in Chennai.

It has established itself as a multifaceted company with a diverse portfolio, including ash and coal handling, refrigerant gases, green mobility and power trading. Our involvement and commitment to these sectors places us at the forefront of combating climate change and promoting sustainable development. Since our inception, we have been dedicated to refilling refrigerant gases that serve as replacements for harmful chlorofluorocarbons, or CFCs, and hydrochlorofluorocarbons, or HCFCs.

We have emerged as a leading supplier of environment-friendly hydrofluorocarbons or HFC refrigerant gases in India. These refrigerant gases are crucial in various applications, including refrigeration, air conditioning in residential, commercial and automobile sectors, flume blowing agents and aerosol propellants. We pioneered the introduction of refrigerants in a disposable can directly accessible to end-users branded as Refex cans.

We are currently operating refilling facilities in Chennai, Tamil Nadu and along with warehouses in Delhi and Mumbai. In 2018, we expanded into ash and coal handling business. Our assessment of this sector suggests that market size exceeds INR25,000 crores annually nationally for ash handling alone.

Traditionally, ash handling has been managed by unorganized sectors in this country. In the short span, we have emerged as a major organized player in the ash disposal sector, actively mitigating environmental pollution caused by generation of ash during coal combustion in thermal power plants. Utilizing advanced technologies, we ensure safe ash collection, transportation and disposal with a strong emphasis on sustainability.

We repurpose the ash generated for the construction of roads, highways and embankments, as well as for filling mines and low-lying areas, thereby fostering sustainable infrastructure development. Our presence extends across key power generating states, including Chhattisgarh, Maharashtra, Madhya Pradesh, Bihar, Odisha, Tamil Nadu and Karnataka, establishing us as the largest organized player in ash handling in the country.

As of date, we manage 35,000 metric tons of ash on a daily basis with a plan to scale up to 60,000 metric tons daily disposal by year-end, utilizing a combination of both owned and leased fleet vehicles. Presently, we operate a fleet of 800 vehicles, of which 39 are owned by Refex, and this number is set to expand to nearly 119 owned vehicles by the year-end. As a part of our dedicated effort towards digital transformation, we prioritize harnessing technologies to boost operational efficiency and profitability, thereby fostering continuous value creation and expansion.

At our headquarters in Chennai, we implement centralized data collection and analysis processes. To optimize our fleet management, we rely on centralized GPS tracking, partnering with reputable service providers like Loconav, TATA Fleet Edge, and iAlert. Through this innovative tracking system, we can closely monitor volumes, GPS location, and other vital metrics, positioning us as pioneers in this field.

In 2022, we venture into power trading and obtain a Category 1 Power Trading license. Most recently, Refex Green Mobility Limited, a wholly owned subsidiary of Refex Industries, commenced operation of employee transportation using electric vehicles in Bengaluru in March and Chennai thereafter. RGML provides bundled offerings that include electric vehicles, trained and background-verified drivers, a sophisticated technology platform that helps employees book their pick-up and drop on time.

We provide these services under the brand name Refex eVeelz to corporate customers like software companies, large banks, and companies who are into back-office services with large employees on board. As of yesterday, our fleet has run 73 lakh kilometres, and in the process, it has abated approximately 4.38 lakh kilograms of CO_2, showcasing our commitment to reducing carbon emissions. We are also committed to help our customers achieve their ESG goals.

I'm happy to share some of our recent developments that highlight our progress and strategic initiatives. Our step-down subsidiary in the green mobility vertical, along with employee transportation, has commenced operation at Bengaluru airport as a preferred airport taxi, where we'll be operating 660 electric vehicles that the taxi pick-up bay. This marks a significant milestone in our green mobility effort where we'll cater to B2C customers.

Additionally, we are expanding geographically and increasing our fleet size, forcing collaborative sustainability initiatives that align with our commitment to reducing carbon emissions. We plan to start operations.in Pune and Hyderabad by September 2024. We are currently operating 479 vehicles for this business and plan to grow up to 2,000 by the end of this year.

Our order book for other businesses also remains robust, with the ash and coal handling segment totalling about INR1,000 crores and power trading segment at around INR500 crores as of 24th May 2024. Bolstered by a strong presence in ash and coal handling and power trading, alongside our expanding footprint in the refrigerant gas vertical and advancing operation in green mobility, we are poised for sustainable growth. Coming to our financial performance, for the fourth quarter ended FY24, we reported robust stand-alone financial results, highlighting the success of our strategic initiative and operational efficiencies.

Our total income for Q4'24 was INR345.7 crores, contributing to an annual total income of INR1,388.84 crores. This growth underscores the effectiveness of a diversified business portfolio. Our EBITDA for Q4'24 was INR43.50 crores with an EBITDA margin of 12.89%, while the annual EBITDA amounted to INR148.75 crores with a margin of 10.85%. Our quarterly PAT was at INR35.76 crores, resulting in a PAT margin of 10.34% and for the full fiscal year, PAT reached INR100.95 crores with a PAT margin of 7.27%.

These results translated into an EPS of 3.23 for Q4 and 9.12 for FY24. The improvement in PAT and EPS demonstrates our strong bottom-line performance and commitment to creating shareholder value. Our stand-alone revenue composition for FY24 was as follows. Ash and coal handling at INR945.58 crores, power trading at INR280.9 crores, refrigerant gas at INR72.31 crores, sale of other services at INR55.64 crores, solar power at INR10.36 crores and others at INR5.77 crores.

On a consolidated basis, our total income for Q4'24 was INR350.31 crores, culminating into an annual income of INR1401.13 crores. Our consolidated EBITDA for Q4'24 was at INR41.25 crores, representing an EBITDA margin of 12.05% and the annual EBITDA at 146.1 with a margin of 10.57%. Highlighting our consistent operational efficiencies across all business segments, our consolidated PAT for the fourth quarter was INR33.37 crores with a PAT margin of 9.53, while the annual PAT reached INR92.98 crores, reflecting a PAT margin of 6.64%.

The consolidated EPS was 3.02 for Q4 and 8.40 for the full year. These figures illustrate our comprehensive growth and profitability even as we navigate through dynamic market conditions. The main factor contributing to the decrease in our revenue stems from a significant drop in coal prices in the current year, which plunged by approximately 45% compared to the previous year.

This sharp decline has directly impacted our top line figures. While the prices have plunged, we have ensured that the volume was always the same and we have increased our coal handling volume by 3,138 metric tons this year. Despite facing adverse market conditions, our proactive measures have allowed us to maintain stable EBITDA margins.

We have seen a remarkable growth of 112 basis points and EBITDA margins and 236 basis points and PAT margins from Q4 FY23 to Q4 FY24. This highlights our ability to adapt to evolving market dynamics and optimize operational efficiencies effectively. Our focus on enhancing coal handling capabilities and prudent cost management has allowed us to mitigate the impact of declining coal prices on an overall financial performance.

The financial performance of both our standalone consolidated operations indicate a solid foundation and a positive trajectory for Refex Industries. We firmly believe that aligning economic prosperity with environmental stewardship creates lasting value. As we continue on this path of sustainable growth, we remain steadfast in our commitment to making a meaningful difference in the fight against climate change and fostering a greener, more sustainable future for generations to come.

Our strategic focus on sustainable and diversified business practices, coupled with technological advancements and operational efficiencies, has contributed to these impressive financial outcomes. We remain committed to driving further growth and delivering consistent value for shareholders. Thank you so much.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and then one on the attached telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handset while asking a question. Ladies and Gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Yashwanti from Kojin Finvest. Please go ahead.

Yashwanti: Thank you, sir, for the opportunity. Sir, by going through your research, we have seen that your revenue has been dropped as compared from FY23 to FY24, and mainly from your coal and ash handling business, which is a major contributor. Even the decline has been seen there.

So, one thing I just wanted to understand from you is what is the reason for this scene? And you had combined the coal and ash handling. So, if you can give on a volume and price as data for both the businesses individually now, even going forward, if we can include this data in your presentation going forward. Thank you so much.

Anil Jain: Yes. To answer this question, the drop in revenue was mainly due to the fall in coal prices by almost about 5,198 per metric ton on an average in the year. While the quantity has increased by 3,137 metric tons, the prices have fallen.

That's why there's a fall in revenue. Second, yes, the reason why the coal and ash handling has been combined is because the logistics used for coal and ash is almost common logistics. That's why this has been combined. But yes, we will try and see if we can split from the next time and share this data.

Yashwanti: If you can just give the -- on volume-wise, what was the ash handling and what was the coal handling, that can also help us understand where the things are coming forward or what has gone…

Anil Jain: Approximately, we have handled about 1 million tons of coal and about 60 lakh tons of ash.

Yashwanti: So that is your average capacity for the year?

Anil Jain: Sorry?

Yashwanti: That is your capacity whole year, right?

Anil Jain: That's the commodity handle. Coal handle through the year is 1 million tons and ash was about 60 lakh tons for the year.

Yashwanti: Okay. And sir, in one of your phone calls and one of your communications with the investors, you also mentioned that there is a lot of…Yes. You were also talking about there was -- a lot of dump ash has been put in a pond over the years when the regulations were not strict or maybe the users were not accepting a couple of years back. So what is the quantum you can guess? What is the quantum that is lying in that pond, the dump ash? And what you as a company or what as a government are taking the initiatives to clear that as again it is hazardous for the environment?

Anil Jain: To be very honest, this data is not available across the thermal power plants in the country. But most of the -- all the thermal power plants have created ponds within the thermal power plant where when the fly ash does not get disposed in an environmentally safe manner, they put this fly ash into pond for disposal in a future date. So there could be millions of tons of pond ash lying in ponds in thermal power plants, but there is no data which is available.

Yashwanti: And sir, like you, is there any other company, maybe organized or maybe not listed one, who is also in the same business?

Anil Jain: Most of this business is by unorganized sector. Our closest competitor would be a company by name Ashtech.

Dinesh Agarwal: Ashtech Technology Private Limited.

Yashwanti: Okay. And coming down to your mobility business, sir, can you please guide us more on your mobility business? We acquired the business from the…

Anil Jain: Sorry, your voice is again going feeble. Can you be a little loud please?

Yashwanti: Yes. I just wanted to understand more on your green mobility services. We are giving services, pickup and drop services for a couple of corporates. And you also mentioned your [inaudible 0:15:07] which we have started with the Bangalore airport. So can you just give us the outline or the business prospect for this line of business?

Anil Jain: Yes. So, if you look at the employee transportation using electric vehicles, when lot of these, most of these corporates want to fulfil their ESG compliance or a Scope 3 ESG, they will all have to shift from ICE vehicles to electric vehicles over a period of time. And today, we are providing these services. So the market for this also is very huge. Every large corporate software or a back-office company provides transportation of their employees from the house to office. So this market is potentially going to grow, the electric vehicle market is going to grow a lot.

And on the Bangalore airport, we acquired a company which had won a tender for providing airport taxis for Bangalore airport. So the number of vehicles which are going to be deployed there is about 660 vehicles, of which we have already started deploying some of these vehicles. And by end of July, we would have deployed all the 660 vehicles there. And that is more for B2C where the passenger coming out of the airport, this is the first lane outside the airport where they can book this airport taxi.

Yashwanti: Okay. So we are providing B2B to the corporate and B2C for the Bangalore and this will happen through the acquisition. So when we acquired a company for this Bangalore taxi services, what was the fees acquired by us from them?

Anil Jain: Zero. It was a tender which they had won and they were not able to execute. So we acquired this to execute this project.

Yashwanti: Okay. So have we paid anything to them?

Anil Jain: No.

Yashwanti: Okay. So considering this Bangalore taxi services and considering this corporate mobility services, what would be your total fleet size as on date?

Anil Jain: The total fleet currently is about 479 for the electric vehicles, which are operational both at Bangalore airport and the corporate customers.

Yashwanti: Okay. And they are all owned by us or it is only like owned and operated by the driver or mobile?

Anil Jain: No. Currently, most of them are owned by us. We have about…

Yashwanti: Hello?

Anil Jain: Can you hear us?

Yashwanti: Yes, sir.

Anil Jain: Roughly about 70% is on the books of the company, the vehicle and 30% is on the lease.

Yashwanti: Okay. And what is your plan increase in the fleet size for currently or maybe even then for FY'26?

Anil Jain: Currently, we are trying to reach 2,000 vehicles by March 2025 and our internal target to reach 5,000 vehicles is by March 2027.

Yashwanti: And that will be completely owned or it is an owned and it is owned operated by the driver and mobile also?

Anil Jain: Leased and owned vehicles together.

Yashwanti: More together. And sir, what is our Fleet size in the Ash handling business?

Anil Jain: Sorry, your voice is feeble again. Can you repeat?

Yashwanti: What is the Fleet size in the Ash handling business?

Anil Jain: Currently, we are having 800 vehicles in Ash. Of this 39 is owned by us and we plan to add about 190 in the current year.

Yashwanti: Okay. So, can you also help us understand how the Fleet structure happens as well from the Ash handling business? Is the power company there or the suppliers to whom we supply Ash, they pay?

Dinesh Agarwal: Mix. That depends on the state to state. This is Dinesh Agarwal. That depends on the state to state. Few states, there is a surplus of Ash where power company pays. There is in India, few states, there is a shortage and demand is high where the customer pays us. I mean, or the consumer who is using the Ash, they pay us. In an overall scenario, all over India, largely our plant pays us for the disposal.

Yashwanti: So that is in the traveling charges, the transportation charges is paid by us?

Dinesh Agarwal: Yes. We not only do the logistic transport charges, we do certain value additions on the compliances, permissions and certain technology we have deployed and we charge over and above the only transportation charges.

Yashwanti: So, in a way, we are helping the government, we are helping the environment from the sustainability perspective, taking the subsidized material out from the industry. So, in that case, do we get any kind of a subsidy, any kind of a credit, or like any kind of a carbon credit kind of a thing by doing this both this business? One is the tax funding, and the other is, you know, having a fleet in each site?

Anil Jain: Yes. So, currently, we are not doing that, but yes, there is a scope of, because there is a carbon abatement which is being done, CO_2 abatement. So, there is a scope of that also, which we'll look at in the next year.

Yashwanti: Yes, because that I can see that there was the quantum of the carbon abatement done by us by using this fleet site. So, we can expect some kind of a revenue going forward. That is what you wanted to guide us?

Anil Jain: Not in the current year, but maybe next year.

Yashwanti: Thank you so much for your explanation, sir. I'll join back in a queue.

Moderator: Thank you. The next question is from the line of Aniket Nerkar from SEBI, Registered Research Analyst. Please go ahead.

Aniket Nerkar: Yes. This is Ankit Nerkar here. I'm a SEBI Registered Research Analyst.

Moderator: Sorry to interrupt you, sir. May I request you to please use your handset?

Aniket Nerkar: Yes. So, I have a question pertaining to the investment done in RKG Fund-I. This was in 2021. Could you share some details about that investment?

Dinesh Agarwal: RKG Fund is an alternate investment fund, Category 2 fund, and they specialize in investing into stress assets and we have invested into that fund for a better return.

Aniket Nerkar: Could you give me some details about how could this fund be otherwise invested in your green mobility or any other business in order to grow the business in the first place? I mean, what was the rationale behind investing in the fund?

Dinesh Agarwal: This investment was done three years back, much before the green mobility business and this is looking into – we have seen this and we see a better return compared to any other investment and that is the reason we have invested.

Aniket Nerkar: All right. Is there any maturity to this investment?

Dinesh Agarwal: There is no maturity period but we expect this to get liquidated over the next 18 months.

Aniket Nerkar: Sorry, over the next?

Dinesh Agarwal: 18 months.

Aniket Nerkar: All right. 18 months. The other question I have is the profitability margin on the Ash handling business. Could you share some details related to that?

Dinesh Agarwal: Profitability in coal and Ash handling business is close to 12% net profit and that is…

Aniket Nerkar: My question is that segregating the coal business and the Ash business in terms of value?

Dinesh Agarwal: Coal and Ash business, as Anil has already answered this question in the previous one, this is both are interrelated, where interdependent logistics are there and that is the only reason we are keeping it as one business, one identifiable segment.

Anil Jain: Like I said, maybe going forward, we will try and split that because most of the logistics are cross utilized between both the segments. So, that is why splitting the profitability is very difficult, but going forward, we will try and put a value to both of that and try and share that.

Aniket Nerkar: All right. Thank you. Could you give some revenue guidance for next year? for this ongoing financial year for the coal and ash handling business?

Management: We expect a better growth this year compared to the last year. We are growing at a CAGR of 30% in this segment, 30% to 40% in this segment and we expect to repeat in coming 2 years to 3 years the same CAGR.

Aniket Nerkar: All right. Thank you. These are the only questions I wanted to ask.

Moderator: Thank you. The next question is from the line of Vijay Chavan from NCHP. Please go ahead. Mr. Vijay, can you unmute your line?

Vijay Chavan: Yes. Thank you. Good afternoon. Actually, my question is what is the capacity of refilling of gases supplies of gases arrangements for refilling revenues and margin from this segment?

Anil Jain: The current capacity is 3,000 metric tons per annum and the total market size of refrigerant gases is about close to INR1,000 to INR1,200 crores across the country and we do not see a large growth in this sector as such in the coming years because the whole market itself is very – I mean, compared to the total overall revenue which the company will be doing the percentage will be very less.

Vijay Chavan: Okay, sir. So, can you elaborate more on coal trading and power trading businesses?

Anil Jain: On the power trading currently what we do is we are a licensed power trading from – we have a Category 1 power trading license from CERC by which any generator or a consumer of power or DISCOM will have to buy and sell short-term power through this trading license. So, currently we have been doing some banking transaction for these DISCOMs.

We work with various DISCOMs for this power trading, and we are also working with some of the generators to see if we can book some capacities for bidding or selling during the short-term power requirements for various DISCOMs. And on the coal we have already explained that it's a trading business where we supply coal to some of the DISCOMs and thermal power plants as the country. The reason for that is more of doing both coal and ash handling in the similar – in the same company.

Vijay Chavan: Okay. Thank you sir.

Moderator: Thank you. The next question is from the line of Jignesh Dayda from Jiva Capital. Please go ahead.

Jignesh Dayda: Yes, sir. So, I wanted to understand, like we have different segments. So, what kind of vision the company has in the next 3 years to 4 years? How our revenue will be reflecting division-wise, percentagewise if you can throw some light?

Anil Jain: Yes. So, if you look at the businesses except refrigerant gases most of the businesses are linked to the logistics. The ash handling is also an advanced logistic business. The e-mobility is also an advanced logistic business using electric vehicles. And coal trading is more of a business where we're able to utilize – cross-utilize the logistics for ash.

So, going forward, we see refrigerant business growing at about 10% to 12%t CAGR and the ash handling and coal handling roughly about 30% to 40% CAGR. EVs, like we said, we are looking at almost about 5,000 electric vehicles by 2027.

Jignesh Dayda: So, and what about power trading?

Anil Jain: Power trading currently is more a licensed business. So, it's more depending on government tenders for banking and trading of power. So, very difficult to give an outlook for this currently because these are just starting to mature now.

Jignesh Dayda: Okay. And what kind of in coal and ash handling or what kind of last past year profitability have we seen? Is it constant or there is a lot of variation every year?

Anil Jain: It is constant. It is only – I think we'll only be growing the profitability because of more knowledge and deeper understanding of the business as we proceed forward and use of more technology towards tracking of vehicles and better utilization of ash disposal. So, we might see a little bit of a bump in the profit – in the percentage of profit going forward.

Jignesh Dayda: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Pranay Jain from Deal Wealth. Please go ahead.

Pranay Jain: Yes. My question is with regards to the trends that we are seeing near term, is this generally a period of good seasonality or we are seeing that things will only pick up from Q2 onwards overall across the segments?

Anil Jain: Yes. Till about last year I would say a lot was seasonal dependent, but I think with the diverse business which we are doing in various segments I think we're trying to mitigate that by ensuring more businesses happen which are not seasonal dependent and we see that refrigerant gases will always be seasonal because most of the demand comes during summer.

And in ash handling there could be a little bit drop during the rain season when there are heavy rains in some of the states. But by expanding our work in various different states, I think we would be able to mitigate that seasonal, yes.

Pranay Jain: So, as we expand our footprint and utilize our capacities better, is there anything that you can guide for the next one or two years in terms of how the scale-up is going to look on top line and bottom line?

Anil Jain: Yes. On the numbers, we can't comment the numbers. But like we did say that the ash and coal handling will grow at 30% to 40% CAGR, refrigerant roughly about 10% to 12% CAGR. And on the EV business, we think we'll reach about 5,000 vehicles by end of 2027.

Pranay Jain: Okay. And anything on the return ratios or margins that we are aiming?

Anil Jain: Yes. Like I said, the margin currently, the EBITDA numbers will definitely get better from 12.5. Like earlier, the '22- '23 was about 10.04, '23- '24 is about 12.77. I think it should go a little bit better and maybe we might have a few basis points higher in the current year with our efficiencies and learning of the industry.

Pranay Jain: All right. And lastly, anything as a tailwind we are expecting on the policy front or things are as good as they get presently?

Anil Jain: No, things are good. We don't see any change in the policy.

Pranay Jain: All right. Thank you so much and all the best.

Anil Jain: It's going to be the -- which everybody is going to talk about. So, I think we'll always be good.

Pranay Jain: All right. Thank you so much and all the best.

Anil Jain: Most welcome. Thank you.

Moderator: Thank you. The next question is from the line of Nishant Sharma from Nuvama Wealth Research. Please go ahead.

Nishant Sharma: Thank you, sir. Thank you for the opportunity. Just one question, a couple of questions from my side. One on the coal and ash handling. When you say the growth of 30-40%, that's only volume-led growth, right?

Anil Jain: Yes, volume-led growth. We see that the prices are sustained now and at these prices, we don't see big changes in the prices. In the ash handling, the contracts are more so increasing in prices only. Coal, we don't see a big, large difference in the prices from current prices. I think they already bottomed out.

Nishant Sharma: Okay. And if I look at the segmental margin from last year to this year, like on coal and ash handling, then last year, we had done about INR1300 odd crore of sales and about INR130 crore kind of EBIT. The same number, if I look at this year, over INR945 crore of top line in coal and ash, we had done around 121. So margins have expanded despite a correction in the prices. So is there any change from a contract point of view or this is purely led by what we call the operational efficiency or the mixed exchange that has helped for the margin expansion?

Dinesh Agarwal: That's majorly because of product mix, this one. Previous year, the coal part was more, I mean the 2023, and the ash was less. And this year, 2024, where the ash segment is more and coal is reduced. Coal, this is again because of product mix, one of the major contributions. And again, the learning, which we are increasing, our efficiency, we are correcting much more, increasing the efficiency. There are various other reasons. These are the two primary.

Nishant Sharma: So then how do we decide whether we should go for more on coal or move more for ash?

Anil Jain: So the group's vision is also to move a lot more towards ash. Like I said, coal was more so because of cross-fertilization of logistics, the clearing of coal. But our focus is going to be more on ash because that's where we see large margin growth for the company. And also volume-wise, like I said, the current market for ash handling is upwards of INR25,000 crores, which is completely unorganized. So the whole market opens up for us to look at our growth.

Nishant Sharma: And how do we differentiate from, say, unorganized to organized? I mean, why one would go towards organized? Possibly because we will be charging a little bit higher compared to unorganized. Or what are the modes that we see that our company should come towards, a company like us, our customers should come to us?

Anil Jain: What has happened over the years is most of this ash disposal has been to unorganized sector, and there's been no tracking of these ash where it is being disposed. What we bring on table to large companies and large corporate like NTPC, etc., is we bring a lot of tech on the table. Like we have a complete monitoring of vehicles, including using GPS. Every vehicle which is loaded is measured, how much of ash is loaded, where it is disposed, how much is disposed.

And all this data is given back to NTPC, and for them, they need to file it back with the environment ministry. So this is what we bring an advantage. And obviously, being a more organized player, we provide processes and systems for which there are minimum accidents, minimum casualties in all this transportation, because they involve large trucks, etc,

Safety and health is one thing which we always insist and take care of. I think these are all the major reasons why we have been working with them.

Nishant Sharma: When you say dumping, where do we dump this ash? I mean, as one or the other, cement companies take the ash as their own deal if I am not wrong…?

Anil Jain: There are multiple ways of disposing this ash. One is the – yes, like you said, cement companies are the major consumers of ash. The second is for highway construction, road construction, embankments on highways, mine filling, et cetera.

These are all the various uses. Depending on the location of the thermal power plant and the amount of cash generated, it gets split into any of these disposal avenue, depending on what is happening around the power plant. Some of this ash also goes for brick making, which is a very small value.

Nishant Sharma: Right. So here, we make money from NTPC giving us for our disposing of ash, or we get money from selling this ash to, say, a cement company like Ultratech.

Anil Jain: So it's a very interesting thing, like we answered this question earlier. It's a very demand-supply driven business. Sometimes both – we also get paid from both the sides, cement companies and thermal power plants. Sometimes it is only the thermal power plants which pays the – pays us money for transporting. Cement companies don't pay. So it's a very variable market, depending on the location and the demand and supply. There's no fixed rule for this anywhere in the country.

Nishant Sharma: And is there – I mean, do we have order visibility for this business, wherein we get the one-year order visibility in advance, or is there a contract, or is there a tender which they run it, and then we have to file those tenders, and then only we get to know what kind of numbers that we can achieve in the next year or something like that?

Anil Jain: Most of the private companies have a one to three-year contract, and even the tenders which come from NTPC and public sector are between one- to three-year contract. It could be – most of them are one-year contract, but some of them are even a little longer contract. So with this current, our order book is about INR1000 crores of coal and ash handling as of last weekend.

Nishant Sharma: And this INR1000 crores would be executed in what timeframe?

Anil Jain: We'll be executing in the current financial year.

Nishant Sharma: So generally, when we say, is there a possibility to achieve more than INR1000 crores, or this is the more of visibility that we have during the year when we get more orders or something like that?

Anil Jain: Yes, 100%. This is just the order book as of today, and there are much more visibility which we see over the next few months. Every month now, there are a lot of tenders coming up, and they're also targeting new states, new customers. So this is just the order book based on last weekend, and it's tend to grow much larger with this.

Nishant Sharma: Moving on to the next one, on the, say, power trading, you mentioned that INR500 crore kind of order book we have over there. Am I right in that?

Anil Jain: Yes, you're right. Currently, we have tied up with a generator for close to about INR500 crores of commitment of power from him, which we have in the forward also put in some tenders with some of the discounts which we have currently run those. That is also over the period of year. And again, this is the order as of today, and there's a potential of growing here also some more business to grow in this segment also.

Nishant Sharma: But if I, again, compare with the last year to this year, though we have over INR100 crore of incremental revenue, but the margins were almost flat, or rather in terms of percentage, it has declined. So what's the visibility that we see even if we do a INR500 crore kind of revenue in power trading, our margins will be much better over there or will that be absolute number will go up?

Anil Jain: So I'll tell you, power trading, because it's a licensed play, and it's a commodity, the margins are very thin. I think the margins could be less than like a percentage in all of these. It is just the volume, which could add up. And these are again, all of these are because we are being, we're just trying to get into maximum services with a power plant. We are trying to see how we can utilize the power under our power trading license, take care of the ash handling, take care of the coal requirement, and coal handling. All these services, we're just trying to see how we can consolidate into one power plant.

Nishant Sharma: Okay. And does this make sense? I mean, refrigerated gas, again, the top line was higher, but we incurred a loss in this year. And even as you mentioned that the growth is like 10% to 12% only. So a loss making business, maybe this year might be a one-off, but growing 10%, 12%, will that make sense? Or is there any significance or synergy that we can get from this business, refrigerated gas for the other businesses?

Anil Jain: So in this current year, there's a loss mostly because of the very frequent price fluctuation, and there's a 5% additional duty, which was imposed by the customs. So that was a one-time absorption of loss, I would say. But now it has been passed on to the customer, going forward, we will not have this loss. And the growth about 10%, 12% is a very reasonably achievable number in this business. Similarly, the profit margins also will be upward of 6%, 7% as previous years.

Nishant Sharma: Okay, last question for this, and maybe I'll fall back into the queue, there would be other participants also. There's one more segment, which is in sale of services, where we have considerable revenue. What is this? And the margins are also very high in that segment. What does this include?

Dinesh Agarwal: Sale of services, it is again a complementary business to us. That's not a focus for us. That's an opportunity waste. However, whichever the plant we work, if we are getting an opportunity, which is helping us to get into the plant, sometimes we undertake to take that project. So current year, whatever done in the last year is going to continue. This is more of an operations and maintenance service for various power plants in India.

Nishant Sharma: Okay, fine. I'll fall back into some questions. Thank you.

Moderator: Thank you. A reminder to all the participants that you may press star and 1 to ask a question. The next question is from the line of Jignesh Dayda from Jiva Capital. Please go ahead.

Jignesh Dayda: Sir, as you mentioned that you're giving a lot of services to thermal power plants and trying to get a lot of bouquet services. But on the other hand, if we have contracts in ash handling with power plants, can we not have kind of confirmed orders from long-term from cement companies also? Because they would also like to deal with organized players.

Anil Jain: Yes, that is also a work in progress. Some of the cement companies do have long-term contracts with us. But going forward, like while we tie up for the ash with the thermal power plants, we'll also go tie up with cement companies for long-term contracts.

Jignesh Dayda: Okay. So is this a new system in the industry or it has been happening, this kind of long-term contracts?

Anil Jain: Most of them were a yearly contract. We've been trying to see if this could be 3 or 5 years contract. Some of the unorganized players have been doing business, I would say. Whichever unorganized player would put maximum number of vehicles, you would take the ash and go from there. It was never - most of the private players are still operating like this. It's only the last few years, last two, three years is when the public sectors have moved to organize tenders and then process by which they want to give out these contracts.

Jignesh Dayda: Okay. So maybe we can take from government power companies and give it to big cement players.

Anil Jain: It'll again depend on the cement player's location. If a cement player is very far from a government company, we cannot give him. He has to be located near a thermal power plant. Most of the cement companies in the past have been set up near the private power plants, more so because they thought it was easier to get ash from private players than government. So it's a viability. It's always a question of viability whether ash from a thermal power plant will be viable or not.

So we take it as, as we get these contracts, we then based on that, go backwards and work with other cement companies, roads, highways, or embankments, wherever the best utilization could happen at the lowest cost for us, we could go back and do that.

Jignesh Dayda: Okay. And in the last couple of years, out of total ash handling, the top 3 cement companies would have taken how much of the total ash that we have handled in terms of percentage?

Anil Jain: Cement companies in terms of percentage?

Jignesh Dayda: Yes. And nationally.

Anil Jain: See, I think roughly if you see, just to give some numbers, Gujarat, Ambuja does about 5,000 tons a day with us. And Ultra Tech does about 3,000 tons, out of our 35,000 tons being handled, about 25% is going to cement companies.

Jignesh Dayda: Okay. Right. Thank you.

Moderator: Thank you. The next question is from the line of Vidhya Shankar, who is an individual investor. Please go ahead.

Vidhya Shankar: Good afternoon, gentlemen. I'm very happy that during the last stage when we proposed to it was much before the next AGM. My questions are pertaining to the mission 2025 and vision 2030.

If you can have some kind of a statement in this regard, it will really help us understand the overall direction of the management. And secondly, since we are getting into multiple revenue thrust areas, as a seasoned investor and risk assessment, what is the risk of this deviation from our core competency in terms of coal ash and refrigerating gas?

Anil Jain: Thank you, sir. Thank you for this question. On the vision statement, it is very difficult to make statement today, but I'll definitely think and before the next call, I will make two strong statements.

Vidhya Shankar: It will be an ongoing exercise, so if we can have it before the AGM.

Anil Jain: We'll do that for sure. And currently on this, the question which you asked, if you see, like I said, even the electric vehicle business is more of a logistic business. We are only looking at logistics in a very large, sustainable way, where we're trying to see bringing our skills of managing the drivers, vehicles, bringing technology to the vehicles, bringing complete monitoring using a strong back office.

I think these are all the strengths we bring into the business. So shift of coal and ash handling to an electric vehicle is not a large diverse. It is just the product or the end customer changes, but the process is very, very similar.

And I think today, the way India is growing, the country is growing, every large organization will want to work in a very system driven and process driven manner for any of their activities, even more so from the sustainability and ESG compliance side. So I think we will only be contributing to that. And for us, getting into these various areas of logistics is mitigating risk of revenue from one of the sector itself.

Like just for information, a few years back, everybody was saying that thermal power plant is not a great place of business to work, lenders would not fund, but then the whole thing changed over a period of time. So it's more so to mitigate risk, we're getting into various of these activities, which are similar in nature, I would say.

Dinesh Agarwal: Just like we look at diversification within our portfolio, the overall portfolio from a company's long-term standpoint, you would also like to have a little more diversification.

Vidhya Shankar: Thank you, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Nishant Sharma from Nuvama Wealth Research. Please go ahead.

Nishant Sharma: Thank you for the opportunity. So my next question is around the EV fleet size that we have. Yes, thank you. So my next question is around EV segment where we have two categories if I have to classify them. One is a B2B where we are providing services to the large corporates for their employees from office to home services. So that would be more like a short-term or a long-term contract. What is the fleet size over there?

Anil Jain: Just to give you an example, like Bangalore airport taxi, that is B2C is about 176 vehicles. The other two, Bangalore corporate employee transport is about 196 cars. And in Chennai, employee transportation is about 107 cars. These are B2B businesses. So the B2B contracts are generally long-term contracts, anywhere between one to three years contract. Large software companies, large companies are looking at a three-year contract, and they are more advantage and beneficial for us also.

Nishant Sharma: Right. So now getting into B2C airport taxi because that would be more dependent on the traffic and as well as on the pricing side. And there, the 660 target that you mentioned is only for the airport taxi that we are getting or across all three segments that you just mentioned, that is the target?

Anil Jain: No, sir, it is only the airport taxi. The tender which had come out from the Bangalore International Airport Limited Company was to deploy 660 vehicles. They already were having ICE vehicles, the diesel engine vehicle for their airport taxi, which was using the first lane. They had about 660 vehicles over there.

And the utilization of all these vehicles are, on an average, about 1.5 to 1.7 trips per day. This is based on the data available from the Bangalore taxi in the past two years. And we only see the airport passenger traffic is only increasing with the new terminals. So I think 660 vehicles will be fully utilized for B2C. And the tariff for these are all in Bangalore, the government comes out with tariff. These tariffs are all fixed by government.

So whether it is any other company also will have to work within the same highest tariff given by the authority. The advantage what we have is our taxis will be in the first lane. And as soon as the passenger comes out, the first vehicle he sees is the airport taxis of the Bangalore airport, which is currently deployed by us. So the advantage of us getting a business is much more than anybody else who is in a Row 4 or Row 5.

Nishant Sharma: Okay, it's not the prepaid taxi that we generally book it from the airport, that is not. It's just directly you can enter and decide on that.

Anil Jain: Yes, you can enter and decide. And this will again most of -- this are again technology driven, we have an app, which you can also download and pre-book if you want when you come to Bangalore airport, similar to your other fleet services which you use. It can be pre-booked, it can be booked on the spot, or it can be booked through the app also, or at the counter at the airport also.

Nishant Sharma: So it's a revenue share with the driver or the entire income and saving and the drivers are mostly on salary?

Anil Jain: Currently, we are working on both the models where we're also having some drivers on salaries and some we're also working on revenue share. We're just trying to see whichever works the best for us. We're trying to ensure that the yield -- when you give a revenue share to the driver, the yield, the higher revenue, there's more potential to generate more revenue because he gets a better share. So we're working on both the models currently.

Nishant Sharma: Okay. And last question from my side is on the capex requirement as we are mostly focusing on expanding capacity across our business verticals. So what would be the capex requirements in maybe each of the vertical or at a console level? And how are we planning to fund those capital requirements?

Anil Jain: Yes, so the total capex requirement for the current year I would say is roughly about INR55 crores. And the INR55 crores will be for all the businesses put together.

Dinesh Agarwal: Majorly, it will be bank funded.

Anil Jain: Yes, most of it will be bank funded.

Dinesh Agarwal: Very less capital intensity.

Nishant Sharma: Okay. And sir, we -- sorry, go ahead sir.

Anil Jain: This is for the holding company and for the electric vehicle which we're talking about. When we talk about 2,000 vehicles in the current year, we're talking roughly about INR130 crores of capex requirement there also.

Nishant Sharma: Okay. And that will also be bank funded?

Anil Jain: Yes.

Nishant Sharma: Okay. Even in the holding company, the requirement will be more for increasing the fleet size in ash and cold handling system, right?

Anil Jain: INR43 crores out of the INR55 crores is going to go for the fleet size increase, INR5 crores is for refrigerants and another INR6.5 crores is for other corporate capex.

Nishant Sharma: Okay, INR43 crores plus INR5 crores plus INR5 crores.

Anil Jain: INR5 crores plus INR6 crores. INR42.66 crores plus INR5 crores plus INR6.5 crores.

Nishant Sharma: Okay, and then your new company Refex Renewables, so are you going to have any comments on this call or we have a separate call for that?

Anil Jain: For that we'll have a separate conference.

Nishant Sharma: Okay, fine. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I would now like to hand the conference over to Ms. Chandni Chande from Kirin Advisors for closing comments.

Chandni Chande: Thank you. Thank you everyone for joining the conference call of Refex Industries Limited. If you have any queries, you can write to us at research@kirinadvisors.com. Once again, thank you for joining the conference.

Anil Jain: Thank you, everyone.

Moderator: On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.