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29 must-read Q2 FY27 concalls

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Happy Forgings Limited

CASTINGS, FORGINGS & FASTNERS

TLDR

Happy Forgings reported Q2 FY27 revenue of ₹501 crore, up 32.7% YoY, on 24.8% finished-goods volume growth and a 6.3% rise in realisation to ₹267/kg. EBITDA was ₹153 crore (30.6% margin, up 32.2%) and PAT ₹98 crore (19.5% margin, up 32.8%). H1 revenue grew 29.9% to ₹950 crore with EBITDA margin at 30.9%. The board approved a new ₹500 crore capex, 70% for machining and 30% for small press lines, to be spent across FY28 and FY29, adding 59,000 MT forging and 34,000 MT machining capacity for total capacity of about 2,17,000 MT forging and 116,000 MT machining in two to two and a half years. Management guides FY27 margins roughly similar to FY26, with EBITDA per kg improving in H2 and captive solar adding about 1.5% to EBITDA from Q4. Watch items are ocean freight costs, which doubled selling costs on exports in the quarter, and the pending promoter dilution.

WHAT CHANGED SINCE Q1 FY27

- **New capex announced:** The board approved ₹500 crore of additional capex, 70% for machining and 30% for small press lines, phased across FY28 and FY29. Q1 notes had no such programme; the only large project then was the ₹650 crore ultra-heavy component facility.
- **Capacity targets raised:** Total planned capacity is now about 2,17,000 MT forging and 116,000 MT machining in two to two and a half years, against 1,58,000 MT forging and 82,000 MT machining reported this quarter. Q1 notes gave forging capacity of 1,56,000 tons and casting capacity of 75,200 MT; casting capacity was not discussed this call.
- **Heavy line timeline clarified:** Q1 notes said the 18,000-ton press would be operational from Q4 FY27. Management now says equipment arrived in FY27, cold trials are planned for Q4, sample submissions happen in FY28, and revenue is factored only from Q3 and Q4 of FY28. Management said the factoring is unchanged since the beginning.
- **Order book restated:** Q1 notes cited a ~₹950 crore order book, 60% export. This call describes the ₹950 crore book as roughly 50% export, with ₹95 crore of new export orders to Asia won last quarter and about ₹100 crore gained in the last quarter overall.
- **Data centre orders disclosed:** ₹300 crore per annum of secured orders for large data centre applications, contracted to 2033, with customer investment in the machining lines. Q1 notes only described quoting parts worth ₹28-30 lakh apiece.
- **Margin language shifted:** Q1 guidance was FY27 margins "broadly in line with FY26, with potential for improvement." This call says full-year profitability margin metrics "may remain at levels roughly similar to FY26," with gross margin and EBITDA per kg expected to trend upwards.
- **Freight cost treatment changed:** Q1 notes described container costs tripling to ~$6,000 with ~75% pass-through. This call says ocean freight peaked last quarter, export selling costs nearly doubled, and 80% of cost increases have been passed through on the domestic side.
- **Solar benefit restated:** Q1 notes said captive solar would add ~1-1.5% to EBITDA from FY28. This call puts the project at 33 MW (30 MW DC plus 3.5 MW), with about ₹30 crore of annual power saving, generation from Q4 and full generation from Q1 next year.
- **Promoter dilution surfaced:** Management said the pending promoter stake dilution will be completed within the required time frames. It was not discussed in Q1.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹501 crore	+32.7% YoY	24.8% volume growth and 6.3% realisation growth

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Gross profit	₹305 crore	+33.8% YoY	Gross margin 60.8%, up 52 bps
EBITDA	₹153 crore	+32.2% YoY	EBITDA margin 30.6%, broadly stable YoY with sequential moderation
PAT	₹98 crore	+32.8% YoY	PAT margin 19.5%
H1 revenue	₹950 crore	+29.9% YoY	H1 volumes +24%, realisations +4.8% to ₹260/kg
H1 EBITDA	₹294 crore	+35.5% YoY	H1 margin 30.9%, up 127 bps
H1 PAT	₹189 crore	+35.8% YoY	H1 PAT margin 19.9%, up 86 bps
Realisation	₹267/kg	+6.3% YoY	Raw material pass-through, negotiated price increases for conversion costs, better product mix
Forging capacity utilisation	60% (H1)	n/a	Installed forging capacity 1,58,000 MT
Machining utilisation	77% (H1)	n/a	Expected to reach close to 90% by Q4
Machining share of output	90% (H1)	vs 88% in FY26	Emphasis on higher value-added machining
ROE / ROCE	17.1% / 19.6%	n/a	ROCE on operational assets excluding cash, CWIP and capital advances above 25%

SEGMENTS & GEOGRAPHIES

- **Commercial vehicles (33% of H1 revenue, 37% in FY26):** High-teens growth, with domestic up in the mid-20s in line with MHEV production and sales. Exports stayed subdued on longer shipment times and higher sales in transit. Management said domestic CV looks very strong.
- **Farm equipment (30% of H1 revenue, 34% a year earlier):** Growth above 20%, domestic high-teens, ahead of domestic tractor production and sales. Market share rose from 42% to about 46%. Management said November and December look weak for the market but expects no revenue dip, citing new orders and full ramp-up, with a capacity shortage in the segment.
- **Industrial (16% of H1 revenue, 13% in FY26):** Growth well above 50% in domestic and export markets. Management cited data centre backup generators, energy, and new tank shaft orders for Japan and Asia. It expects continued growth.
- **Off-highway (12% of H1 revenue, 10% a year earlier):** Growth above 50%, with domestic construction equipment supported by highway and infrastructure project awards and exports supported by construction and mining equipment demand.
- **Passenger vehicles (9% of H1 revenue, 5% a year earlier):** Revenue almost doubled, from domestic wallet share gains and execution of earlier export orders. Management said programs ramp from Q3, with two new domestic programs starting in Q4 and Q2 of next financial year.
- **Geography:** Domestic revenue grew 30% and exports 36% in H1. About 50% of the order book is export.

STRATEGY & COMPANY-SPECIFIC

- **₹650 crore ultra-heavy component capex:** Progressing on schedule, including the 20 MW captive solar plant, with completion and start of operations by Q4 FY28. Of this, ₹150 crore is for a vertical upsetting line for North American farm equipment (500-600 HP) and wind turbines, already booked with development started. ₹300 crore

is for a fungible heavy hammer line (300 kg to 3 tons, about 2,000 tons per month). ₹200 crore is for machining lines for data centre and heavy engine applications.

- **Secured heavy orders:** ₹300 crore per annum of orders for large data centre applications, contracted to 2033, with customer investment in the machining lines. About ₹1,000 crore of new orders are in discussion, of which management aims to close about ₹500 crore by this financial year. Cold trials on the hammer line are planned for January-February and hot trials by March.
- **New ₹500 crore capex:** 70% for machining and 30% for small press lines, on land acquired about six months ago. It will support medium series gensets, CV exports and PV requirements. ₹300 crore of debt is proposed as a bridge facility, with actual utilisation possibly lower; about ₹50 crore will be spent this year and the balance next year.
- **Capacity additions:** The combined programmes add 59,000 MT forging and 34,000 MT machining capacity, taking totals to about 2,17,000 MT and 116,000 MT in two to two and a half years.
- **4,000-ton press line:** Commissioned for a North American PV customer, ramping since Q1. Sales are on DAP terms, so much of this quarter's output went into sales in transit and will be recognised from Q3. ₹80-100 crore of sales is projected from this facility, with more North American PV orders from end-FY27 and FY28.
- **Renewable energy:** 33 MW solar project (30 MW DC plus 3.5 MW), about 90% of capex done, with generation from Q4 and full generation from Q1 next year. Expected saving of about ₹30 crore on power.
- **Capex funding and balance sheet:** H1 capex of about ₹378 crore funded from internal accruals, liquidity and debt. Operating cash flow was ₹124 crore, held back by higher receivables and ₹35 crore of advance payments to raw material suppliers. Outside liability to net worth 0.21, net debt to equity 0.08, cash and liquid reserves about ₹350 crore.
- **Promoter dilution:** Management said the pending dilution will comply with requirements and be completed within the time frames.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 volume growth	Full-year guidance maintained (high-teens per Q1 notes)	Maintained	Improving industry demand and ramp-up of recently secured business
FY27 margins	Roughly similar to FY26	Maintained, with "potential for improvement" language dropped	Raw material pass-through, 80% of cost increases recovered on domestic side, product mix
Gross margin and EBITDA per kg	Expected to trend upwards; EBITDA per kg maintained in H2	New	Product mix, higher value addition, operating efficiencies
Solar EBITDA contribution	About 1.5%, from Q4, meaningful from Q1 next year	Maintained	33 MW project, about 90% of capex done
Ultra-heavy facility commissioning	Complete and commence operations by Q4 FY28	Maintained	Project on schedule
Heavy line revenue	Factored from Q3 and Q4 of FY28	Clarified	Cold trials Q4 FY27, sample submissions in FY28
Data centre order closure	About ₹500 crore by this financial year	New	₹1,000 crore in discussion, customers awaiting capability demonstration

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Capacity by two to two and a half years	About 2,17,000 MT forging, 116,000 MT machining	New	₹650 crore and ₹500 crore programmes combined
New ₹500 crore capex phasing	About ₹50 crore this year, balance next year	New	Land already acquired
Debt for new capex	₹300 crore bridge facility proposed, utilisation may be lower	New	Matching funding needs over one and a half to two years
Heavy forging capacity need	No further heavy forging capacity needed for four to five years	New	2,000 tons of capacity being added; machining lines to be added as products develop
Business scale	Current sales can be added over the next three to four years across initiatives	New	Data centre, 19-60 litre engines, PV, off-highway

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Ocean freight costs	Rates peaked last quarter; export selling costs nearly doubled. 80% of cost increases passed through on the domestic side; freight is softening.
Raw material prices	Complete pass-through; higher prices may pressure near-term margins, but EBITDA per kg improved and is expected to hold in H2.
Weak domestic tractor market	November and December look weak, but management expects no revenue dip given market share gains and full ramp-up; 4-5% of the 30% farm equipment business is indirect exports.
US data centre capex concerns	Management sees no concern, citing secured orders to 2033, customer investment, few global facilities for large parts, and a ₹1,000 crore order book being about 5% of the total market.
Working capital	H1 operating cash flow of ₹124 crore held back by receivables and ₹35 crore supplier advances; expected to normalise over the full year.
Promoter dilution overhang	Management said the dilution will be completed within the required time frames.
Capex intensity	Capex will be larger on a bigger base; management said assets are not idle and can be utilised quickly.

Q&A HIGHLIGHTS

New capex demand split Question: What demand within industrials drives the ₹500 crore capex, and what share of the order book is export? Answer: 70% of the capex is for machining and 30% for small press lines, serving medium series gensets, CV exports and PV. About 50% of the order book is export, including ₹95 crore of new orders to Asia won last quarter.

4,000-ton press line Question: Was the line built for a North American EV customer, and how much revenue did it generate this quarter? Answer: Yes, for a North American PV client. Most sales are on DAP terms and went into sales in transit, to be recognised from Q3. ₹80-100 crore of sales is projected from the facility.

Data centre order visibility Question: Do US developments change the data centre opportunity, and how firm are the orders? Answer: ₹300 crore per annum of orders are secured to 2033 with customer investment. About ₹1,000 crore of orders are in discussion, with about ₹500 crore targeted for closure this financial year; cold trials start January-February.

Heavy line commissioning timing Question: The presentation shows FY28 commissioning against earlier Q4 guidance. Has anything slipped? Answer: Equipment arrived in FY27, cold trials are planned for Q4, sample submissions happen in FY28, and revenue is factored only from Q3 and Q4 of FY28. The factoring is unchanged.

Margin guidance moderation Question: H1 margins are above last year, so does FY27 guidance imply H2 moderation from pass-through-inflated revenue or cost pressure? Answer: Raw material is a complete pass-through and EBITDA per kg improved despite cost pressure. It is expected to be maintained in H2, with solar adding about 1.5% to EBITDA from Q4.

Farm equipment demand Question: Large OEMs are cautious on tractors. How does that affect revenue? Answer: Market share rose from 42% to about 46%, lines are fully ramped with a capacity shortage, and only 4-5% of the 30% farm equipment business is indirect exports. No impact is seen on order books or demand.

Heavy line asset turns and expansion Question: The line can do 1-1.3 times asset turns, so how fast can more lines be added? Answer: The hammer line has about 2,000 tons of capacity and up to ₹800/kg realisation if sold machined, an opportunity of about ₹1,600-1,800 crore per annum. Machining lines can be added with customer investment and about one year of lead time.

Capex funding Question: How much debt is needed for the new ₹500 crore capex? Answer: A ₹300 crore bridge facility is proposed, with actual utilisation possibly lower, funded over one and a half to two years from internal accruals, liquidity and debt.

Ramkrishna Forgings Limited

CASTINGS, FORGINGS & FASTNERS

TLDR

Ramkrishna Forgings reported Q2 FY27 consolidated revenue of ₹1,405 crore, up 54.9% YoY and 15.5% QoQ, with EBITDA excluding other income of ₹256 crore and margin of 18.23%, against 13.50% a year earlier. PBT was ₹95 crore versus a ₹10 crore loss, and PAT ₹71 crore, up 47% QoQ. Management won ₹673 crore of orders with a four-year life, 52% export; casting accounted for ₹447 crore, including ₹272 crore from a new North American light-vehicle customer and product. Focus is on utilisation and returns from completed capacity, with FY27 capex around ₹550 crore, debt reduction of ₹500 crore to a ₹1,500 crore net target, and railway wheel supplies starting after inspection. Management expects H2 FY27 to be better than H1 and FY28 to be a good market in domestic and export markets, without quantifying growth. Risks are shipping costs, steel inflation, Europe softness and wheel ramp execution.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Consolidated revenue	₹1,405 crore	YoY +54.9%; QoQ +15.5%	Domestic demand, improving international business, capacity utilisation
EBITDA excluding other income	₹256 crore	vs ₹123 crore YoY; vs ₹218 crore QoQ	Operating efficiency from higher utilisation, product mix
EBITDA margin	18.23%	vs 13.50% YoY; vs 17.96% QoQ	Higher utilisation, product mix, operating efficiencies
PBT	₹95 crore	vs -₹10 crore YoY; vs ₹65 crore QoQ	Higher operating profit
PAT	₹71 crore	+47% QoQ	Higher operating profit
Debt reduction, H1 FY27	₹126 crore	n/a	H1 debt reduction; FY27 target is ₹500 crore
New order wins	₹673 crore, 4-year program life	New disclosure	CV, LV, EV and farm equipment; 48% domestic, 52% export
Export revenue	₹424 crore	vs ₹277 crore in Q2 FY26	North America recovery; Europe customer additions
Casting orders	₹447 crore	New disclosure	₹272 crore North American light-vehicle export order; new customer and new product

SEGMENTS & GEOGRAPHIES

- **Commercial vehicle:** Q2 orders were ₹304 crore. Management cited CV sales growth of 28.7% in Q2 FY27 as part of the domestic demand backdrop.
- **Light vehicle and passenger vehicle:** Q2 light vehicle orders were ₹272 crore. Passenger vehicle is the next growth lever, with management expecting about 10% growth from passenger vehicles by CY28/FY29.
- **Electric vehicle:** Q2 orders were ₹7 crore.
- **Farm equipment and off-highway:** Q2 orders were ₹90 crore, which management said reflects growing presence in off-highway applications.
- **Casting:** Orders were ₹447 crore, including ₹272 crore from a new North American light-vehicle customer and new product. Management said casting is not a high-margin business, current capacity is enough for the new orders, and any casting capex would be in the next financial year.

- **Railway:** Management said demand is high for fully assembled bogies, frames, bolster and cast components, and order flow is continuous. The segment looks flat as a percentage because total revenue is rising.
- **Oil and gas:** Demand is firm. Casting and oil and gas drove the subsidiary improvement in the quarter.
- **Exports:** Q2 exports were ₹424 crore versus ₹277 crore in Q2 FY26. North America is about 58% of the mix and Europe about 41%, versus Europe at about 28% two years ago. Europe saw a marginal decline as schedules prioritized North America's recovery; management said it can be covered next quarter and that export growth is sustainable.
- **Aluminium and cold forging:** Aluminium forging capacity is 6,000 tonnes. Utilisation in aluminium and cold forging is above 50%; both export to North America and management is adding customers.

STRATEGY & COMPANY-SPECIFIC

- **Capacity and capex:** Most planned forging capacity is complete. Incremental spend is on machining and value-add capability. H1 FY27 capex was ₹390 crore, plus ₹40 crore invested in the JV.
- **Railway wheels JV:** 300 wheels are ready and under railway inspection; no RDSO approval is needed. First supply is expected in the next couple of weeks. Phase 1 is 140,000 wheels and phase 2 adds 140,000 wheels of machining capability. The ₹56 crore approval is for phase 2, with no extra equity; the committed ₹24 crore is part of the investment.
- **Debt and bill discounting:** Bill discounting is non-recourse and relates to Tata Motors and other customers, so management treats it as receivables that get knocked off.
- **Working capital:** Net working capital rose about ₹140 crore on volume, while days are close to March levels. Shipping delays built inventory, and management expects improvement in the upcoming period.
- **Aerospace and new materials:** Management is in direct discussions with OEMs for engine-side components and is exploring frame components. Work on non-ferrous components in aluminium, titanium, Inconel and niobium grades for aerospace, robotics and semiconductors is progressing. No timeline was given.
- **FTAs:** Management sees no major inquiries from the UK FTA. Europe FTA traction would come only after approval by the European Union.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	Year looks extremely strong; may surpass previous peaks in YoY growth; no number	n/a	H1 performance, order book, market
H2 FY27 vs H1	Better	n/a	Order pipeline and market
FY28 domestic and export markets	Good market; no quantification	n/a	Order wins and customer discussions
EBITDA margin	Expansion each quarter; aspire to prior peak; no timeline	n/a	Utilisation, product mix, operating efficiency
FY27 capex	Around ₹550 crore; about ₹160 crore in H2 on machining	n/a	Value-add machining capability
JV investment	₹50-55 crore pending; ₹15-20 crore in H2, rest FY28	n/a	Committed JV equity
Net debt	Reduce ₹500 crore in FY27 to ₹1,500 crore net; gross ₹1,670-1,700 crore	n/a	Debt reduction and cash flow

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY28 debt reduction	₹300-400 crore	n/a	Cash flow
Finance cost	Down about ₹40 crore per annum if ₹500 crore debt is repaid	n/a	8% interest cost
ROCE	12-15% by end FY27; 20% in FY28	n/a	Capital employed and profitability
Railway wheels FY27 volumes	20,000-25,000 wheels; first 300 after inspection in next couple of weeks; December 2,000-3,000 per month; Q4 4,000-5,000 per month at 80% capacity	n/a	Railway inspection and ramp
Railway wheels margin	18-20% EBITDA at optimal utilisation	n/a	Optimal capacity utilisation
Passenger vehicle growth	About 10% growth from passenger vehicles by CY28/FY29	n/a	New orders and pipeline
Order execution	Average 6 months; export 9-12 months; domestic 3-4 months; casting North America LV validation 6-9 months; domestic 12-14 weeks	n/a	Customer validation and schedules
Working capital	Improve in upcoming period	n/a	Focus on days
Shipping cost	Current level seen as peak; no incremental increase now; further increase would be discussed with customers	n/a	Freight market and geopolitics
India steel price	Another hike possible in January; domestic pass-through expected	n/a	Management preparedness
Europe FTA	Traction only after EU approval	n/a	FTA pending
Aerospace	No timeline	n/a	Discussions with OEMs

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Shipping cost	Increased significantly; net impact of ₹8-9 crore in Q2; likely to remain for some time; customer is not prepared to bear the entire cost, so the company will share some
Steel price inflation	Indian steel prices rose more than customer compensation; negative carry of ₹6-7 crore; another India hike is possible in January, with domestic pass-through expected; North America and Europe local steel did not rise as much
Global environment	Geopolitical tensions in the Middle East, threats of new tariffs, supply chain dynamics, currency movements and input costs remain areas to monitor
Europe exports	Marginal Q2 decline came from capacity and schedule lines prioritizing North America; management said it can be covered next quarter
Casting mix	Casting is not a high-margin business; growing the casting vertical affects consolidated margin; no timeline to the prior peak
Working capital	Net working capital rose about ₹140 crore on volume; days are close to March; shipping delays built inventory; improvement is expected
Railway wheel ramp	300 wheels are under inspection; first supply has not yet happened; production targets depend on inspection and ramp
Order conversion	New orders have validation and delivery timelines; export orders take 9-12 months and domestic 3-4 months; the North American casting order needs 6-9 months validation

RISK	WHAT MANAGEMENT SAID
Aerospace and defense	No specific information or timeline; discussions with OEMs are ongoing
FTAs	UK FTA has not produced major inquiries; Europe FTA is pending EU approval

Q&A HIGHLIGHTS

Casting order execution. Asked how the new casting orders will be executed and whether capacity exists. Management said the North American light-vehicle order needs validation before regular supplies, domestic orders start after a shorter development period, current capacity is enough, and any casting capex would be in the next financial year.

Capex and JV funding. Asked about FY27 capex after H1 spend and the JV. Management said FY27 machining capex is around ₹550 crore with about ₹160 crore in H2, and the JV has ₹50-55 crore pending, of which ₹15-20 crore comes in H2 and the rest next year.

Margin path. Asked when EBITDA margin can return to 20-21%. Management said shipping cost is elevated and cost ₹8-9 crore net in the quarter, export mix helps but the quantum depends on product mix, and it aspires to the prior peak with quarterly expansion but no timeline.

Subsidiary margin. Asked why subsidiary margin looked much higher. The CFO said subsidiary margin is 16-17%, similar to RKFL, and intercompany sales elimination distorts the consolidated calculation; casting and oil and gas drove the improvement.

Europe versus North America. Asked about weaker Europe. Management said exports rose to ₹424 crore from ₹277 crore, Europe is 41% of the mix versus 28% two years ago and North America 58%; Europe's marginal decline came from prioritizing North America's recovery and can be covered next quarter.

Railway wheels. Asked about approval and funding. Management said no RDSO approval is needed, 300 wheels are under railway inspection with first supply in the next couple of weeks, December should see 2,000-3,000 wheels and Q4 4,000-5,000 per month at 80% capacity; the ₹56 crore approval is for phase 2 and is not extra equity.

FY28 outlook. Asked to quantify FY28 growth. Management said FY28 looks good in domestic and international markets but declined to quantify, said it has visibility for the next six months, sticks to FY27 guidance given at the full-year results, and will guide after full-year results.

ROCE. Asked whether 12-15% ROCE for FY27 and 20% for FY28 hold. The CFO confirmed 12-15% by end FY27 and 20% next year.

Sona BLW Precision Forgings Limited

CASTINGS, FORGINGS & FASTNERS

TLDR

Sona BLW reported its highest-ever revenue, EBITDA and PAT in Q2 FY27: revenue ₹1,546 crore (+35% YoY, +18% QoQ), EBITDA ₹356 crore (+23% YoY, 23.0% margin, down 2.3% YoY), PAT ₹223 crore (+29% YoY, 14.4% margin). BEV revenue grew 129% YoY to 51% of automotive product sales, and traction motors grew about 50% QoQ, which management said pulled the margin percentage down alongside steel, copper, oil derivative and freight inflation (freight nearly doubled QoQ). The company won ₹36 billion of new business, its third-highest quarter, taking the net order book to ₹251 billion with robotics and physical AI at 4%. Three products were commercialised, the most in a quarter. Management holds the 23-25% margin range, targets JV1 closing by end-December with possible spill into January and JV2 in H1 CY27, and expects the robotics inflection timing to stay unpredictable.

WHAT CHANGED SINCE Q1 FY27

- Margin recovery slipped. Q1 notes said progressive improvement from Q2 FY27 on cost pass-throughs; Q2 margin fell to 23.0% from 23.1% in Q1, and management attributed the pressure mainly to product mix (traction motors growing about 50% QoQ) with West Asia-linked inflation second. The 23-25% range was maintained.
- The 10X ambition gained a new framing: the first strategic priority was broadened from electrification to "EPIC mobility" (electric, personalized, intelligent, connected), which management said reflects robotics, physical AI and connected-solution wins.
- DENSO JV timelines were newly given. Q1 said SOP timing was confidential and formation staggered; Q2 set JV1 closing (business carve-out) by end-December, possibly January, and JV2 closing in H1 CY27. SOP dates remain undisclosed.
- Robotics order book rose to 4% of the ₹251 billion net order book, from 3% (₹800 crore) in Q1. Q1 said one robotics order would start that quarter, one the next and one within about 15 months; Q2 gave no SOP update and said the inflection year is unknown.
- Order book grew to ₹251 billion from ₹240 billion, with ₹36 billion of additions described as spread across products rather than anchored on one large order. EPIC programs reached 75 across 37 customers (44 in production, 31 yet to start), against 69 programs and 36 customers in Q1.
- Cash generation was newly quantified: ₹594 crore cash from operations (90% of EBITDA) and ₹446 crore free cash flow in H1, more than 50% above the whole of FY26. Q1 had no cash flow figure.
- Eastern markets reached almost two-thirds of revenue, from 59% in Q1. E-2W/3W is now 14% of revenue, a new disclosure.
- Management named the inflation source as the war in West Asia, with further increases in steel, copper and oil derivatives and freight nearly doubling QoQ. Q1 referred only to elevated commodity and input costs.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹1,546 crore	+35% YoY, +18% QoQ	129% BEV growth; previous highest was ₹1,310 crore in Q1
EBITDA	₹356 crore	+23% YoY	Operating leverage offsetting mix and input costs
EBITDA margin	23.0%	-2.3% YoY	Product mix shift to traction motors and higher input prices, partly offset by operating leverage
PAT	₹223 crore	+29% YoY	Lower depreciation percentage helped; lower EBITDA margin pulled it down

METRIC	REPORTED	CHANGE	WHAT DROVE IT
PAT margin	14.4%	-0.5% YoY	Lower EBITDA margin, partly offset by lower depreciation
BEV revenue	Not disclosed in rupees	+129% YoY, +40% QoQ	India e-2W/3W demand and EV driveline growth; US EV deliveries broadly unchanged
BEV mix	51% of automotive product sales	From 44% in Q1	First time above half
H1 revenue	₹2,857 crore	+43% YoY	BEV revenue ₹1,042 crore, +119% YoY, 48% of automotive product sales
H1 EBITDA / PAT	₹659 crore / ₹404 crore	+34% / +36% YoY	H1 EBITDA margin 23.1%, down about 1.5% YoY; PAT margin 14.1%, down about 0.5%
Net order book	₹251 billion	From ₹240 billion in Q1	₹36 billion of wins, third-highest quarter; robotics and physical AI 4%
Cash and investments	₹1,966 crore gross	n/a	₹594 crore cash from operations, ₹148 crore capex, ₹112 crore dividend, ₹224 crore additional borrowings, ₹108 crore ESOP inflow

SEGMENTS & GEOGRAPHIES

- **Traction motors**: Grew almost 50% QoQ on higher wallet share with existing OEMs and 3-wheeler ramp-up alongside 2-wheelers; another product launch is planned this quarter. Management said it gained share when OEMs faced magnet and supply-chain constraints because it had switched to light rare earth and had capacity available.
- **Suspension motors**: Fastest-growing product, now about 7% of revenue, driven by one customer in China whose new model exceeded expectations; the order book is limited to that customer across variants, with talks ongoing with other OEMs.
- **Differential assembly and gears**: Combined grew 37% YoY; all three large EV differential assembly customers picked up this quarter, which management called a reversion to mean after a weak prior year.
- **India**: Strongest driver of the quarter through electric 2W and 3W demand; e-2W/3W is 14% of revenue.
- **Europe**: Management said European OEMs want an alternative supply chain to China, which it expects to benefit Indian suppliers meeting global quality standards.
- **North America**: New ICE differential assembly order from an existing differential gear customer, plus several new differential gear programs in North America and India.
- **China**: Suspension motor success is the growth driver; no update on the "mixed" conditions noted in Q1.
- **Railways**: Air springs began supply this quarter and will ramp; first HVAC batch supplied within the year, electric panels started in a small way, and the product pipeline is said to support growth for five years.
- **Eastern markets**: Almost two-thirds of revenue, from about one-third when the Look East decision was made two years ago.

STRATEGY & COMPANY-SPECIFIC

- **Product commercialisation**: Three products launched in the quarter, the most in one quarter: helical limited slip differential for passenger cars and SUVs, air springs for railway coaches, and a rear radar sensor for 2-wheelers.
- **Order wins**: Helical limited slip differential from an existing EV customer; rear radar sensor from a new Indian 2-wheeler customer; integrated motor controller from an existing EV customer; increased traction motor volumes on

a revised PO; first ICE passenger car differential assembly order; a starter motor program; and several differential gear programs.

- **EPIC programs**: 75 programs across 37 customers at end-H1, of which 44 are in production and 31 yet to start; 4 new programs won in the quarter, 3 BEV and 1 intelligent and connected.
- **DENSO JVs**: JV1 (2W/3W traction, Sona-majority) carve-out targeted by end-December, possibly January; JV2 (high-voltage powertrains, DENSO-majority) targeted to close in H1 CY27.
- **In-house R&D**: Traction and suspension motors, both developed organically in the last four years, have a combined annualised revenue run rate of ₹1,400 crore, roughly the whole company's FY20 revenue.
- **Robotics capex**: The ₹62 crore capex declared last quarter covers this area; AMRs developed by the company are being deployed on its own factory floors to build real-world training data. Demonstrations are planned at Bharat Expo in February.
- **M&A stance**: Three acquisitions in the last decade; the four filters are a product with at least 15 years of relevance, top 5-10 global leadership potential, margin and return accretion, and benefit to the world. Capability is the target, not capacity or customers.
- **Quality**: The driveline division won the 2026 Deming Prize for Total Quality Management after nine years of work.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
EBITDA margin range	23-25%, likely around 23% if conditions are normal	Maintained	Pass-through with a lag; mix shift to lower-margin traction motors; material prices flat or falling
Medium-term growth	About 25% CAGR aspiration	Maintained	Three business heads; different quarters led by different businesses
JV1 closing	End-December, possibly January	New	Legal timeline for carving out the business; advisor and partner holidays
JV2 closing	H1 CY27	New	JV not yet formed
Robotics inflection year	Not given; "whenever it does come, the curve will be very steep"	n/a	Open-source physical AI models and falling compute cost; sim-to-real remains the constraint
Robotics capex	₹62 crore, declared last quarter, should cover the area	Maintained	In-house R&D largely using existing team time
Railway growth	No numeric guidance; new products the main driver over 3 years, pipeline for 5 years	n/a	Air springs, HVAC, electric panels ramping per customer requirements
Heavy rare earths	No sign restrictions will ease; would use them where imperative if available	n/a	Chinese export restrictions continue

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Input cost inflation	War in West Asia is adding further increases in steel, copper and oil derivatives; freight nearly doubled QoQ; "in my career, I've not seen inflation like this"
Pass-through lag and arithmetic	Prices rise before recovery; even with full pass-through, equal additions to numerator and denominator lower the percentage margin

RISK	WHAT MANAGEMENT SAID
Product mix	Traction motor demand exceeded internal expectations, growing about 50% QoQ, pulling down the overall margin percentage
Margin predictability	Mix and West Asia inflation are largely beyond management's control, making near-term predictability difficult; margins deteriorate if material prices keep rising
Robotics timing	Management declined to name an inflection year; sim-to-real deployment is the slow part; the order book is 4% of total
Suspension motor concentration	Order book limited to one customer across variants; consumer model success decides volumes
Heavy rare earth restrictions	Export restrictions from China continue with no sign of easing; higher BH max magnets unavailable
JV closing slippage	JV1 may spill from December into January because advisors and partners take year-end holidays

Q&A HIGHLIGHTS

Suspension motor growth and pipeline Asked what drove suspension motors to about 7% of revenue and what the pipeline looks like, management said the product's first launch model underperformed but the customer's next model exceeded expectations, the order book is limited to that one customer across variants, and talks with other OEMs are ongoing. It declined to size the opportunity.

Europe and legacy business runway On how long legacy businesses can keep growing at the current pace, management said European OEMs want an alternative supply chain to China, and that at about 9% world share in differential gears and about 3% in differential assemblies there is many years of room left.

Traction motor growth above industry Asked whether the growth came from wallet share, 3-wheelers or new programs, management said it was both wallet share and existing OEM growth, with 3-wheelers added to 2-wheelers and another launch this quarter. It said it gains share in disrupted periods because it had switched to light rare earth and had capacity to ramp.

Margin range under a changing mix On whether the 23-25% range still holds with more motor controller and 3-wheeler business, management kept the range, said the current inflation is exceptional, and the CFO said about 23% is the ballpark if material prices stay flat or fall, with deterioration only if prices keep rising.

Cash deployment and M&A Asked how the growing cash balance will be used, management said the DENSO proceeds are taxable, capex and working capital and JV2 capex will absorb some, and M&A will follow the four filters with capability rather than capacity as the target. It said it can be patient while cash-to-EBITDA stays below 1.5.

Humanoid and robotics timeline Asked which year is the inflection for robotics, management said it does not know, recalled that EVs were 1% of revenue in 2019 and are 51% now, and said the curve will be steep when it comes. It cited open-source physical AI models and a roughly 1,000x fall in compute cost, with sim-to-real the constraint.

Heavy rare earths Asked whether the company would switch back to heavy rare earths for performance motors, management said restrictions continue, it is not possible now, and it sees no signs of easing; it would use them where imperative if they became available.

Humanoids on own factory floors On deploying humanoid robots for repetitive tasks, management said it is evaluating on payback like any machine, starting with tasks unsafe or unacceptable for humans, and that replacing humans for its own sake is not a target in a country with India's population.

Divi's Laboratories Limited

PHARMA - API & CRAMS

TLDR

Divi's Laboratories reported Q2 FY27 consolidated total income of ₹3,770 crore, up 32% YoY, PBT of ₹1,505 crore, up 65%, and PAT of ₹1,127 crore, up 64%. H1 custom synthesis was 62% of sales and generics 38%; nutraceutical revenue was ₹571 crore. Management said validation quantities for select custom-synthesis projects were supplied and three major dedicated investment programs are in validation, with one close to commercialization and two expected in the next 1-2 quarters. It is installing several 3,000-litre SPPS peptide lines and guides to double-digit revenue growth and capex of about ₹2,000 crore plus or minus 20% per year. Risks include generic pricing pressure, elevated petrochemical solvent and logistics costs, and approval or inspection timing for dedicated projects.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Total income	Q2 ₹3,770 crore vs ₹2,860 crore; H1 ₹6,907 crore vs ₹5,389 crore	Q2 +32% YoY; H1 not stated	Management cited healthy volume growth in generics and validation-quantity supplies in custom synthesis.
PBT	Q2 ₹1,505 crore vs ₹912 crore; H1 ₹2,685 crore vs ₹1,645 crore	Q2 +65% YoY; H1 not stated	Management did not give a line-item bridge.
PAT	Q2 ₹1,127 crore vs ₹689 crore; H1 ₹2,029 crore vs ₹1,234 crore	Q2 +64% YoY; H1 +64% YoY	Followed PBT; no separate explanation.
EBITDA / margin	Not disclosed on call	n/a	Management presented total income, PBT and PAT; no EBITDA figure was given.
Net material consumption	32% of sales revenue in H1 vs 40%	Down from 40%	Backward integration at Unit 3 Kakinada and a slightly higher CF, per management.
Nutraceutical revenue	H1 ₹571 crore vs ₹492 crore	n/a	Global nutraceutical business; management did not state the growth rate.
Revenue mix	H1 generics 38%, custom synthesis 62%	n/a	Business composition.
Geographic mix	Standalone exports about 90%; Europe and North America about 75%	n/a	Standalone sales revenue.
Constant-currency standalone revenue growth	H1 17% YoY	+17% YoY	Management stated.
Capex and CWIP	Q2 capitalized assets ₹772 crore; H1 ₹1,223 crore; CWIP ₹1,638 crore as of September 30, 2026	n/a	Large capex cycle; CWIP under execution.
Balance sheet	Cash ₹2,181 crore; trade receivables ₹3,705 crore; inventories ₹5,325 crore	n/a	Inventory includes 3-month critical-material cover and higher raw-material prices, per management.

SEGMENTS & GEOGRAPHIES

- **Generics:** 38% of H1 sales revenue. Performance was stable with healthy volume growth, while pricing pressures persist in certain product categories. Management focuses on market competitiveness, manufacturing efficiencies and disciplined capacity utilisation, and expects volume growth to continue with pricing pressure.

- **Custom synthesis:** 62% of H1 sales revenue. Customer engagement remains, several programs are advancing, and validation quantities were supplied for select projects. Three major dedicated capital investment programs are in validation; one is very close to commercialization and the other two are expected to commercialize in the next 1-2 quarters. Divi's handles 60-70 projects at any time from pre-chemistry to Phase 2 and Phase 3.
- **Peptides:** Sustained customer interest and program activity, with several products under validation or customer qualification. The platform is vertically integrated from peptide building blocks to dipeptides, tripeptides and large fragments. Management is adding SPPS capacity and says the peptide business is innovation/CDMO only, not generic peptides.
- **Nutraceuticals:** H1 revenue was ₹571 crore vs ₹492 crore. Management sees opportunities from global emphasis on preventive healthcare, wellness and scientifically validated ingredients and is expanding capabilities.
- **Geographies:** Exports were about 90% of standalone sales revenue, with Europe and North America together about 75%. Standalone revenue grew 17% in constant currency in H1. Management gave no separate geographic outlook.

STRATEGY & COMPANY-SPECIFIC

- **Unit 3 Kakinada:** The site supports backward integration through selected pre-chemistry operations and the phased transfer of manufacturing from existing facilities. Management expects this to improve manufacturing flexibility, resource utilisation and cost competitiveness.
- **Three dedicated projects:** Validation batches have been supplied or are ongoing. One project is very close to commercialization; the other two are expected in the next 1-2 quarters. The facilities use project-specific equipment, including flow chemistry and high-throughput technologies.
- **Peptides:** Divi's is installing several 3,000-litre SPPS lines and adding more dedicated lines because long-chain peptides and fragments take almost one to two months to make. The platform is backward integrated to building blocks, protected amino acids and tags; liquid-phase capability is also available. Management expects to be in the top 3 players with futuristic capacity.
- **Technology:** The company is expanding its flow chemistry platform and biocatalysis infrastructure for multiple enzymes at ton-scale manufacturing. These technologies are deployed on selected products to improve process efficiency, consistency, scalability, safety and productivity.
- **Supply chain:** Management maintains a rolling 3-month inventory cover for critical materials, uses diversified domestic and international suppliers, and does advanced container bookings and shipment monitoring to manage extended transit times.
- **Capex allocation:** Management said capex is divided across Units 1, 2 and 3 based on expertise, space and talent. It builds blocks proactively and adds equipment when customer opportunities arise.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Revenue growth	Double-digit growth	n/a	Management said this is the historical and current way forward and declined to comment beyond double-digit growth.
EBITDA margin	No updated margin guidance; management said it cannot comment beyond double-digit revenue growth	n/a	Asked whether margin guidance would rise; no number was given.

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Annual capex	About ₹2,000 crore plus or minus 20% per year for the next 2-3 years	n/a	Based on RFPs, matched strengths and historical post-COVID capex of ₹2,000 crore plus or minus 20% every year.
Dedicated project commercialization	One project very close; other two expected in the next 1-2 quarters, with commercialization in the next few quarters	n/a	Validation batches supplied or ongoing; customer qualification and regulatory approval remain.
Peptide capacity	Additional SPPS lines being installed; with futuristic capacity management expects to be in the top 3 players	n/a	Customer programs and long-chain peptide requirements; capacity numbers were not disclosed.
Capacity availability	No shortage now; management does not foresee one	n/a	Unit 1 has 22 production blocks, Unit 2 has 25 and Unit 3 has 6; only 3 dedicated blocks across all units; long-term custom synthesis contracts and advance planning.
Nutraceutical growth	Management sees growth opportunities and is expanding capabilities	n/a	Global emphasis on preventive healthcare, wellness and scientifically validated ingredients.

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Generic pricing pressure	Pricing pressures persist in certain product categories; management focuses on market competitiveness, manufacturing efficiencies and disciplined capacity utilisation.
Input cost volatility	Petrochemical-based solvent prices remain elevated, and suppliers also face cost increases. Net material consumption fell to 32% of H1 sales, helped by Unit 3 backward integration and a slightly higher CF.
Logistics and geopolitics	Middle East disruptions and security concerns around the Red Sea and Suez Canal led shipping lines to alternate routes, extending transit times and raising ocean costs. Air freight faced higher fuel prices, airspace restrictions, reduced carrier capacity and longer lead times.
Approval and inspection timing	The agency may inspect or qualify the site based on past history; no notice had been received. The inspection need would be known after customers submit validation batches, and commercialization depends on customer qualification and approvals.
Inventory and working capital	Rolling 3-month cover for critical materials and higher raw-material prices require calibrated inventory and working capital management.
Large capex cycle	Cash flow from operations was affected by the large capex cycle, including capitalization and CWIP advances; management said it remains prudent on capex.
Capacity constraints	Management said there is no capacity shortage now and does not foresee one; only 3 production blocks across all units are dedicated, and the rest are multipurpose.

Q&A HIGHLIGHTS

Validation batch quantification Question: Asked whether validation-batch revenue could be separated from base custom synthesis and whether the H2 run rate would continue. Answer: Management said validation batches for certain products are ongoing, several projects are in the pipeline, and it cannot quantify the split. It said custom synthesis was 62% of sales and commercialization follows customer qualification and regulatory approvals.

Inspection timing for dedicated projects Question: Asked when an inspection is expected and whether commercial-batch margins would match validation batches. Answer: Management said the agency may inspect or qualify the site

based on past history, and no notice had been received. It said the inspection need would be known after customers submit the validation batches.

Capex outlook Question: Asked for the capex outlook for the rest of the year and the medium term. Answer: Management said CWIP was ₹1,638 crore and guided to about ₹2,000 crore plus or minus 20% per year for the next 2-3 years. It said Divi's builds blocks proactively and adds equipment when customer opportunities arise.

Peptide capacity Question: Asked whether SPPS capacity could rise to a multiple of the current base and for the installed capacity. Answer: Management declined to give capacity numbers because of confidentiality agreements and said with futuristic capacity it expects to be in the top 3 players. It said the SPPS lines are project-specific and the work is not limited to GLP-1 peptides.

Liquid-phase peptides Question: Asked whether liquid-phase peptide capacity is being expanded alongside solid-phase capacity. Answer: Management said liquid phase is not new and the choice depends on customer requirements. It said regular small-volume reactors and pilot plants can handle the required volumes, and it is well advanced in liquid phase.

Capacity availability Question: Asked whether capacity shortages are likely in the next 12-24 months. Answer: Management said there is no capacity shortage now and it does not foresee one. It said Unit 1 has 22 production blocks, Unit 2 has 25 and Unit 3 has 6, with only 3 dedicated blocks across all units and the rest multipurpose.

Margin guidance Question: Asked whether EBITDA margin guidance would be raised. Answer: Management said it wishes margin levels would be consistent but guides to double-digit revenue growth and cannot comment further. No updated margin number was given.

Working capital and cash flow Question: Asked about working capital and cash flow in the context of the large capex cycle. Answer: Management attributed the cash flow position to the large capex cycle, including capitalization and CWIP advances. It said it remains prudent on capex spending.

Acutaas Chemicals Ltd.

PHARMA - API & CRAMS

TLDR

Acutaas Chemicals reported Q2 FY27 revenue of ₹436.9 crores, up 42.7% YoY, with EBITDA of ₹176 crores at a 40.3% margin (up 914 bps YoY) and PAT of ₹123.1 crores, up 71.4% YoY. Advanced Pharmaceutical Intermediates grew 53.1% to ₹402 crores on CDMO ramp-up and over 25% growth in the core business; Specialty Chemicals fell 20% to ₹34.9 crores on commodity phase-out and a temporary BFC shipment pause after the U.S. customer's ownership change. Management raised FY27 revenue growth guidance to around 30% from 25% and EBITDA margin guidance to 38-40%, and now expects the ₹1,000 crore CDMO target in FY27, a year ahead of schedule, with a new ₹2,000 crore target by FY30. Battery chemicals booked first commercial revenue; the South Korea semiconductor plant was inaugurated ahead of schedule, with FY28 as the ramp-up year. Watch working capital at 115 days, the commodity phase-out running about 1.5 years, and CDMO concentration.

WHAT CHANGED SINCE Q1 FY27

- Revenue growth guidance raised to around 30% for FY27 from 25%.
- EBITDA margin guidance raised to 38-40% for FY27 from "similar to FY26"; management confirmed in Q&A the 38-40% range applies to FY27 only.
- CDMO target pulled forward: the ₹1,000 crore goal, earlier set for FY28 with management "confident to beat", is now expected in FY27 itself, one year ahead of schedule. A new ₹2,000 crore CDMO revenue target by FY30 was given, with CDMO margins expected in the same range as current.
- Battery chemicals moved from "commercial supply commenced" to first commercial revenue in Q2 FY27; the third product's initial commercial shipment was dispatched, and pilot-scale validation batches of a fourth product went to customers. Earlier guidance of full capacity by FY29 was not repeated.
- Indichem semiconductor plant was inaugurated in South Korea ahead of schedule; earlier the capex was due for completion by end-Q2 FY27 with revenue from FY28. FY28 is now described as the ramp-up year for initial products.
- New capex disclosed: bulk electronic grade chemicals, about ₹1,000 million in H2 FY27, production by H1 FY29, at least 3x asset turn expected. FY27 total capex now about ₹3,000 million versus the earlier ~₹90-95 crores base plus R&D and land.
- Working capital rose to 115 days from 99 days in Q1 FY27, driven by higher debtor days; the earlier build was inventory-led.
- BFC: the U.S. customer was acquired by another U.S. company, pausing shipments temporarily; supplies have resumed. Management still expects BFC growth this year.
- Segment margins were not restated this quarter (Q1: Spec Chem ~24%, Pharma ~36%); the pharma/CDMO split within Advanced Pharmaceutical Intermediates was declined.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹436.9 crores	+42.7% YoY	Pharma intermediates growth; specialty chemicals muted
Gross profit	₹271.5 crores	+59% YoY	Higher pharma intermediate contribution
Gross margin	62.1%	+637 bps YoY	Product mix and raw material, not bifurcated by management; no raw material softening seen
EBITDA	₹176 crores	+84.6% YoY	Gross margin expansion and operating leverage

METRIC	REPORTED	CHANGE	WHAT DROVE IT
EBITDA margin	40.3%	+914 bps YoY	Same drivers
PAT	₹123.1 crores	+71.4% YoY	Not elaborated
PAT margin	28.2%	+472 bps YoY	Not elaborated
Advanced Pharmaceutical Intermediates revenue	₹402 crores	+53.1% YoY	CDMO growth plus over 25% growth in core pharma business on new and top products
Specialty Chemicals revenue	₹34.9 crores	-20% YoY	Commodity phase-out and temporary BFC shipment pause
H1 FY27 revenue / EBITDA / PAT	₹766.6 crores / ₹289 crores / ₹198.1 crores	+49.3% / +97.7% / +71% YoY	H1 EBITDA margin 37.7%, +922 bps YoY
Net cash and cash equivalents	₹300.9 crores	As on 30 Sep 2026	Down from ₹314 crores on 30 Jun 2026
Working capital	115 days	vs 99 days in Q1 FY27 (QoQ)	Higher debtor days
Capacity utilization	Ankleshwar 30% in Q2 FY27	vs 23% in Q1 FY27 (QoQ)	CDMO ramp; expected not above 40% by end-FY27
H1 FY27 capex	₹123.9 crores	n/a	Electrolyte additive project, pilot plant, Indichem site, maintenance

SEGMENTS & GEOGRAPHIES

- **Advanced Pharmaceutical Intermediates**: Revenue ₹402 crores, +53.1% YoY. CDMO grew on orders for previously validated products; core pharma grew over 25% on new product ramp-up and top products. Management expects CDMO to reach ₹1,000 crores in FY27 and ₹2,000 crores by FY30, with the second ₹1,000 crores more diversified across molecules and customers.
- **CDMO pipeline**: Eight to nine products are expected to enter the revenue stream over the next one to one and a half years, including the four validated earlier. New CDMO contracts are expected to contribute from H2 FY27. Two pipeline products have the potential to become billion-dollar products for innovator customers, per management. Product-wise revenue was not disclosed.
- **Specialty Chemicals**: Revenue ₹34.9 crores, -20% YoY. Parabens and MS commodity products are being phased out, expected to take about 1.5 years; MS may run longer because of existing customers. BFC shipments resumed after the U.S. customer ownership change, and management expects BFC growth this year. Segment revenue is expected to stay around the H1 FY27 level with battery chemicals ramping, and to grow versus last financial year.
- **Battery chemicals**: First commercial revenue in Q2 FY27 for VC and FEC, with the third product shipped commercially ahead of schedule and fourth product in pilot-scale validation. Ramp-up expected over the next two to three quarters. Pricing follows long-term contracts with raw material and forex pass-through; management expects early-teens dollar pricing, not the $30-35 spot levels.
- **Semiconductor chemicals (Indichem, South Korea)**: Plant inaugurated ahead of schedule; qualification batches being submitted to Korean customers. FY28 is the ramp-up year for initial products, with no large revenue or profitability expected this year. Target customers are photoresist and fab industry players in Korea and Japan; India is not a target market now because the ecosystem has not matured.

STRATEGY & COMPANY-SPECIFIC

- **CDMO target reset**: ₹1,000 crores CDMO revenue expected in FY27, one year ahead of the original FY28 ambition, and ₹2,000 crores by FY30, with margins in the current CDMO range.
- **Bulk electronic grade chemicals capex**: About ₹1,000 million in H2 FY27, completion in about 1.5 years, production from H1 FY29, at least 3x asset turn expected. Products are bulk electronic chemicals and solvents; the plan starts with electronic grade only.
- **Electrolyte additive Phase 2**: About ₹450 million of H2 FY27 capex.
- **FY27 capex**: About ₹3,000 million total, of which ₹1,239 million spent in H1 and ₹1,650 million planned for H2; excludes planned R&D capex and land acquisition.
- **Ankleshwar**: ₹330 crores invested; utilization 30% in Q2 FY27, expected to largely fill by FY28. Land acquisition is underway for the next pharma capacity round, with size and scale of the following capex to be decided after that.
- **No forward integration**: Management reiterated no plans to enter LiPF6 or electrolyte solutions, and no API forward integration, with a policy of not competing with customers.
- **Molecule status**: CAPLYTA partner is qualified with the DMF filed, awaiting product launch; apixaban is picking up with sufficient capacity.
- **Revenue mix**: Pharma share expected to move from 87% to about 80% in three years as battery and semiconductor grow faster.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	Around 30%	Raised (from 25%)	Strong pharma intermediates demand and CDMO order book
FY27 EBITDA margin	38-40%	Raised (from similar to FY26)	Product mix, H2 FY27 order book, operating leverage from low battery and Ankleshwar utilization
CDMO revenue FY27	₹1,000 crores	Raised (earlier FY28 target, confident to beat)	Customer visibility and contracts in place
CDMO revenue FY30	₹2,000 crores	New	New and existing CDMO pipeline; second ₹1,000 crores more diversified
CDMO margin at ₹2,000 crores	Same range as current	New	Not elaborated
FY27 capex	About ₹3,000 million	Raised (from ~₹90-95 crores base plus R&D/land)	H1 ₹1,239 million; H2 ₹1,650 million including electronic grade and electrolyte Phase 2
Electronic grade chemicals production	H1 FY29	New	About 1.5-year capex build
Ankleshwar utilization	Not above 40% by end-FY27; largely filled by FY28	Maintained	CDMO ramp
Battery chemicals ramp-up	Next two to three quarters	n/a (full capacity by FY29 not repeated)	Orders in hand

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Semiconductor revenue	FY28 ramp-up year for initial products	Maintained	Customer qualification underway
BFC	Growth this year	Maintained	Shipments resumed; orders from U.S., Korean and Japanese customers
Specialty chemicals	Around H1 FY27 level, growth vs last year	Maintained	Battery ramp offsetting commodity phase-out

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Working capital	Rose to 115 days from 99 days in Q1 FY27 on higher debtor days
Commodity phase-out	Parabens and MS exit takes about 1.5 years; MS may run longer as customers set up alternative supply
BFC customer concentration	U.S. customer ownership change caused a temporary shipment pause; supplies have resumed
CDMO concentration	Product-wise and pharma/CDMO split not disclosed; darolutamide and innovator pipeline questions declined
Semiconductor ramp	No large revenue or profitability this year; customer qualification is a long, time-consuming process per customer
Geopolitical and supply chain	Management cited geopolitical, supply chain, logistics, power and water concerns as ongoing; cost pressures passed on successfully so far
India semiconductor timing	Any delay in the Indian ecosystem delays that opportunity; current capacity is aimed at export markets
Competition	Management noted opportunities may not all be captured because of competition

Q&A HIGHLIGHTS

CDMO product count and revenue split Asked how many new CDMO products would contribute this year and within the ₹2,000 crore target, management said four products were validated a few quarters back and eight to nine products in total enter the revenue stream over the next one to one and a half years, but declined product-wise revenue guidance.

Darolutamide and innovator pipeline Asked about darolutamide adoption and a potential indication expansion, management said it supplies an intermediate for an innovator product and cannot comment on formulation markets or the customer's trials; it tracks customer orders and expects to benefit from customer growth over the next three years.

Electronic grade chemicals Asked about product type and asset turn, management said it will be bulk electronic chemicals and solvents, expects at least 3x asset turn (not 2x), declined to comment on realization, and confirmed production from H1 FY29 after about 1.5 years of capex.

Electrolyte pricing Asked whether electrolyte realizations would track the $30-35 spot levels, management said long-term contracts reset pricing on raw material and forex, and it expects early-teens dollar pricing rather than spot levels, with a philosophy of earning a good return and timely payback rather than riding price swings.

Margin guidance duration Asked whether the 38-40% EBITDA margin guidance extends beyond FY27, management said it is for FY27, supported by the H2 FY27 order book, and that operating leverage will build as Ankleshwar (30%)

and battery chemicals (low utilization) scale.

South Korea facility economics Asked whether initial semiconductor economics would be lower on startup costs, management said the plant was inaugurated last quarter, this year is for customer qualification, revenue starts next financial year, and it will ramp slowly with good customer inquiries and pilot dispatches.

Ankleshwar utilization and future capex Asked about utilization at ₹1,000 crores and ₹2,000 crores of CDMO revenue, management said Ankleshwar was at 30% in Q2 FY27 and should not exceed 40% by end-FY27; future utilization depends on volume, realization and processes, and land acquisition precedes the next capex decision.

Specialty chemicals steady state Asked how much commodity revenue remains and the steady-state level, management declined a split, said specialty revenue stays around the H1 FY27 level with battery ramp-up, and expects growth versus last financial year.

Piramal Pharma Limited

PHARMA - API & CRAMS

TLDR

Piramal Pharma reported Q2 FY27 revenue of ₹2,617 crore, up 28% year-on-year, and EBITDA of ₹385 crore, up 72%, with margins expanding more than 350 basis points in both Q2 and H1. CDMO revenue grew 36% to ₹1,424 crore on demand across India and North America sites, with ADC revenue up over 50%, unpatented commercial manufacturing up 39%, and innovation-related work at 49% of the segment versus 46% a year earlier. Complex Hospital Generics grew 32% to ₹849 crore on rest-of-world inhalation anesthesia and initial Kenalog contribution; Consumer Healthcare grew 13% to ₹359 crore. Management upgraded FY27 guidance to approximately 19% to 20% revenue growth with meaningfully higher profitability, from early-to-mid-teens growth previously. Watch points are tight Kenalog supply pending a CMO transition, elevated tax outflows, and CDMO's exposure to biotech funding cycles.

WHAT CHANGED SINCE Q1 FY27

- FY27 revenue guidance raised to approximately 19% to 20% growth with meaningfully higher profitability, from early-to-mid-teens revenue growth with EBITDA growing faster than revenue. Q1 notes said management would not revise guidance until after the September quarter; it has now done so.
- CDMO growth accelerated to 36% year-on-year in Q2 from 19% in Q1, with management saying North America performed ahead of prior years and ahead of plan across all sites.
- Differentiated revenue share in CDMO rose to 43% from 40% at the end of FY26. Q1 notes had cited 47% on a different basis; the company now frames the metric against the FY26 close.
- Innovation-related work reached 49% of CDMO versus 46% in H1 FY26, and Phase 3 molecules rose to 28 as of September 2026 from 25 in March 2026. Q1 notes did not give these figures.
- Kenalog revenue began contributing in Q2 as guided, but management disclosed supply is tight from the current CMO and a transition to a new CMO is still in progress with no timeline communicated.
- A new issue appeared: US FDA observations at the Morpeth site in September. Management said it has responded and expects timely resolution, with remediation mainly people and processes and no large related capex.
- Net debt rose over the past six months on the Lexington expansion, the Kenalog acquisition, Yapan Bio and currency impact; net debt to EBITDA fell to 3.4 from 3.7 in March.
- Management declined to discuss the large CDMO contract that had destocking, saying it will no longer talk about individual customers. Q1 notes said that contract was not expected to resume in FY27.
- The Riverview high-potency API capacity expansion is now complete, versus "operational" payload-linker capacity noted in Q1. Lexington remains on track for end of calendar year 2027.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹2,617 crore	+28% YoY	Broad-based growth across all three businesses
EBITDA	₹385 crore	+72% YoY	Better capacity utilization, operating leverage, productivity and cost management
EBITDA margin	Not stated	Up more than 350 bps YoY	Fixed costs largely controlled while revenue grew
H1 revenue	₹4,887 crore	+23% YoY	CDMO, CHG and Consumer Healthcare all contributing
H1 EBITDA	₹669 crore	+72% YoY	Margin expansion of more than 350 bps in H1

METRIC	REPORTED	CHANGE	WHAT DROVE IT
CDMO revenue	₹1,424 crore	+36% YoY	Demand across India and overseas sites, improved execution, RFP and order buildup
CHG revenue	₹849 crore	+32% YoY	Rest-of-world inhalation anesthesia growth and initial Kenalog contribution
Consumer Healthcare revenue	₹359 crore	+13% YoY	Power brands and e-commerce
Gross margin	~64%-65% average	Stable	Balanced growth across facilities, pass-through revenue mix and fixed cost movement in inventory
Net debt to EBITDA	3.4x	Down from 3.7x in March	Improved EBITDA; net debt rose on Lexington, Kenalog, Yapan and currency
ADC revenue	~$40 million in H1 across all sites	+50%+ YoY	Improved order book at ADC sites
Phase 3 molecules	28 as of September 2026	Up from 25 in March 2026	Net additions in late-stage clinical work

SEGMENTS & GEOGRAPHIES

- **CDMO:** Revenue grew 36% to ₹1,424 crore in Q2 and 28% to ₹2,611 crore in H1. Management said RFP inflow, order booking and revenue realization are all up, with North America ahead of prior years and ahead of plan across all sites and India also showing strength. It expects the growth momentum to continue through the year with H2 typically stronger than H1.
- **CDMO customer metrics:** 22 new logos added in H1, defined as companies not previously worked with, more biotech-heavy by count with some large pharma included. 110 customer audits cleared in H1. Management said it does not see high single-customer concentration.
- **Complex Hospital Generics:** Revenue grew 32% to ₹849 crore in Q2 and 24% to ₹1,592 crore in H1. US sevoflurane value share was 48%; the company retained the number one position in intrathecal baclofen. Management cited a couple of rest-of-world contract wins as a substantial driver of base business growth and expects continued share expansion in rest-of-world inhalation anesthesia plus Kenalog contributions to support H2.
- **Consumer Healthcare:** Revenue grew 13% to ₹359 crore in Q2 and 14% to ₹706 crore in H1. Power brands grew 21% and were 53% of sales; e-commerce grew 32% and was 28% of sales. Media and trade investment was about 11% of segment sales in H1. Management expects power brands, e-commerce, premiumization and channel expansion to support growth and margin improvement.

STRATEGY & COMPANY-SPECIFIC

- Acquired a controlling stake in Yapan Bio to expand the biologics platform.
- Riverview high-potency API capacity expansion completed; Lexington sterile fill/finish expansion progressing as per plan, with three go-lives: the micro expansion went live around October 2026, a background-grade improvement for Annex 1 compliance expected early next year, and the full expansion at end of calendar year 2027. Anchor customers for the first, second and third batches using the expansion are signed.
- The Riverview and Lexington investments are part of a USD 90 million expansion program. Capex guidance for the year is ₹120-135 crore, with Q1 spend at ₹21 crore and spend expected to ramp through the year.

- Morpeth: management said it sees value in a European drug product site serving UK and EU customers and is investing mainly in maintenance and compliance capex, not growth capex. FDA remediation is expected to be people- and process-led with no large related capex.
- Kenalog: revenue now coming from the current CMO; transition to a new CMO is in progress through engineering batches, validation batches, stability and filing. Management said the new CMO has met all timelines committed to the original owner and to Piramal.
- Consumer Healthcare: launched the Vizible range under Lacto Calamine. Distribution spans 180,000 chemist and cosmetic outlets, over 13,000 modern trade outlets and more than 20 e-commerce platforms.
- Bayer sales and distribution agreement expires at the end of its term in December 2026; management expects an orderly transition, said the arrangement is low-margin, and does not expect a material impact on the FY27 outlook. The Bayer manufacturing agreement continues.
- Capital allocation lesson from US acquisitions: fewer, larger sites would have been the hindsight strategy, and future M&A will require a minimum site size.
- Tax: about 70% of tax is paid in India. Carryforward tax losses at overseas entities are about INR 580 million, with potential deferred tax asset of about INR 120 million; utilization is expected over the next two to three years, entity by entity.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	~19%-20%	Raised	H1 performance, RFP and order buildup, Kenalog, rest-of-world anesthesia, power brands and e-commerce
FY27 profitability	Meaningfully higher growth than revenue	Raised	Operating leverage and cost discipline
H2 vs H1	H2 stronger than H1	Maintained	Prior-year seasonal pattern
CDMO growth	Momentum to continue through the year	New	Order momentum and H2 seasonality
Innovation and on-patent commercial share	Over 50% of business in the next couple of years	New	Faster growth than the rest of the business
ADC growth	Meaningfully higher than overall growth rate	New	Capacity across four sites, available capacity, willingness to add more
FY30 EBITDA margin	25% at company level	Maintained	CDMO operating leverage as overseas facilities scale
Consumer Healthcare margin	Close to double digits by FY30	Maintained	Premiumization, price and volume
Lexington full expansion	End of calendar year 2027	Maintained	Three go-lives, first already completed
Capex	₹120-135 crore for the year	Maintained	Spend ramping through the year
Tax rate	Elevated through FY27; 24%-25% at scale	Maintained	Overseas facilities not yet at scale; carryforward losses usable over two to three years
Other income	₹45-50 crore quarterly	Maintained	Forex gains can cause variability

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Kenalog supply	Supply from the current CMO is tight and expected to remain tight; new CMO transition has no communicated timeline
Morpeth FDA observations	Received in September; company has responded and expects timely resolution through monthly updates; remediation is people- and process-led
Biotech funding cycle	CDMO sector performance is linked to funding availability; commercial transformation aims to raise large pharma weighting but the cycle remains
Tax outflows	About 70% of tax paid in India; overseas losses usable only as each entity turns profitable, expected over two to three years
Net debt	Rose on Lexington, Kenalog, Yapan and currency; net debt to EBITDA at 3.4x
Customer concentration	Management said it does not see high single-customer concentration and declined to discuss individual customers
GLP-1 exposure	Management said the company is not participating in the GLP-1 opportunity; focus is niche peptides and contract manufacturing for peptides
Bayer agreement expiry	Ends December 2026; low-margin, no material FY27 impact expected, manufacturing agreement continues

Q&A HIGHLIGHTS

US footprint and nearshoring Asked whether the Western manufacturing footprint would be repeated if capital were redeployed fresh, management said the earlier comment meant demand is broad-based across North America, UK and India, that North America is performing ahead of plan, and that the lesson is fewer, larger sites for future M&A.

Morpeth future Asked whether the UK site is worth owning given losses and FDA observations, management said a European drug product site offers supply chain advantages for UK and EU customers, that it is investing mainly in maintenance and compliance capex, and that FDA remediation needs no large capex.

ADC disclosure Asked for ADC revenue and utilization, the CFO said ADC figures are given annually, that H1 ADC services revenue across all sites was about $40 million and growing meaningfully, and that utilization is improving with the order book.

On-patent commercial growth Asked whether 39% growth comes from one customer or product, management said it is broad-based across multiple products and that it does not see high single-customer concentration.

Kenalog CMO transition Asked about the Kenalog run rate and CMO, management said revenue has started from the current CMO, supply is tight, the new CMO is progressing through tech transfer steps with no timeline disclosed, and it has met all committed timelines.

Large CDMO contract Asked for an update on the large order from last year, management said it will no longer discuss individual customers, that growth and concentration numbers show a healthy, unconcentrated business, and that it continues to win new business.

Innovation mix Asked where innovation and on-patent commercial manufacturing go over two to three years, management said both should grow faster than the rest of the business and exceed 50% of the business in the next couple of years.

North America site profitability Asked when Sellersville could break even at EBITDA, management said it is seeing nice translation of improved revenue across its four North American sites this year and that continued trend would

change the dialogue around some sites.

Aarti Pharmalabs Limited

PHARMA - API

TLDR

Aarti Pharmalabs reported its highest-ever quarterly revenue of ₹613 crores in Q2 FY27, up 47% YoY from ₹417 crores, with EBITDA of ₹136 crores (+84% YoY) and PAT of ₹66 crores (2.75x the prior-year low base). EBITDA margin was 22.2% versus 17.7% a year earlier, compressed by a couple of percentage points from Q1 as raw material costs stayed elevated and were passed through. Xanthine and allied products contributed 50% of turnover, API and intermediates 30%, and CDMO/CMO 13% with 23 customers and 59 active projects (39 commercial, 20 development). Management maintains 40-50% CDMO growth for FY27, targets full xanthine capacity by end-FY27 with 7,500-8,000 MT next year, and expects H2 CDMO sales to lift margins. Watch points: xanthine spot pricing pressure, working capital at 150-167 days, and rising debt to fund ₹350-400 crores FY27 capex.

WHAT CHANGED SINCE Q1 FY27

- **Xanthine revenue guidance raised:** Q1 guided ₹900-1,100 crores for FY27; now expects ₹1,400-1,500 crores if prices stay high, with the caveat that falling raw material prices would lower the top line because of pass-through.
- **Xanthine capacity utilization guidance newly quantified:** Q1 said >80% by FY28; now says nameplate 9,600 MT, operating near 7,000 MT currently, 7,500-8,000 MT next year, and 90% (around 8,800 MT) over two years. Full capacity targeted by end-FY27.
- **CDMO revenue target restated with a new framing:** Q1 said ₹1,000 crores by FY29 or FY30; now "100 million or 1,000 crore, whichever comes first," with timing allowed to slip "one year here or there."
- **Attali Block 2 commercialization date given:** Q1 announced ₹149 crores capex with no date; now groundbreaking done and commercialization targeted for H2 FY28.
- **Attali Block 1 capitalization delayed to Q3:** Q1 said Block 1 would be fully operational in Q2 FY27; now Phase 1A is complete and Phase 1B trial batches are underway this week, with capitalization in Q3.
- **API run-rate guidance lowered:** Q1 said normalized ₹170-190 crores quarterly; now ₹180-200 crores is the base for each quarter of H2, and management no longer claims FY25-level API revenue (~₹780 crores) is achievable this year, saying only that it will cross last year's number.
- **EBITDA margin framing changed:** Q1 guided 22-25% for FY27; this call gives no restated range, saying only that H2 margins "can improve" on higher CDMO sales and that 1 percentage point either way is the likely variance.
- **New disclosure on shipment spillover:** about 5% of the quarter's xanthine sales were held up by dispatch constraints, expected to be resolved in Q3.
- **New business detail on peptides:** Q1 mentioned new capabilities; now a peptide lab is targeted operational by end-FY27, with customer business expected in FY28 and no revenue guidance.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹613 crores	+47% YoY (vs ₹417 crores)	Highest-ever quarter; xanthine and allied at 50% of turnover, API 30%, CDMO 13%
EBITDA	₹136 crores	+84% YoY (vs ₹74 crores)	Higher sales across segments; raw material pass-through
EBITDA margin	22.2%	vs 17.7% YoY; down about 2pp QoQ	Raw material cost increases passed on, which erodes margin percentage
PAT	₹66 crores	2.75x YoY (vs ₹24 crores)	Prior-year low base; higher EBITDA

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Xanthine and allied revenue	50% of turnover	Segment share down from 57% in Q1	Lower xanthine sales on shipment hold-up, offset by higher allied chemistry sales
Xanthine realization	Up 10-15%	YoY average	Elevated pricing; some fall in average realization QoQ
Xanthine volume	Up 15% for the year	YoY, full-year expectation	Ramp-up from 6,000 MT base last year
API and intermediates revenue	30% of turnover, ₹180 crores	Segment share down from 30% in Q1 on a larger base	Steroid debottlenecking restored regular sales; growth largely volume-driven
CDMO/CMO revenue	13% of turnover	Nearly double Q1	39 commercial projects; H2-weighted year
CDMO customers and projects	23 customers, 59 active projects	vs 22 customers, 57 projects in Q1	39 commercial, 20 development
Working capital cycle	150-167 days	Management calls this the baseline	Higher sales, H1 inventory build for H2 CDMO sales

SEGMENTS & GEOGRAPHIES

- **Xanthine derivatives and allied (50% of turnover):** Beverages 62% and others 38% of the mix; exports 59% and domestic 41%. Xanthine sales fell on shipment hold-ups worth about 5% of the quarter's xanthine number, while allied chemistry sales rose. Management expects overall xanthine sales to increase in Q3 and Q4 and absolute margins to hold at least through next financial year.
- **API and intermediates (30% of turnover):** Regulated markets 57%, RoW 33%, non-regulated 10%. The steroid block expansion is contributing to production and revenue, restoring sales lost to the Q1 shutdown. Growth was largely volume-driven. Management guides ₹180-200 crores per quarter for H2 and 10-15% annual growth over 3-4 years from new products and volume, with some years higher.
- **CDMO/CMO (13% of turnover):** Sales nearly doubled from Q1. Management maintains 40-50% growth for FY27 and expects higher CDMO sales in Q3 and Q4 to improve the overall EBITDA percentage. Of the 59 projects, 10-12 are expected to drive ₹700-800 crores of the ₹1,000 crores potential.
- **Other sales (6% of turnover):** Trading sales, export incentives, and solvents.

STRATEGY & COMPANY-SPECIFIC

- **Xanthine capacity:** Nameplate 9,600 MT; operating near 7,000 MT. Full capacity targeted by end-FY27, with 7,500-8,000 MT next year and 90% utilization over two years. No further xanthine capex planned; management intends to hold its second-largest global capacity position for the next few years.
- **Attali Block 1:** Phase 1A commercial line is complete and commissioning; Phase 1B trial batches are underway this week, with capitalization in Q3. Management expects the Attali asset to be fully utilized in H2 FY27. The block serves CDMO and intermediates, not API.
- **Attali Block 2:** Groundbreaking done; commercialization targeted for H2 FY28. Management says current capacity including this block is enough for ₹1,000 crores CDMO revenue, and additional capacity will be added if project visibility increases; the decision on how much and where is expected next year.
- **Asset turns:** New dedicated blocks guided at 1.2-1.4x; the current Attali block is expected to be similar given comparable cost and size, with the caveat that total Attali capitalization includes land, utilities and warehousing.

- **Capex:** FY27 total capex guided at ₹350-400 crores. Capitalization in H2 will not exceed the ₹300 crores of CWIP, with some projects slipping to Q1 next year.
- **Peptides and oligonucleotides:** Peptide lab targeted operational by end-FY27 with equipment in place; experienced chemists being recruited. Customer business expected in FY28, with no revenue guidance. One or two liquid-phase peptide projects are in development; no major solid-phase project yet. ADC linkers are also being developed as a modality.
- **API pipeline:** 61 APIs, with several patent expiries next financial year to be launched with partners. Focus on alternate vendor development to gain share in existing products, and on oncology, anti-diabetic, blood thinners, antihypertensives and inhalation steroids. Anti-cancer Block 3 at Tarapur is being debottlenecked. New product validation is planned this quarter and next.
- **R&D and talent:** R&D spend will increase. A CSO joined nine months ago and a new API R&D head has joined; further R&D hiring is underway.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Xanthine revenue FY27	₹1,400-1,500 crores if prices stay high	Raised (from ₹900-1,100 crores)	Current elevated prices; would fall if raw material prices decline because of pass-through
Xanthine volume FY27	15% growth over last year	New	Ramp-up from about 6,000 MT last year
Xanthine utilization	Full capacity by end-FY27; 7,500-8,000 MT next year; 90% (about 8,800 MT) over two years	New detail (Q1: >80% by FY28)	Sequential ramp of expanded capacity
Xanthine absolute margin	Sustain at least through next financial year	New	Stability in pharma and beverage segments; spot segment under pressure
CDMO growth FY27	40-50% over last year	Maintained	39 commercial projects; H2-weighted sales
CDMO revenue target	₹1,000 crores or $100 million, whichever comes first; timing may slip a year	Maintained, timing loosened	10-12 projects expected to drive ₹700-800 crores
API quarterly run-rate	₹180-200 crores per quarter in H2	Raised (from ₹170-190 crores)	Steroid capacity restored; new product validation
API growth	10-15% per year over 3-4 years, higher in some years	Maintained	New products and volume
EBITDA margin	H2 can improve on higher CDMO sales; 1pp variance either way	Q1's 22-25% range not restated	CDMO mix versus raw material prices
FY27 capex	₹350-400 crores	New	Ongoing expansions
Attali Block 2 commercialization	H2 FY28	New	Groundbreaking done
Peptide lab	Operational by end-FY27; customer business in FY28	New	Equipment and hiring in progress
Debt	More debt needed for remaining capex	New	About ₹250 crores of FY27 capex still to come

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Xanthine spot pricing	Spot segment will see price pressure; pharma and beverage segments expected to be more stable
Raw material prices	Costs stayed elevated due to geopolitical turmoil; pass-through lowers margin percentage, and falling raw material prices would reduce the top line
Working capital	Cycle at 150-167 days; higher inventory will persist as CDMO scales, and management said "we will have to live with the higher inventory"
Rising debt	Debt rose about ₹150 crores in H1; more debt will be needed for the remaining ₹250 crores of FY27 capex
Depreciation	Will rise as CWIP is capitalized in H2; finance cost expected to stay at similar levels
CDMO pipeline churn	Development projects fail in clinical phases and drop out; the 20-project development number has not grown, and commercial projects include small China-plus-one campaign products
API growth dependence	Oncology growth depends on how partners capture market share after patent expiries
Peptide execution	Complex chemistry requiring precision purification and conjugation; management declined to give any numbers

Q&A HIGHLIGHTS

Xanthine volume versus price in Q2 Asked why xanthine revenue was flat QoQ despite guidance for falling realization, management said xanthine sales fell on shipment hold-ups of about 5% of the quarter's xanthine number while allied chemistry sales rose, and average realization saw some fall.

Xanthine revenue at full capacity Asked whether full capacity implies ₹1,500-1,600 crores of xanthine revenue, management guided ₹1,400-1,500 crores if prices stay high, adding that lower raw material prices would reduce the top line because of pass-through.

H2 margin direction Asked whether H2 margins would exceed the 20-23% reported, management said the outcome depends on raw material prices versus CDMO mix, that absolute gross margin will keep increasing with more CDMO business, and that H2 EBITDA percentage can improve on higher CDMO sales.

CDMO ₹1,000 crores path Asked whether 6 newly commercial molecules or a larger development pipeline gets the business to ₹1,000 crores, management said the pipeline churns with additions and deletions, 10-12 of the 60 projects will drive ₹700-800 crores, and the 80/20 rule applies.

API recovery and capacity Asked whether API can reach ₹200 crores per quarter and then ₹250 crores, management said ₹180-200 crores is the base for each quarter of H2, anti-cancer Block 3 debottlenecking will add capacity, and new product validation is planned this quarter and next.

Capex and capitalization Asked about further capex and capitalization in H2, management said total capitalization will not exceed the ₹300 crores of CWIP with some slipping to Q1 next year, and FY27 capex is ₹350-400 crores.

Peptide revenue timing Asked what share of revenue peptides could contribute in FY28, management said it is too early to give any number or guidance and the question is better asked next year.

Attali asset turns and use Asked about asset turns for the multi-purpose block, management guided 1.2-1.4x for new blocks with the current block similar, and said Attali will host CDMO and intermediates, not API.

Ind-Swift Laboratories Limited

PHARMA - API

TLDR

Ind-Swift Laboratories reported Q2 FY27 operating revenue of ₹234.89 crore, up 15.15% YoY and 26.22% QoQ, with operating EBITDA of ₹42.33 crore (4.95x YoY, 27.04% QoQ) at an 18.02% margin and PAT of ₹31.03 crore (3.54x YoY). Exports were 82.7% of sales; own brands were 55.75% of quarterly sales and 69% of exports, while contract manufacturing was 26.99%. CDMO revenue rose to about ₹58-65 crore in Q2 from about ₹25 crore in Q1, and management expects ₹20 crore from ibuprofen in Q3 and ₹20-25 crore in Q4. Management reiterated FY27 revenue growth above 50% and a 20-25% revenue CAGR to cross ₹1,500 crore by FY30 with 200-300 bps EBITDA margin expansion, and targets 20% EBITDA margin for the full year. Risks are the pending clarithromycin site variation, the Samba EU GMP/PIC/S approval timing, and working capital as revenue scales.

WHAT CHANGED SINCE Q1 FY27

- FY27 revenue guidance moved from "around ₹900 crore" to "more than 50% revenue growth in FY27", reiterated on the call. Management said it is comfortable achieving the projected numbers.
- FY29 target of ₹1,200 crore was not repeated. Management said it is very difficult to comment on March 2028 at this point and that next financial year numbers would be shared at the next investor call.
- FY30 aspiration of at least ₹1,500 crore revenue and ₹200 crore-plus net profit was restated as a 20-25% revenue CAGR to cross ₹1,500 crore by FY30 with 200-300 bps EBITDA margin expansion. The net profit figure was not repeated.
- Margin guidance shifted from "21-22% if sales grow, fully expected by Q3" to a full-year 20% EBITDA target, with management saying it is fully focused and determined to achieve it. Q2 margin was 18.02%, up 11 bps QoQ.
- CDMO revenue target of ₹100-130 crore in year one was restated as ₹100-130 crore incremental revenue in FY27 and ₹200-220 crore over two years. Q2 CDMO revenue was about ₹58-65 crore against about ₹25 crore in Q1.
- The two additional CDMO customers, previously described as under discussion with no signing expected this year, are now expected to be signed off in the last quarter of FY27.
- Clarithromycin dry suspension, previously expected to launch this year, is now awaiting a customer-filed site variation in Europe, with batches to start after approval. Ibuprofen site variation is approved and supplies have begun.
- Global registrations rose to 900-plus across 85 countries from 850-plus, and dossiers to 2,100-plus. Management now expects over 330 additional registrations in FY27, of which about 100-150 were secured in H1, against the earlier 400-plus net new approvals target.
- The Samba EU GMP and PIC/S upgrade is now quantified at ₹45 crore, with an Anvisa Brazil visit expected in the last quarter and EU approval expected anytime next year. The earlier framing was that the Jammu plant was being audited; this call refers to Samba.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Operating revenue	₹234.89 crore	+15.15% YoY, +26.22% QoQ	Higher own-brand export sales and scaling CDMO supplies
Operating EBITDA	₹42.33 crore	4.95x YoY, +27.04% QoQ	Operating leverage and improved product mix
Operating EBITDA margin	18.02%	+1,256 bps YoY, +11 bps QoQ	Lower round-trip expenses at 45.15% of revenue vs 49.38% a year ago

METRIC	REPORTED	CHANGE	WHAT DROVE IT
PAT	₹31.03 crore	3.54x YoY, +26.96% QoQ	Margin expansion; PAT margin 13.21%, up 761 bps YoY
H1 FY27 operating revenue	₹420.97 crore	+35.79% YoY	First-half scale-up across exports
H1 FY27 operating EBITDA	₹75.65 crore	4.45x YoY	EBITDA margin 17.97%, up 1,254 bps
H1 FY27 PAT	₹55.47 crore	3.29x YoY	PAT margin 13.18%
Export share of sales	82.7%	n/a	Own brands 69% of exports; domestic 17.3%
CDMO revenue	About ₹58-65 crore in Q2	Up from about ₹25 crore in Q1	Ibuprofen supplies after site variation approval
Own-brand share of sales	55.75% of quarterly sales	n/a	Direct marketing and field force expansion in GCC, Central Asia, Africa
Capacity utilization	70-75%	n/a	Jammu expansion under way; Dharavasi facility at similar level
R&D expenses	About ₹8 crore in the quarter	n/a	FY26 R&D was about ₹12 crore

SEGMENTS & GEOGRAPHIES

- **Exports:** 82.7% of Q2 sales. Management expects the split to stay at about 80% exports and 20% domestic. Own brands were 69% of export sales, contract manufacturing 26.99% of total sales, branded generics 6.84%, ethical division 5.43% and domestic contract manufacturing 5% with 39 repeat clients.
- **Europe:** About 47% of geographical revenue per the presentation. Management said Europe is a stable, payment-oriented territory and that the company is entering it with its own products alongside CMO work.
- **New territories:** Registrations have started in Peru, Mexico and Brazil with partners identified, and in Rwanda, Congo, Cambodia, Ivory Coast, Benin and other markets, 8-9 territories in total. Management expects growth to come from these markets.
- **CDMO:** Q2 export revenue was about ₹190 crore, of which CDMO was about ₹65 crore and own brands about ₹125 crore. Management expects the mix to settle near 35% contract manufacturing and 65% own products.

STRATEGY & COMPANY-SPECIFIC

- The ₹250 crore growth capex covering the Samba EU GMP upgrade, warehouse, new R&D infrastructure and capacity debottlenecking is on track. The Samba upgrade alone is ₹45 crore.
- Warehouse land has been acquired, approvals are in place and construction has started. The warehouse is expected to shift out of the existing facility in 10-12 months, freeing space for manufacturing.
- Management said current Dharavasi capacity is sufficient to reach ₹1,200 crore top line by FY28.
- The company is debt-free with cash and liquid reserves. It holds a 7.80% stake in Synthimed Labs. Management said IndiaRF, the majority holder, is in diligence to hive off part of its stake, that Ind-Swift has tag-along rights, and that some stake could be sold in coming quarters if valuations are good. Management believes the API business should be valued at ₹7,000-8,000 crore and prefers to wait a couple of years before liquidating the full holding.
- Total API purchases this financial year are expected at about ₹400 crore, of which about ₹100 crore from Synthimed. Key APIs are sourced mainly from Synthimed, with only one or two molecules sourced from China.

- R&D pipeline: 11 molecules targeted for FY28-29 and 2 for FY29-30 across antibiotic, urology, antiprotozoal and ulcerative categories. No new molecule is expected in FY28; growth that year comes from existing molecules.
- Product registration takes a minimum of 1-1.5 years, with revenue starting about 2 years from day one.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	More than 50%	Maintained (earlier framed as around ₹900 crore)	Comfortable with H1 run rate; orders in hand
FY27 EBITDA margin	20% for the full year	New (earlier 21-22% by Q3)	Management focus; needs above 20% in Q3 and Q4
FY27 CDMO incremental revenue	₹100-130 crore	Maintained	Ibuprofen ramp and clarithromycin after variation approval
CDMO revenue over two years	₹200-220 crore	Maintained	Viatris and Arrotex molecules
Ibuprofen revenue	About ₹20 crore in Q3, ₹20-25 crore in Q4	New	Quantities agreed with Viatris
FY27 product registrations	Over 330 additional	Raised from 400-plus net new approvals target framing	About 100-150 already registered in H1
Samba EU GMP/PIC/S approval	Anvisa Brazil visit in Q4; EU approval anytime next year	New detail	Capex under way
Warehouse shift	10-12 months	New	Land acquired, construction started
New CDMO customer signings	Expected in Q4 FY27	Changed from no signing this year	Active discussions with two customers
FY28 revenue	To be shared at next investor call	Dropped (earlier ₹1,200 crore by FY29)	Too early to comment
FY30 revenue	Cross ₹1,500 crore at 20-25% CAGR	Maintained	Existing molecules and new territory registrations
FY30 EBITDA margin	200-300 bps expansion	Maintained	Mix and operating leverage
FY30 working capital	About ₹350 crore	New	At ₹1,500 crore turnover
Debtor days target	About 60 days	New	October collections described as good
Inventory days target	Minimum 90 days	New	n/a

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Clarithromycin launch delay	Customer has filed the site variation in Europe; batches start only after approval
Samba regulatory approval timing	EU approval expected anytime next year; Anvisa Brazil visit expected in Q4
Working capital	Trade receivables rose from ₹168 crore to about ₹234 crore; average realization is 75 days, with reduction expected in Q3 after good October collections

RISK	WHAT MANAGEMENT SAID
Customer concentration in CDMO	Ibuprofen sales are driven by Viatris, which gives the guidance; Ind-Swift cannot sell those products to other customers
New molecule timing	New molecules only from FY28-29, with revenue from FY29-30; FY28 growth depends on existing molecules
Margin delivery	20% full-year EBITDA requires above 20% in Q3 and Q4 after 18.02% in Q2
Competition in new markets	Management said quality is assumed similar across suppliers and pricing decides; it believes it can offer a more exciting price
Guidance visibility	Management declined to comment on FY28 numbers and on upgrading the FY30 vision

Q&A HIGHLIGHTS

FY27 guidance confidence Asked whether the more than 50% revenue growth guidance is achievable after H1, the CFO said the company is in a comfortable position to achieve the projected numbers and might revise guidance upward for FY28.

CDMO run rate Asked how to model FY28 CDMO growth after about ₹100 crore of contract manufacturing exports in H1, management said Q2 CDMO revenue was about ₹65 crore against about ₹25 crore in Q1, expects about ₹20 crore from ibuprofen in Q3 and ₹20-25 crore in Q4, and sees the mix settling near 35% contract manufacturing and 65% own products.

Samba approvals and utilization Asked about capacity utilization and the EU GMP/PIC/S timeline, management said utilization is 70-75%, an Anvisa Brazil visit is expected in the last quarter, EU approval is expected anytime next year, and the Samba facility is intended for exports.

Synthimed stake Asked about monetizing the 7.8% stake, management said IndiaRF is in diligence to sell part of its holding, Ind-Swift has tag-along rights and may sell some stake in coming quarters if valuations are good, but prefers to wait a couple of years before liquidating the full holding.

New CDMO customers Asked for the status of the two additional customers discussed in August, management said discussions are active and it hopes to sign off in the last quarter.

Working capital and receivables Asked about the rise in trade receivables, management said average realization is 75 days, most debtors fell due at quarter end, October was a good collection month, and targets are about 60 debtor days and a minimum 90 inventory days.

Pricing with Viatris Asked whether CMO contracts are cost-plus, management said a transfer price has been agreed, not cost-plus, and that Viatris drives the sales and gives the guidance.

Risks to guidance Asked about challenges to achieving guidance, management said it sees no risk, with orders in hand, raw materials in place and the production facility equipped.

Senores Pharmaceuticals Ltd.

PHARMA - API

TLDR

Senores Pharmaceuticals reported its highest quarterly revenue and EBITDA in Q2 FY27, with consolidated revenue of ₹192 crore (up 25% YoY), EBITDA of ₹58 crore (up 38% YoY) at a 30% margin, and PAT of ₹36.6 crore (up 22% YoY). H1 FY27 revenue reached ₹372.5 crore (up 30%), EBITDA ₹111 crore (up 58%), and PAT ₹67 crore (up 31%). The approved ANDA portfolio rose to 64 from 58, with 23 commercialized, and the emerging markets business turned cash positive with H1 margins around 10%. Management maintained FY27 guidance of 30-40% revenue growth and 50-60% PAT growth, and guided to roughly 25% annual growth over the next 2-3 years, lower than the earlier long-term framing. Key watch points are the ramp of the Zuraya and Amerisyn US subsidiaries, Apnar line commissioning by March 2027, and emerging market margin recovery to mid-to-late teens in H2.

WHAT CHANGED SINCE Q1 FY27

- **Long-term growth guidance cut.** Q1 notes carried a ₹2,500-3,000 crore revenue target in 3-4 years and a "similar growth trajectory" beyond FY27. This call guided to around 25% annual growth over the next 2-3 years, and the CFO said "25-30% being maintained" when pressed, asking analysts "not to go overboard." The ₹2,500-3,000 crore target was not repeated.
- **Emerging market margin guidance cut.** Q1 guided 18-20% FY27 EBITDA margin for emerging markets. This call guided full-year emerging market margin at "mid-teens to lower teens," with H1 at about 10% and H2 expected at mid-to-late teens. The 18-20% figure was not restated.
- **ANDA count and launch cadence.** Approved ANDAs rose from 58 to 64, but commercialized ANDAs stayed at 23; only 3 sANDAs (4 strengths) were commercialized this quarter. Management attributed the gap to controlled-substance quota timelines (45-50 days) and 3-12 month regulatory pathways (CB-30, PAS) on acquired ANDAs.
- **US subsidiaries still pre-revenue.** Q1 expected Zuraya and Amerisyn to start operations in September-October 2026. This call said Amerisyn should commercialize within 10-15 days and Zuraya within about 45 days, both within Q3, with ₹4 crore of setup cost already in the Q2 P&L and no revenue.
- **Apnar utilization and capacity.** Q1 reported 80-90% utilization and ~30 million units produced. This call reported 90-100% utilization with more than 50% of capacity on validation, and set a target of 4 commercial lines and 1.2 billion units capacity by March 31, 2027.
- **New disclosure: Apnar revenue.** Management said Apnar is on track to contribute ₹100 crore-plus revenue this year, with Q2 Apnar revenue at about ₹21 crore, mostly from the 5 acquired ANDAs.
- **New disclosure: US FDA inspection outcome.** A recent Apnar inspection concluded with one minor procedural 483.
- **New disclosure: auditor change.** Talati and Talati was appointed as joint statutory auditor.
- **New disclosure: GLP-1 and prefilled syringes.** A prefilled syringe line is being installed for GLP-1 and other products, targeting 18-20 emerging markets across Middle East, Africa, Latin America, Far East and CIS, with the device outsourced.
- **Tone shift on margin expansion.** Q1 framed margin recovery as a path to 18-20% in emerging markets. This call repeatedly declined to commit to a timeline for consolidated margin improvement, saying it could take "a quarter, 2 or 3."

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹192 crore	+25% YoY	Highest ever quarterly revenue; regulated markets +28%, emerging markets +21%
EBITDA	₹58 crore	+38% YoY	Operating leverage; reported EBITDA higher than operating EBITDA due to other income
EBITDA margin	30%	+290 bps YoY	New launches, including first-to-launch US products with higher realization
PAT	₹36.6 crore	+22% YoY	Growth below EBITDA; includes ₹4 crore Zuraya and Amerisyn setup cost with no revenue
H1 revenue	₹372.5 crore	+30% YoY	Regulated markets +34%, emerging markets +25% in H1
H1 EBITDA / margin	₹111 crore / ~30%	+58% YoY / +530 bps	Margin expansion on new product mix
H1 PAT	₹67 crore	+31% YoY	Operating leverage partly offset by subsidiary costs
Operating cash flow	₹38 crore (H1)	n/a	Improvement in working capital and receivable days
Capex	₹46 crore (H1)	n/a	Capacity expansion, including Apnar lines and prefilled syringe line
Approved ANDAs	64	Up from 34 in September 2025	1 new ANDA and 3 sANDAs approved this quarter; 23 commercialized
ANDA pipeline	41 molecules, ~130 strengths	Up from 39 molecules, 110+ strengths	In-house development plus acquired portfolio
Apnar revenue	~₹21 crore (Q2)	n/a	Mostly from 5 acquired ANDAs; new Apnar filings to commercialize from November-December
CDMO share of regulated revenue	~35%	Maintained QoQ	Own-product portfolio growing faster than CDMO

SEGMENTS & GEOGRAPHIES

- **Regulated markets:** Revenue grew 28% YoY in Q2 and 34% in H1. CDMO is about 35% of regulated revenue. Management expects meaningful acceleration in H2 from launches, with 41 of 64 approved ANDAs to be commercialized over 6-8 quarters and 41 pipeline ANDAs to follow.
- **Emerging markets:** Revenue grew about 21% in Q2 and 25% in H1. H1 EBITDA margin was about 10%, with Q2 lower due to large beta-lactam orders in a competitive antibiotic segment. Management expects mid-to-late teens in H2 and mid-to-lower teens for the full year, and said October was strong with November-December looking better. 558 registrations are approved and 944 filed, expected to be approved over the next 4 quarters.
- **India branded generics:** Gross margin rose to over 60% this year from 18-20% last year at a similar business scale, as the business shifted from volume to margin focus. Management expects ₹50-60 crore revenue this year at a similar gross margin, with growth to continue from this segment.
- **US subsidiaries (Zuraya, Amerisyn):** Amerisyn has 20+ state registrations and expects to launch more than 10 products within 2 quarters; Zuraya plans 14 ANDA launches in FY27. More than 90% of Amerisyn products are made at the company's US facility; inventory sits on the company's books. Management declined to give a revenue number until after launch.

STRATEGY & COMPANY-SPECIFIC

- **Apnar expansion:** Third line is being installed and the fourth will be done before March 31, 2027, taking capacity to 4 commercial lines and about 1.2 billion units. Full-scale operations and further expansion are expected over 12-18 months.
- **US FDA inspection:** Concluded with one minor procedural 483; management said regulatory hurdles for Apnar-filed products are cleared and no launch delays are expected.
- **Controlled substances:** 4-5 controlled substance launches planned before March 31, 2027, spanning own products, newly developed products and CDMO.
- **GLP-1 and peptides:** Prefilled syringe line being installed; semaglutide and a broader peptide portfolio are being commercialized in 18-20 emerging markets, with devices outsourced.
- **R&D:** Work ongoing on complex and specialty products, NCEs at Phase 1, and CDMO-CMO and NDA signings "almost every other week."
- **Digital and systems:** SAP HANA installed and AI-backed applications deployed across functions.
- **Auditor:** Talati and Talati appointed as joint statutory auditor for audit quality.
- **Accounting change:** Foreign exchange gains previously shown as other operating income are now reported in other income; revenue from operations is now pure operating revenue.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	30-40%	Maintained	H2-weighted launches, Apnar ramp, Zuraya and Amerisyn contribution
FY27 PAT growth	50-60%	Maintained	EBITDA already up 58% in H1; operating leverage and subsidiary revenue
FY27 EBITDA margin	30% or higher	New	New launches and realization; management said "not 28"
Growth over next 2-3 years	~25% annually	Cut	Management cited strong approval and launch pipeline; CFO said 25-30% maintained
Emerging markets FY27 EBITDA margin	Mid-teens to lower teens	Cut	H1 at ~10%; H2 expected mid-to-late teens
India branded generics FY27 revenue	₹50-60 crore	Maintained	Gross margin above 60% at similar scale
Apnar FY27 revenue	₹100 crore-plus	New	Acquired ANDAs plus new Apnar filings commercializing from November-December
Apnar capacity	4 lines, 1.2 billion units by March 31, 2027	New	Third line installing, fourth by March 2027
Zuraya and Amerisyn commercialization	Within Q3 FY27	Maintained (was September-October 2026)	Amerisyn 10-15 days, Zuraya ~45 days
Zuraya FY27 launches	14 ANDAs	New	Planned as Zuraya goes live
ANDA commercialization	41 of 64 over 6-8 quarters	New	Regulatory pathways of 3-12 months on acquired ANDAs

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Emerging market registrations	944 approvals over next 4 quarters	New	Filed registrations awaiting approval

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Emerging market margin pressure	Large beta-lactam orders in a competitive antibiotic segment pulled Q2 margins down; full-year guided to mid-to-lower teens, below the earlier 18-20%
Controlled substance launch timing	Quota approval takes 45-50 days after ANDA approval, then API procurement and manufacturing before shipment
Acquired ANDA commercialization lag	Products made elsewhere need CB-30 or PAS filings to move to company facilities, a 3-12 month delay
Subsidiary cost drag	₹4 crore of Zuraya and Amerisyn cost in Q2 with no revenue; management declined to commit to a timeline for margin improvement
Quarterly volatility	Management said quarterly run rates are hard to maintain and results should be viewed over 6-12 months; product mix shifts margins quarter to quarter
Apnar capacity absorption	90-100% utilization with more than 50% on validation, so capacity is not yet converting to revenue
Regulatory	One minor procedural 483 at Apnar; emerging market registrations subject to approval timelines

Q&A HIGHLIGHTS

Long-term growth guidance

- Question: With strong ANDA visibility and the subsidiaries coming, is the 20-25% growth in the press release caution, or the guidance for the next two years?
- Answer: Management pointed to approved ANDAs rising from 58 to 64 and pipelines in emerging markets, CDMO and NCEs. The CFO said 25-30% is being maintained and asked analysts "not to go overboard," deferring a firmer number to a later call.

Emerging market margin recovery

- Question: Q2 emerging market margin was about 4% against an earlier 18-20% target; when does the business reach high double digits?
- Answer: H1 was about 10%; management expects mid-to-late teens in the next two quarters and mid-to-lower teens for the full year, citing a strong October.

PAT growth versus H1 run rate

- Question: H1 PAT grew 31% against 50-60% full-year guidance, with subsidiary costs rising; how does the company get there?
- Answer: H2 has historically been heavier, with emerging markets, Apnar and both subsidiaries contributing. The CFO said bottom-line growth should exceed top-line growth and that EBITDA is already up 58% in H1.

Apnar utilization and revenue

- Question: What is Apnar's utilization, and how much revenue comes from commercial versus validation production?

- Answer: Utilization is 90-100% with more than 50% on validation. Apnar is on track for ₹100 crore-plus revenue this year, with Q2 at about ₹21 crore, mostly from acquired ANDAs; new Apnar filings commercialize from November-December.

No new ANDA launches in Q2

- Question: Why were no new ANDAs launched this quarter, only 3 sANDAs?
- Answer: The new ANDA approval was a controlled substance requiring a 45-50 day quota, with launch expected by November end. Two of the sANDA strengths are first-to-launch in the US on a billion-dollar molecule; the other two are second-to-launch in a small, high-margin niche.

Subsidiary economics

- Question: Where are molecules procured for Zuraya and Amerisyn, and where does inventory sit?
- Answer: More than 90% of Amerisyn products are made at the company's US facility; Zuraya products are made in the US or India, largely by the company. Inventory sits on the company's books, with tight control to avoid buildup.

Branded generics margins

- Question: What margins did branded generics make this quarter, and how does growth look?
- Answer: Gross margin rose to over 60% from 18-20% last year at a similar scale, with ₹50-60 crore revenue expected this year. Management said growth will continue from this segment without giving an FY28-29 number.

GLP-1 markets

- Question: Which markets is the prefilled syringe GLP-1 targeting, and is it a substitute for the earlier US injectable plan?
- Answer: The prefilled syringe is a device-based product with the device outsourced and drug substance and product made in-house. Semaglutide and a broader peptide portfolio are being commercialized in 18-20 emerging markets across Middle East, Africa, Latin America, Far East and CIS.

Shilpa Medicare Limited

PHARMA - API & CRAMS

TLDR

Shilpa Medicare reported record quarterly revenue of ₹538 crore in Q2 FY27, up 35% YoY, with EBITDA of ₹151 crore, up 37% YoY, at a 28% margin and PAT of ₹79 crore. Formulation revenue increased more than 50% YoY, led by Norioducia and European complex generics, while biologics revenue rose 150% YoY to 12% of company revenue. Management is prioritising high-margin peptide oncology APIs and CDMO, with a large integrated peptide facility due for commissioning by end-FY27. It also plans three formulation launches in FY28, two biosimilars entering European and ROW human studies in FY27, and the first ADC biosimilar entering human studies in FY28. Gross margin faced pressure from a larger API mix and higher global API raw-material costs. Peptide utilisation, albumin revenue, licensing-income composition and segment-level forward guidance remain undisclosed, while regulatory remediation and product-launch timing require monitoring.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Consolidated revenue	₹538 crore	35% YoY	Growth across API, formulation and biologics, including licensing and partnership income
H1 FY27 revenue	₹1,007 crore	44% YoY	All three verticals contributed; H1 revenue exceeded ₹1,000 crore for the first time
EBITDA	₹151 crore	37% YoY	Record quarterly EBITDA supported by revenue growth and operating leverage
EBITDA margin	28%	Not specified	Higher API mix reduced gross margin, partly offset by operating leverage
H1 FY27 EBITDA	₹290 crore	40% YoY	Revenue growth across segments
H1 FY27 EBITDA margin	29%	Not specified	Improved operating leverage despite gross-margin pressure
PAT	₹79 crore	Nearly 100% YoY for H1; quarterly comparison not specified	Higher operating profit and improved return ratios
H1 FY27 PAT	₹180 crore	Nearly 100% YoY	Improved operating performance
Non-captive API revenue	₹255 crore	24% YoY	Uptake from newly expanded capacities and steady specialty CDMO performance
Formulation revenue	₹210 crore	Over 50% YoY	Complex finished-dose formulations in Europe, supported by the US and ROW; excluding licensing income, base-business revenue grew 87%
Biologics revenue	₹65 crore	150% YoY	Licensing, partnership and CDMO activity
H1 FY27 capex	₹252 crore	Not specified	Primarily funded through internal accruals

SEGMENTS & GEOGRAPHIES

- **Non-captive API:** Q2 revenue was ₹255 crore, up 24% YoY, driven by improved uptake from newly expanded capacities and steady specialty CDMO performance. H1 revenue reached ₹470 crore, up 20% YoY. Management expects the API business to retain momentum and continues to focus on high-margin peptide oncology APIs and CDMO.

- **Formulation:** Q2 revenue was ₹210 crore, up more than 50% YoY, while H1 revenue was ₹407 crore, up 70% YoY. Excluding licensing income, underlying revenue increased 87% in Q2. Norioducia drove India business growth, while complex finished-dose formulations in Europe, supported by the US and ROW, drove the base business. Enzalutamide, abrexin and rotigotine patch are scheduled for FY28 launches.
- **Biologics:** Q2 revenue was ₹65 crore, up 150% YoY, and H1 revenue was ₹117 crore, up 92% YoY. Licensing, partnership and CDMO activity drove growth. Management expects revenue to comprise a mix of biosimilar, CDMO and licensing income; adalimumab remains the product currently supplied commercially.
- **Europe:** Europe was the leading formulation geography, supported by complex finished-dose generics. Management said the region included continuing business beyond nilotinib and axitinib, although rotigotine patch had not yet been launched. Generic competition had not materially changed nilotinib volumes because European tenders can run for one to three years.
- **United States and ROW:** The US and ROW supported formulation growth. US registration and launch requirements are expected to remain modest at two to three new products annually, for which management plans to use contract manufacturing sites.

STRATEGY & COMPANY-SPECIFIC

- **Peptide expansion:** The company had four peptide manufacturing lines and was adding two more, with space reserved for further expansion. A new integrated peptide facility, described as one of India's largest, was targeted for commissioning by end-FY27. The capacity would support CDMO, GLP-1 and HPAPI peptides.
- **API portfolio:** Management remained focused on high-gross-margin peptide oncology APIs and CDMO. The company expected more than 15 new oncology generic products to be completed in FY27.
- **Formulation pipeline:** Three additional complex 5-5-B2 products were in advanced development, beyond three already commercialised products, with commercialisation planned over the next two to three years. Enzalutamide, abrexin and rotigotine patch were targeted for FY28 launches.
- **Semaglutide and transdermal filings:** The company completed exhibit batches for injectable semaglutide in Q2 and planned submissions in Europe and ROW. It also completed exhibit batches for a partnered complex transdermal patch intended for Europe and planned to file it in FY28.
- **Unicyclic Therapeutics partnership:** The partner filed an NDA with an additional site and received a revised PDUFA date of March 2027.
- **Biologics portfolio:** The segment contained seven biosimilars whose molecules had average global sales above US$10 billion. Management planned to out-licence the seven active programmes globally over the coming years. Nivolumab was targeted for a European filing next year.
- **New biological entity partnerships:** The Alveolus Bio and MapTree Biologics programmes were both targeted for Phase 1 human studies in FY27.
- **Biologics CDMO:** More than six active programmes were disclosed. Phase 1 supplies for three client programmes were expected to complete in FY27. Four programmes were under registration and two were in partner Phase 3 trials; at least one of the four registration-stage programmes was expected to commercialise next year and three in the subsequent year.
- **Recombinant human albumin:** The global Phase 3 protocol was approved by CDSCO and the EMA. Management targeted an IMPD submission in Europe in H2 FY27. Revenue guidance was withheld.

- **Capital structure:** Net debt was ₹612 crore and remained stable despite the increased capex programme. Management reported ROCE of 13.3%, up from 9% in FY25, and adjusted ROCE of 18.3%.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Consolidated revenue and earnings	No forward revenue or profit guidance; management said it does not provide forward estimates	n/a	Management said the business had good traction and expected momentum to continue
Oncology generic API products	More than 15 products targeted for completion in FY27	n/a	Continued oncology generic portfolio development
API CDMO commercialisation	Four of more than 25 NCE CDMO client programmes expected to commercialise within 18-24 months	n/a	Partners' expected commercialisation timelines
Peptide capacity	New integrated facility targeted for commissioning by end-FY27	n/a	Four existing lines, two additional lines and space for further expansion
Peptide capacity utilisation	No numerical guidance; management expects to discuss utilisation in H2 next year	n/a	Utilisation depends on customer uptake and conversion of customer indications into orders
Formulation launches	Enzalutamide, abrexin and rotigotine patch targeted for FY28	n/a	Product development and regulatory preparation
Rotigotine patch	FY28 H1 launch	n/a	A raw-material variation required by the European agency added two quarters to the schedule
Semaglutide injectable	Submissions planned in Europe and ROW	n/a	Exhibit batches completed in Q2
Partnered transdermal patch	European filing planned in FY28	n/a	Exhibit batches completed in Q2
Unicyclic Therapeutics NDA	Revised PDUFA date of March 2027	n/a	Partner filed the NDA with an additional site
Ondansetron	India launch targeted for FY28 H1	n/a	Central approval received; state approvals, licences and permissions remain
Biosimilar human studies	Two biosimilars targeted to enter European and ROW human studies in FY27	n/a	Molecules had global markets exceeding US$10 billion in sales
Nivolumab filing	European filing targeted next year	n/a	Nivolumab is the first product intended for the European and ROW export market
NBE partnerships	Alveolus Bio and MapTree Biologics programmes targeted for Phase 1 human studies in FY27	n/a	Clinical development milestones
Biologics CDMO supplies	Phase 1 supplies for three client programmes expected to complete in FY27	n/a	More than six active programmes
Biologics CDMO commercialisation	At least one of four registration-stage programmes targeted for commercialisation next year; three targeted for the subsequent year	n/a	Programme stage and partner development

METRIC	GUIDANCE	VS Q1 FY27	BASIS
First ADC biosimilar	Human studies targeted in FY28	n/a	ADC development platform and pipeline progression
Albumin regulatory submission	European IMPD submission targeted in H2 FY27	n/a	CDSCO and EMA approval of the global Phase 3 protocol
Albumin excipient opportunity	More visibility expected during FY28	n/a	Early-stage development with customers; revenue scale not quantified
ROCE	Management expects further improvement in coming quarters	n/a	Better business mix and higher operating leverage

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
API raw-material inflation	Global API raw-material prices increased and were expected to keep pressure on gross margin until prices settled.
Segment-mix pressure	Higher API sales reduced consolidated gross margin because formulation carried higher gross margins.
Peptide utilisation risk	Management did not disclose capacity or expected utilisation. It said conversion of customer indications into actual orders and utilisation of completed investments would determine further phased investment.
Product concentration in biologics	Adalimumab remained the only biosimilar supplied commercially; future revenue would also depend on CDMO and licensing activity.
Licensing-income opacity	Management would not provide the proportion of Q2 service and licensing income attributable to licensing. It said the income carried no COGS but incurred development, R&D and other expenses.
Launch execution	Ondansetron still required state approvals, licences and permissions; rotigotine had already been delayed by two quarters.
Regulatory remediation	The company continued working with the US FDA on remediation measures. Management said the issue did not affect current revenue or the next two to three years of plans and had moved critical US filings to alternate CMO sites.
EU inspection risk	The EU authorities had reinspected the plant and cleared it again, with no current revenue risk identified.
Partner dependency	Specialty CDMO and biologics growth depended on partner uptake, clinical and regulatory progress, and commercialisation timelines. Management did not provide forward segment revenue guidance.
No revenue visibility for albumin	Management declined revenue guidance for the albumin programme and said visibility would improve only as milestones were reached.

Q&A HIGHLIGHTS

- **Gross-margin compression:**

Question: Why did gross margin decline despite record quarterly revenue and EBITDA? **Management's answer:** API revenue increased sharply, and API carries lower gross margins than formulation. Management also said global API raw-material costs had risen and would continue to pressure margins until those prices settled.

- **Peptide capacity and utilisation:**

Question: What capacity was being added and what utilisation was expected over the next two years? **Management's answer:** The company had four peptide lines and was adding two more, with room for further expansion. The new capacity would serve CDMO, GLP-1 and HPAPI peptides, but utilisation would depend on customer uptake; management expected to provide more visibility in H2 next year.

- **Peptide orders and investment:**

Question: Were orders already in hand and over how many years would the peptide investment be spread? **Management's answer:** Management said it had customer indications but had not stated that orders were already in hand. Further investment would be phased and linked to programme uptake and utilisation of capacity already built.

- **Biologics CDMO commercialisation:**

Question: When would the late-stage biologics CDMO programmes generate commercial revenue? **Management's answer:** Of four programmes under registration and two in partner Phase 3 trials, at least one of the registration-stage programmes was expected to commercialise next year and three in the subsequent year. Three of the four were API supply programmes and would account for a significant part of the relevant end customers' purchasing.

- **Regulatory risk at US and EU sites:**

Question: Could an adverse US FDA outcome at a plant disrupt product launches? **Management's answer:** The company continued remediation work with the US FDA but said there was no impact on current revenue or its plans for the next two to three years. Critical US filings had moved to alternate sites, and the EU authorities had cleared the plant after reinspection.

- **Sustainability of biologics growth:**

Question: How much of the 150% YoY biologics growth was a one-time licensing milestone? **Management's answer:** Management did not quantify the licensing component. It expected each quarter to include a mix of CDMO, biosimilar and licensing revenue as the seven-programme portfolio progressed.

- **Rotigotine launch delay:**

Question: Why was rotigotine patch moved from FY27 to FY28, and would it launch in H1 or H2? **Management's answer:** A European-agency approval variation for one raw material added two quarters to the schedule. Management now targeted an FY28 H1 launch.

- **Ondansetron commercialisation:**

Question: How was the launch progressing after SEC approval, and which marketing partners were involved? **Management's answer:** Management did not disclose the partners. It said state approvals, licences and permissions remained after central approval, and expected the India launch in FY28 H1.

Beta Drugs Ltd

PHARMA - API

TLDR

Beta Drugs reported H1 FY27 revenue growth of 29.2% and PAT of ₹34 crore, up 45% from ₹24 crore, with EBITDA margin at 23.18% versus 23.08%. Own brands grew 17%, exports reached ₹43 crore, Nivin (acquired) grew 75% to ₹31 crore, CMO grew 21%, and API grew 29-30%. Management guides FY27 revenue above ₹535 crore, own-brand sales of ₹150 crore, CMO at ₹180-190 crore, and exports at ₹90-100 crore, with 20-25% growth and 23-24% margins sustained over 3-5 years. The NPPA trade margin capping is assessed as zero to negligible impact. Watch points include platin API supply constraints, a delayed EU GMP audit now expected in 2-4 months, receivable days at 116, and export growth dependent on tender timing and pending registrations.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	H1 FY27 growth 29.2%	YoY	Own brands, exports, Nivin, CMO and API all contributed
EBITDA margin	23.18%	+0.10 pp YoY (from 23.08%)	Mix shift toward higher-gross-margin businesses; includes other income (22% excluding other income)
PAT	₹34 crore	+45% YoY (from ₹24 crore)	Lower cost of debt after convertible debentures converted to equity early this year
Own brands	17% growth H1; ₹150 crore FY27 target	YoY	OSC (orals) now 50% of total business; 4 launches, 6 more planned
Exports	₹43 crore H1	vs ₹41 crore H1 FY26 (which included ₹25 crore one-off opportunity sale)	Regular territory sales rose from ₹16 crore to ₹43 crore; 35 new registrations received
Nivin	₹31 crore H1	+75% YoY (from ₹18 crore)	Corporate hospital penetration, 60% increase in prescriber base; FY26 revenue ~₹43 crore
CMO	21% growth H1; FY27 guidance ₹180-190 crore	YoY	NDDS product; 2-3 new Indian partners added
API	29-30% growth H1	YoY	New intermediate plant to add margin and supply; COFEPRIS audit done, approval expected in 1-2 months
Derma PCPM	₹2.5 lakh average	+30%	Secondary sales rising; first high-end cosmetics consignment from Europe in transit
Receivable days	116 days	vs 113 days on 31 Mar 2026	Institutional/tender payments stretching to 6 months; ₹20-25 crore of ₹150 crore branded target is institutional
Cost of debt	8-9%	Down from ~7-7.5% on convertible debentures (now converted)	Convertible debentures converted to equity early this year

SEGMENTS & GEOGRAPHIES

- **Own brands (oncology):** 17% growth in H1; Q2 was flat because a temporary plant shutdown for debottlenecking shifted ₹6-7 crore of sales to H2. H2 own-brand sales expected at ₹80 crore versus ₹62 crore in H2 FY26, taking FY27 to ~₹150 crore (over 20% growth). Branded oncology guidance held at 20-22% for the year; market growing 10-15%, so growth implies share gains.

- **Exports:** ₹43 crore in H1 against ₹41 crore in H1 FY26, but last year included a ₹25 crore single-country opportunity order; regular territory sales rose from ₹16 crore to ₹43 crore. 76 new dosages filed across geographies including 4 in Europe; 872 registrations in pipeline over 2-3 years, ~50 expected this year; 20 dosages filed in Azerbaijan with 12 registrations expected in FY27. FY27 guidance ₹90-100 crore; management sees ~₹300 crore over 3-4 years at ~30% CAGR, with tender slippage between years.
- **Nivin (IVF):** ₹31 crore H1 versus ₹18 crore, 75% growth; top 5 brands are 63% of sales; gross margin ~50%, EBITDA ~18-18.5%, expected to reach 23-25% with Beta synergies. Addressable market ₹1,500-1,800 crore. First recombinant (FSH) in discussion with a partner for Phase 3, launch in 2-3 years; recombinant entry would roughly double the addressable market. Management sees 30-35% growth over 2-3 years.
- **CMO/CDMO:** 21% growth H1; NDDS product carries higher gross margin than other CMO products. Management says no partner has been lost in 15 years of CDMO operations. FY27 guidance ₹180-190 crore.
- **API:** 29-30% growth H1; platin sales flat H1 despite higher prices because of API supply constraints. New intermediate (KSM) plant to start by January 2027; API plant to be PIC/S approved, opening overseas supply.
- **Derma:** PCPM up 30% to ₹2.5 lakh; first high-end cosmetics consignment from Europe in transit; licensed products to launch in December 2026.

STRATEGY & COMPANY-SPECIFIC

- **Intermediate/KSM plant:** Same plant previously discussed as KSM capex (existing plant bought for ~₹9 crore plus ₹15-17 crore investment). Machinery in place; qualifications and departmental approvals pending; plant to be live by January 2027. 20-odd intermediates developed for different APIs, replacing China sourcing.
- **EU GMP audit:** 4 dossiers filed for different clients; audit now expected in 2-4 months. EU auditors now require filed dossiers before inspection, a change from earlier line inspections.
- **Biosimilars:** Evaluating a capital-efficient model for manufacturing and marketing, with low upfront capital and longer gestation; strategic roadmap extends beyond 2030.
- **Overseas manufacturing:** Evaluating an oncology manufacturing footprint in focus geographies (LATAM, North Africa, Middle East, APAC); greenfield versus acquisition to be decided country by country.
- **R&D land:** Acquired land will be disposed of, not repurposed; management is waiting for a suitable price, expected in 6 months to 1 year.
- **Nivin stake:** 66% acquired; buying the remaining ~33% is open-ended, with equity used to retain the IVF team.
- **NPPA trade margin capping:** Of FY26 branded business of ₹123 crore, orals of ₹60 crore (distributor-sold) have no impact; ₹50 crore of injectables are scheduled drugs with government-set MRP; ₹13 crore of non-scheduled injectables also unaffected. Management assesses overall impact as zero or negligible and says compliance is being maintained.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Overall revenue growth	20-25% for next 3-5 years; FY27 revenue above ₹535 crore	n/a	All verticals; management called the guidance conservative
EBITDA margin	23-24% sustained; trend toward 25%	n/a	Mix shift (branded ~70% gross margin, CMO ~50%, exports 55-60%), backward integration, operating leverage
Own brands FY27	₹150 crore, over 20% growth	n/a	H2 at ₹80 crore versus ₹62 crore in H2 FY26

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Branded oncology growth	20-22% for FY27	n/a	Debottlenecking complete, optimal production at both plants
Exports FY27	₹90-100 crore	n/a	Registrations and tenders; ~30% CAGR over 3-4 years, ~₹300 crore in 3-4 years
CMO FY27	₹180-190 crore	n/a	Existing partners, new Indian partners, NDDS
Nivin growth	30-35% over 2-3 years	n/a	Penetration, prescriber base, new launches in H2
Nivin EBITDA margin	23-25% with synergies (from 18-18.5%)	n/a	Beta synergy benefits
Intermediate plant commissioning	January 2027	n/a	Machinery in place, qualifications and approvals pending
EU GMP audit	Next 2-4 months	n/a	4 dossiers filed
FSH recombinant launch	2-3 years	n/a	Phase 3 discussion with a partner

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Platin API supply	Only 1-2 manufacturers in India; orders in hand but supply is 1,000-1,500 vials against 5,000 required; growth not dependent on platins; export platins can be imported on advance licence
Export tender timing	Tender-driven business; tenders can slip from one financial year to another; guidance kept low deliberately
EU audit delay	Audit has repeatedly slipped; now contingent on filed dossiers, expected in 2-4 months
Receivables	116 days versus 113; government/institutional payments can cross 6 months when budgets are not allotted; institutional business is ₹20-25 crore of the ₹150 crore branded target
Nivin concentration	Top 5 brands are 63% of Nivin sales
NPPA capping	Management sees zero or negligible impact and says it will ensure realizations are not disturbed; orals sold through distributors, most injectables are scheduled drugs
Margin definition	Reported EBITDA margin includes other income; 22% excluding it

Q&A HIGHLIGHTS

Margin drivers and the 25% target Asked what drives margins toward 23-24% and whether CMO, API and Nivin mix change the outlook, management said branded gross margins are ~70%, CMO ~50% and exports 55-60%, so mix alone lifts EBITDA; backward integration and operating leverage add more, and called the 25% guidance conservative.

Oncology debottlenecking Asked whether the oncology supply constraints are easing, management said the debottlenecking is over with optimal production at both plants, and held branded oncology growth guidance at 20-22% for the year.

Nivin margins and growth Asked about Nivin's margin profile and FY28 growth, management said gross margin is ~50% and EBITDA 18-18.5%, rising to 23-25% with synergies, with 30-35% growth over 2-3 years supported by a

₹1,500-1,800 crore addressable market.

Platin outlook Asked whether platins will grow after a flat H1, management said supply remains constrained and it will not depend on platins for growth, but expects some growth in H2 and better realization since the government raised the MRP.

Q2 branded flatness Asked why own-brand growth was flat in Q2, management said the temporary shutdown shifted ₹6-7 crore of sales to H2, with H2 own-brand sales expected at ₹80 crore versus ₹62 crore last year.

Export guidance cut Asked why export growth guidance was reduced to 30% from 50%, management said H1 FY26 included a ₹25 crore one-off order and regular territory sales actually rose from ₹16 crore to ₹43 crore; it prefers to guide low and has 872 registrations in the pipeline.

EU GMP audit timing Asked for an update on the EU audit expected this month, management said auditors now require filed dossiers before inspection, 4 have been filed, and an audit is expected in 2-4 months.

Biosimilars and overseas manufacturing Asked for colour on the biosimilar and overseas manufacturing comments, management said it wants a capital-light biosimilar model given long gestation, and may set up manufacturing in focus geographies as localization increases, with the model decided country by country.

Sakar Healthcare Limited

HOSPITALS

TLDR

Sakar Healthcare reported Q2 FY27 revenue of ₹8,741.61 lakhs, up 50-52% YoY, with EBITDA more than doubling to ₹2,434.53 lakhs and margin at 28% versus 20%. PAT rose 149% to ₹1,130.69 lakhs. Oncology revenue was about ₹50 crores for the quarter, split roughly ₹43 crores domestic (including deemed exports through partners) and ₹8.2 crores exports. Management said 69 oncology product contracts were executed, 351 dossiers shared globally, 191 submitted and 22 MAs granted, of which about 6 are commercialized. The Bavla facility runs at about 26% utilization and Changodar at 36-37%. Management guides to 35%+ revenue growth maintained into FY28, oncology EBITDA around 30% until API integration lifts it to 34-35% over a couple of years, and expects the EU GMP certificate within the quarter. Key watch points are the slow conversion of 22 MAs to sales, platinum API price inflation and the timing of CEP approvals.

WHAT CHANGED SINCE Q1 FY27

- **Margin guidance narrowed and pushed out.** Q1 guided consolidated EBITDA margin of 30%+ by FY27 end and 35%+ on CEP-integrated products. Q2 says oncology EBITDA stays around 30% until API integration, which "will take another couple of years" to reach 34-35%. The 30% is now a plateau, not a stepping stone.
- **Export ramp slipped.** Q1 expected export revenue of ₹60-70 crores for FY27, a 10x jump from the ₹6.5 crores Q1 base, with inflection from Q3 FY27. Q2 reports exports of ₹8.2 crores for the quarter (₹6.3 crores prior) and gives no FY27 export number. The 10x target was not repeated.
- **MA count and dossier base grew.** MAs rose from 16 to 22 (11 Europe/UK, 6 Latin America, 4 Myanmar, 1 Canada). Dossiers shared rose from 261 to 351, submissions from 178 to 191. Q1 targeted 32+ MAs in FY27; Q2 does not restate that target.
- **API sales disclosed as a real revenue line.** Q1 framed API as captive integration for margin, with external sales deprioritized. Q2 discloses ₹36-37 crores of external oncology API sales in H1, about equal to last year's full-year figure, and says FY27 will be double or more. Management still says captive use is the priority for FY28.
- **New capacity utilization disclosure.** Bavla at about 26% and Changodar at 36-37%, neither given in Q1.
- **New product and regulatory items.** 33 site variations filed covering 18 cytotoxic molecules, 11 approved; Accord received 6 additional EMA site variations, taking it to 8 of 11 molecules; 3 more MHRA/EMA approvals through UK and Germany partners; one own MA received this quarter. Q1 had 7 site variation approvals and 1 own European MA.
- **Platinum API cost pressure appeared.** Management flagged platinum prices raising API and finished-product costs globally, with in-house oxaliplatin, carboplatin and cisplatin providing flexibility. Not discussed in Q1.
- **Tone shift on partnerships.** Q1 emphasized building 15 own European MAs to reduce partner dependence. Q2 emphasizes converting existing partner registrations and site variations to commercial supply, with own-MA revenue guided to only 50-60% of a full-year value in FY28.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹8,741.61 lakhs	+50-52% YoY	Oncology momentum and stronger business mix
H1 FY27 revenue	₹16,038.86 lakhs	+45% YoY	Same drivers across both quarters
EBITDA	₹2,434.53 lakhs	+114% YoY	Operating leverage and rising oncology contribution

METRIC	REPORTED	CHANGE	WHAT DROVE IT
EBITDA margin	28%	vs 20% YoY	Business mix shift toward oncology
H1 FY27 EBITDA	₹4,559.42 lakhs	+90% YoY	Margin expansion to 28% from 22%
PAT	₹1,130.69 lakhs	+149% YoY	Flow-through from EBITDA
H1 FY27 PAT	₹2,159.18 lakhs	+134% YoY	Same
Oncology revenue (Q2)	~₹50 crores	vs ₹33 crores in Q1	Domestic ₹43+ crores (incl. deemed exports), exports ₹8.2 crores vs ₹6.3 crores
Oncology API external sales (H1)	₹36-37 crores	~equal to last full year	Third-party oncology cytotoxic API sales
Non-oncology revenue (Q2)	~₹36-37 crores	n/a	Exports ₹29 crores, domestic ₹7.37 crores
Bavla capacity utilization	~26%	n/a	EU GMP oncology formulation facility
Changodar capacity utilization	36-37%	n/a	Non-oncology facility, half-year basis

SEGMENTS & GEOGRAPHIES

- **Oncology:** Q2 revenue about ₹50 crores, of which domestic ₹43+ crores including deemed exports through partners such as Torrent and Intas, and exports ₹8.2 crores. Of the ₹8.2 crores, about ₹3.5 crores was own export and the rest CDMO. 22 MAs granted, about 6 commercialized; 16 of 22 still to be commercialized, plus 7-8 site-variation molecules. Management expects commercialization within 1-6 months of MA receipt, with some products awaiting tenders.
- **Non-oncology:** Q2 revenue about ₹36-37 crores, exports ₹29 crores and domestic ₹7.37 crores. Management gave no growth or margin guidance for this segment this quarter.
- **Europe and UK:** 11 of 22 MAs; 36 European filings including 16 proprietary; 11 site variation approvals across the EU and UK; 3 additional MHRA/EMA approvals through UK and Germany partners.
- **Latin America, Myanmar, Canada:** 6, 4 and 1 MAs respectively. Dossiers submitted to more than 40 countries.
- **GCC:** 16 dossiers with Zydus under approval in GCC and nearby markets; no timeline or revenue given.

STRATEGY & COMPANY-SPECIFIC

- **Regulatory pipeline:** 351 oncology dossiers shared, 191 submitted, 22 MAs granted. 33 site variations filed across 18 cytotoxic molecules, 11 approved.
- **Technology transfers:** 33 projects across 4 partners. Accord has 8 of 11 molecules approved at Sakar's site; management puts the Accord portfolio potential at ₹50-150 crores and uses ₹100 crores as an average figure, citing Intas's proximity as an advantage.
- **API integration:** 21 oncology APIs developed in-house, 16 with written confirmation, 8 commercialized. 2 of 7 CEP applications approved, 5 in process. Management says 15-20 key molecules need integration for the 35% margin, beyond the 7 CEPs.
- **Platinum APIs:** Oxaliplatin, carboplatin and cisplatin made in-house with written confirmation to supply as API to Europe and other developed markets. Platinums are 3 of 32 molecules, roughly 8-10% of product revenue by

management's estimate.

- **EU GMP certificate:** Audit process ongoing with regular interaction; management expects the certificate within this quarter, possibly earlier.
- **Own MA:** One own MA received this quarter, with commercial supplies expected soon.
- **Domestic pricing regulation:** Management said the 30% trade margin cap on 137 non-scheduled anti-cancer drugs does not affect Sakar as a manufacturer, since it has no direct domestic sales and supplies principals on 3-5 year contracts.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Revenue growth	35%+ maintained this year and next	Maintained	Oncology scale-up; last year was 40%+
Oncology revenue FY27	₹190-200 crores (analyst framing management did not dispute)	Maintained (Q1: ₹186-188 crores)	H1 oncology about ₹85 crores
Oncology revenue FY28	~₹300 crores achievable even with small own-MA contribution	Maintained	Site variations and domestic business at current pace
Own-MA revenue FY28	50-60% of full-year value, about ₹20-25 crores (analyst figure management did not dispute)	New	Half of MAs granted by mid-FY28
Oncology EBITDA margin	~30% until API integration; 34-35% or more after, over a couple of years	Cut (Q1: 30%+ by FY27 end, 35%+ on integrated products)	Business mix; API integration timing
Consolidated EBITDA margin	~30%	Maintained	Oncology share rising
Oncology API sales FY27	Double or more than H1's ₹36-37 crores	New	Current run rate
API use FY28	Shift toward captive consumption over external sales	Maintained	Margin and price-fluctuation protection
EU GMP certificate	Within this quarter, possibly earlier	New	Ongoing regulator interaction
Own MA commercialization	Supplies "very soon"	New	MA received this quarter
Combined quarterly revenue	₹100 crores expected next quarter	New	Oncology and non-oncology combined
Oncology share of revenue	Cross 50% next year, 60% in a couple of years	Maintained	Oncology growth outpacing non-oncology
Product contracts	Cross 70 this year (69 now)	New	Current engagement pipeline

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
MA conversion lag	16 of 22 MAs not yet commercialized; 1-6 months from approval to dispatch, with some products waiting on periodic tenders.

RISK	WHAT MANAGEMENT SAID
Export target slippage	Q1's ₹60-70 crores FY27 export guidance was not repeated; Q2 exports were ₹8.2 crores.
Platinum API cost inflation	Platinum prices have raised API and finished-product costs globally; in-house API gives flexibility but management called it "a concern."
CEP integration timeline	Only 2 of 7 CEPs approved; 15-20 key molecules need integration, which management says will take a couple of years.
Capacity underutilization	Bavla at about 26% and Changodar at 36-37%; the ₹800-1,000 crores Bavla potential depends on filling this.
Partner concentration	Accord portfolio potential of ₹50-150 crores depends on a single partner with multiple procurement sites; deemed exports through Torrent and Intas sit in the domestic number.
Regulatory approval timing	Management said approval timing is up to regulators; 191 dossiers pending with no committed conversion schedule.
Domestic margin cap indirect effects	Management said it cannot comment on the rest of the value chain and called any indirect impact "very difficult to comment" on.

Q&A HIGHLIGHTS

Oncology versus non-oncology mix Asked for the revenue mix over the next 2-3 years, management said oncology is near 50% now, will cross 50% next year and 60% in a couple of years, with non-oncology predominant until last financial year.

Platinum exposure Asked how much business comes from platinum-based drugs amid raw material shortages, management said platinums are 3 of 32 molecules, roughly 8-10% of product revenue, and that in-house API production with written confirmation for Europe supply provides flexibility against price swings.

Domestic trade margin cap Pressed on whether the 30% cap on 137 anti-cancer drugs affects Sakar given its domestic sales, management said sales go to principals on 3-5 year contracts at practical manufacturer margins, Sakar has no direct domestic presence, and it sees hardly any impact.

Export split within oncology Asked to split the ₹8.2 crores of oncology exports between CDMO and own registrations, management said about ₹3.5 crores was own export and the rest CDMO.

API sales scale Asked how external API sales should be modeled, management said H1 was ₹36-37 crores, FY27 will be double or more, and FY28 will shift toward captive consumption to lift blended margins rather than push external API sales.

Margin path to 35% Asked when 35% margins arrive, management said a couple of years, pending integration of 15-20 key molecules beyond the 7 CEPs, and that margins improve incrementally each year as integration proceeds, from 25% two years ago to 28% now.

EU GMP certificate timing Asked when the certificate is expected, management said the process is ongoing with regular regulator interaction and expects it within this quarter, possibly earlier.

FY28 oncology scale-up Asked whether ₹300 crores is achievable in FY28 with small own-MA contribution, management said yes, with site variations and domestic business continuing at their own pace and full-year contribution from pending approvals arriving at end-FY28.

Navin Fluorine International Limited

CHEMICALS - FLOURINE

TLDR

Navin Fluorine reported Q2 FY27 consolidated revenue of ₹1,191 crore, up 57% YoY, operating EBITDA of ₹407 crore (66% growth, 34.2% margin) and PAT of ₹269 crore, up 81%. H1 PAT crossed ₹500 crore at an EPS of ₹100, with net operating working capital at 72 days. HPP grew on higher volumes and improved HFC realisations, helped by better utilisation of the new AHF plant, and the Solstice HFO supply contract was extended four years to December 2032 with about US$180 million of additional revenue potential. MPP debottlenecking at Dahej was commissioned in September 2026. Management said the US$100 million CDMO target for FY27 is within reach and CGMP-4 Phase 2 (₹125 crore) becomes operational by end Q4 FY27. FY27 margins are guided near the H1 level of 34.2%, long-term EBITDA margin at 30%, and FY27 capex at about ₹700 crore. Watch Kemos commissioning in Q3 FY27, the HF plant ramp and raw material inflation.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Operating revenue (Q2 FY27)	₹1,191 crore	+57% YoY	Broad-based growth across HPP, specialty chemicals and CDMO
Operating EBITDA (Q2 FY27)	₹407 crore	+66% YoY	Pricing actions against sourcing costs, operating leverage, efficiency
EBITDA margin (Q2 FY27)	34.2%	YoY change not stated	Management cited efficiency rather than pricing alone at a 34% level
Operating PBT (Q2 FY27)	₹336 crore	+87% YoY	Revenue and margin expansion
PAT (Q2 FY27)	₹269 crore	+81% YoY	Operating performance
Operating revenue (H1 FY27)	₹2,236 crore	+51% YoY	Momentum across all three businesses
Operating EBITDA (H1 FY27)	₹765 crore	+69% YoY	Margin expanded 367 bps to 34.2%
PAT (H1 FY27)	₹513 crore	+93% YoY	Against ₹320 crore operating PBT in H1 FY26
EPS (H1 FY27)	₹100	Not stated	On H1 PAT of ₹513 crore
Net operating working capital	72 days	Not stated	Management said within its 70-75 day framework
Interim dividend	₹8 per share (face value ₹2)	New	Declared by the board

SEGMENTS & GEOGRAPHIES

- **HPP:** Revenue grew on higher volumes and improved realisations, with HFC pricing firm and realisations up sequentially. The new AHF plant saw better utilisation, and merchant HF sales are running ahead of the number originally planned, including exports and high-pure HF; management declined to give a utilisation rate and said the large plant will take more time to reach full capacity. R32 capacity is on track to commission shortly. Management expects HFO volumes to rise as construction and chiller demand improve, and said the US$180 million contract figure is based on minimum expected quantities from the customer.
- **HFO contract (Solstice Advanced Materials):** Tenure extended by 4 years to December 2032, taking the contract from 7 to 11 years, with roughly US$180 million of additional revenue potential on the same asset base.

Management said the extension guarantees larger volumes than before and that pricing is a pass-through mechanism.

- **Specialty chemicals:** Management said order visibility covers the second half of FY27 and beyond, with campaign orders on five new molecules running to the end of the year and beyond. MPP1 and MPP2 will exceed the stated bar by end FY27 through more campaigns per plant and fewer process steps. Nectar is expected at 60-65% of peak annual revenue in FY27, with the balance in FY28.
- **CDMO:** The US$100 million FY27 target is within reach, described as on time rather than early. Growth came from the Fermion base business and new qualification campaigns. Two molecules have positive developments: one approved in China and on fast track for US FDA approval, the other tied to label expansion for darolutamide.
- **Kemos (advanced cooling):** Commissioning is targeted for Q3 FY27 with purchase orders already in hand for future quarters. The delay was described as a deliberate choice between partners on the process route for the initial capacity. Management said 15 months from commissioning are needed to judge adoption, market size and the eventual capex, and declined to give project numbers under an NDA.
- **DRDO specialty material:** The project is on schedule. The molecule has dual use, and management said the pharma application will be accelerated ahead of defence qualification. At 50% share, the Indian pharma market alone is about ₹400 crore.
- **Advanced materials:** A new vertical targeting data centres, electronics, semiconductors and defence, with capacity commissioning by Q2 FY28. Management expects it to be 10-15% of an expanded revenue base by 2030 on 20-25% annual growth.

STRATEGY & COMPANY-SPECIFIC

- MPP debottlenecking at Dahej was commissioned in September 2026 and is not reflected in Q2 numbers.
- CGMP-4 Phase 2 involves capex of about ₹125 crore and becomes operational by end Q4 FY27; both Phase 1 and Phase 2 are dedicated plants for Fermion.
- The company has built warehouse capacity up to Phase 6 and effluent treatment up to Phase 5, which management said allows CGMP-4 Phase 5 to be added quickly once utilisation of the two GMP plants reaches 70-80%.
- FY27 capex is about ₹700 crore, at the low end of a ₹700-1,000 crore annual frame; H1 spend was ₹300-310 crore. Further capex will be announced as projects pass stage gates.
- HFO varieties other than the Solstice product remain open to the company through partnership or product models, provided they do not conflict with that contract.
- Management said it is investing in renewable energy across plants to meet more than 60% of energy requirements, and is applying digital tools and AI in research and process optimisation.
- The board declared an interim dividend of ₹8 per equity share.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 EBITDA margin	Same range as H1 FY27 (34.2%)	n/a	Working toward the H1 run rate for the year
Long-term EBITDA margin	30%, unchanged	n/a	Management said it will not change the long-term figure given volatile geopolitics
Growth	20-25% annually	n/a	Stated in the context of the 2030 revenue mix

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Capex FY27	About ₹700 crore	n/a	H1 spend of ₹300-310 crore; low end of the ₹700-1,000 crore frame
Capex frame	₹700-1,000 crore every year	n/a	Project pipeline and five-year growth targets
R32 capacity	Commissioning shortly	n/a	Capex progressing as planned
Kemos project	Commissioning in Q3 FY27	n/a	Project progressing; purchase orders in hand
Advanced materials capacity	Commission by Q2 FY28	n/a	Progressing per schedule
CGMP-4 Phase 2	Operational by end Q4 FY27	n/a	₹125 crore capex progressing as planned
CDMO FY27 revenue	US$100 million	n/a	Order book visibility; described as on time
CGMP-4 Phase 1 plus Phase 2 peak revenue	₹900-1,000 crore by FY28-29, about 3x capital	n/a	Dedicated Fermion plants
Nectar	60-65% of peak annual revenue in FY27, balance in FY28	n/a	Ramp plan
Advanced materials share	10-15% of expanded revenue by 2030	n/a	New vertical under incubation
Working capital	70-75 days	n/a	Financial framework
EBITDA conversion	60-65% on a sustainable basis	n/a	Balance sheet and working capital discipline
HFO contract	About US$180 million additional revenue over four years to December 2032	n/a	Minimum expected quantities from the customer

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Geopolitical volatility	"I don't think we are out of the woods yet" on geopolitics; teams must stay agile and respond
Raw material and power cost inflation	HCl, sulfur, gas and power costs are up; a 34% EBITDA cannot come only from pricing and must come from efficiency
HFO contract economics	Pricing is a pass-through mechanism; management said the revenue cannot be divided by the number of years and the answer differs once capex is recovered
Kemos commissioning timing	Commissioning in Q3 FY27 after a deliberate process-route change; 15 months needed after commissioning to judge market adoption and size
HF plant ramp	Large plant, still ramping and not at full capacity; utilisation rate not disclosed
CDMO customer concentration	CGMP-4 Phase 1 and Phase 2 are dedicated plants for Fermion
HFC demand dependency	Volumes depend on construction and chiller demand improving in the global market
Margin guidance disclosure	Management said it cannot forecast margins five to six years out and will hold the long-term figure at 30%

Q&A HIGHLIGHTS

HFO contract revenue per year Asked whether the implied US$45 million annual run rate for the next four years is below the earlier US$58 million. Management said the contract cannot be divided by years: pricing is pass-through,

and the deal extends an 11-year term on the same assets while guaranteeing larger volumes than before.

Own HFO commercialization Asked whether supplying Solstice beyond 2028 delays Navin's own HFO plans. Management said there are about 40 varieties of HFOs and no conflict with the contract, and that other HFOs will be pursued through partnership or product models.

Kemos delay and qualification Asked whether the delay pushes back customer qualification. Management said the delay was a deliberate choice between partners on the process route for the initial capacity, that material is already being supplied, and that orders are in hand as the asset nears commissioning.

CDMO capacity build-out Asked whether CGMP-4 Phase 2 serves Fermion or new molecules. Management said both phases are dedicated plants, that Phase 5 can be added quickly given existing utilities, and that it will trigger the next phase when the two GMP plants reach 70-80% utilisation.

Gross margin in an inflationary market Asked how gross profit was held despite cost inflation. Management cited pricing actions offsetting sourcing impacts, operating leverage and efficiency gains, and said the 34% EBITDA cannot come from pricing alone.

HF utilisation Asked for the utilisation rate of the HF plant. Management declined to give one, said the plant is being ramped and not at full capacity, and that merchant sales including exports and high-pure HF are running above the planned quantity.

Capital allocation Asked whether surplus cash flow goes to capex or shareholders. Management said the ₹700-1,000 crore annual capex frame is enough for the project pipeline and five-year growth targets, that growth to FY28 is largely covered by existing capex, and that new projects will be announced as they clear stage gates.

HFO pricing after patent expiry Asked how HFO pricing evolves as patents expire. Management said each HFO serves a different application with a qualification route held by the patent owner, that global HFO capacity is about 10% of global demand, and that the product commands a premium as a cleaner product.

Privi Speciality Chemicals Limited

SPECIALITY CHEMICALS

TLDR

Privi reported its highest-ever quarterly revenue of ₹773.16 crore, up 13.9% YoY, with EBITDA of ₹212.49 crore (up 16.66%) at a 27.48% margin and PAT of ₹117.03 crore (up 24.61% YoY). Volume growth was 4% in Q2 and about 7-7.5% in H1, with the balance from price and mix. The Phase I expansion to 54,000 MT is complete, with volumes to build through Q3 and a significant step-up in Q4 as annual contracts begin; management expects 85-90% utilisation of the expanded capacity in that quarter. Phase II (furfural derivatives: maltol, ethyl maltol, cyclopentanone and specialty molecules) is targeted for completion by June with revenue from October 2027, contributing about ₹1,000 crore at full 12,000 MT capacity. Management reiterated 20% growth for FY27 and FY28, guided FY28 revenue near ₹3,750-4,000 crore, and maintained EBITDA margins at current levels. Watch points: H1 growth of 15% requires a stronger H2, Privi Fine Sciences remains loss-making pending regulatory approvals, and the two strategic alliances are still unsigned.

WHAT CHANGED SINCE Q1 FY27

- **Growth guidance held at 20% but with a new FY28 number.** Q1 notes carried a minimum 20% CAGR and a ₹5,000 crore revenue / ₹1,000+ crore EBITDA vision in 3-4 years. This call reiterated 20% for FY27 and FY28 and added a specific FY28 revenue expectation of close to ₹4,000 crore, "maybe ₹3,750 or some number." The ₹5,000 crore / ₹1,000+ crore vision now carries an explicit 2030 date, versus "3-4 years" last quarter.
- **Phase I delivered, with a volume lag.** Q1 guided Phase I (48,000 to 54,000 MT) to commercialise in about 15 days by September 2026. Management said the expansion is completed, but the volume benefit lands in Q3 and significantly in Q4 when annual contracts start, with 85-90% utilisation of the expanded capacity expected in Q4. The revenue timing slipped relative to the Q1 framing.
- **Phase II timeline shifted later.** Q1 said Phase II to 66,000 MT was on track for September 2027, with new furfural product plants at mechanical completion by mid-FY28 and revenue from H2 FY28. This call said Phase II completion by June, trial production after, and revenue from October 2027 (H2 FY28), consistent on revenue but with completion now stated as June rather than September 2027.
- **Capex quantum restated higher and split by phase.** Q1 gave ₹850-900 crore over the current and next two years. This call put the three-phase total at close to ₹1,400 crore, with about ₹1,000 crore still to be spent on Phase II and III, Phase III alone at ₹400-425 crore, and total revenue potential of ₹1,700-1,800 crore (later stated as about ₹1,900 crore across the three phases).
- **Prigiv JV scaled but the equity infusion did not appear.** Q1 reported JV revenue of about ₹18 crore at 14-15% EBITDA margins and an additional ₹50 crore equity infusion for the next phase. Q2 reported JV sales of about ₹28 crore with PBT of close to ₹2 crore, H1 sales of about ₹47 crore and a negligible loss of ₹0.02 lakh, and a JV revenue expectation of around ₹225 crore for FY27-FY28. The ₹50 crore infusion was not mentioned; management said a debt-to-advance conversion at the JV is in process.
- **First dividend declared.** The board declared the company's first-ever interim dividend of ₹5 per share (face value ₹10) for FY26/27. No dividend was discussed in Q1.
- **New disclosure on Privi Fine Sciences losses.** Q1 described the merger as adding about 6,000 MT of capacity and expected to complete in FY27. This call disclosed Privi Fine Sciences FY26 turnover of about ₹68 crore and a loss of about ₹34.28 crore, with expansion held up by regulatory permissions and breakeven expected only after those come through.
- **Strategic alliances still unsigned.** Q1 said two strategic alliances were underway with details to be announced. This call said they remain work in progress with no timeline.

- **Tone on demand more positive.** Q1 referred to a "subdued market" alongside 19.22% growth. This call described the demand situation as "extremely good" and cited Africa as a growing market, with the chairman saying he is confident of maintaining or beating 20%.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Total income	₹773.16 crore	+13.9% YoY	Broad-based demand across domestic and export markets; highest-ever quarterly sales
EBITDA	₹212.49 crore	+16.66% YoY	Higher sales base absorbing fixed costs; expenses at 9.72% of sales
EBITDA margin	27.48%	vs 26.12% in H1 FY27 (management's comparison)	Lower other expenses as a percentage of sales and better product mix; Q2 FY26 had benefited from ₹9 crore of state incentives versus ₹1.62 crore this year
PAT	₹117.03 crore	+24.61% YoY	Improved EBITDA-to-PAT conversion and lower interest cost
H1 PAT	₹201 crore	+29% YoY	Higher profits in the first half
Volume growth	4% in Q2; about 7-7.5% in H1	YoY	Management did not attribute the balance of revenue growth
RMC as % of sales	About 52%	vs about 51% in Q2 FY26	Variation in CST and GTO sourcing across mills and locations
Working capital cycle	Under 100 days	vs 124 days in Q2 FY26	Receivables paid on time, in some cases ahead of schedule
Net debt	₹814.51 crore	as of 30 Sep 2026	Repayment from cash generation
Net debt / EBITDA	1.07x	vs 1.29x at June 2026 (QoQ)	Lower net debt and higher EBITDA
ROCE / ROE	24.30% / 26.34%	ROCE +216 bps YoY; ROE +134 bps YoY	Better asset use; asset turnover at 1.7x on fixed assets
Cash from operations (H1)	₹445 crore	Improvement over prior year	Higher profits

SEGMENTS & GEOGRAPHIES

- **Aroma chemicals (core):** Overall plant utilisation is around 85-90%. Management declined segmental guidance but expects growth across all segments, with the chairman citing rising global use of aroma chemicals and new users of fine fragrances.
- **Domestic and export markets:** Growth was broad-based across both. The CFO attributed part of the higher other income to foreign exchange gains, with the dollar favourable and the company a net exporter.
- **Africa:** Named by the chairman as a growing market; Privi supplies customers who serve Africa.
- **Europe:** Management said labour and energy problems in Europe create opportunities for compliant Indian manufacturers, and that Privi has the infrastructure to take them.
- **Prigiv JV (Givaudan):** Q2 sales of about ₹28 crore with PBT of close to ₹2 crore; H1 sales of about ₹47 crore with a negligible loss of ₹0.02 lakh. Management expects around ₹225 crore of JV revenue across FY27-FY28 from the expansion underway, with a third phase under pilot study that could take revenue beyond that; guidance on the third phase is at least three to six months away.

- **Privi Fine Sciences (pre-merger):** FY26 turnover of about ₹68 crore and a loss of about ₹34.28 crore. Five products, four already supplied to top multinationals; capacity of 6,000 MT is in place but expansion awaits Pollution Control Board and other permissions. Management expects breakeven once permissions arrive and revenue of ₹250-300 crore after the merger.

STRATEGY & COMPANY-SPECIFIC

- **Phase I expansion:** Completed. Volumes build in Q3 and significantly in Q4 as annual contracts begin, with 85-90% utilisation of the expanded capacity expected in Q4.
- **Phase II:** Furfural-based derivatives (maltol, ethyl maltol, cyclopentanone and a couple of specialty molecules). Completion planned by June, trial production after, revenue from October 2027. Full capacity of 12,000 MT is expected to contribute close to ₹1,000 crore of revenue.
- **Phase III:** Capex of ₹400-425 crore, expected to add ₹450-500 crore of revenue. Combined with Phase I's potential of about ₹450 crore, management expects the three phases to generate about ₹1,900 crore of revenue and take the company to ₹5,000 crore by 2030.
- **Capex:** Three-phase outline close to ₹1,400 crore, of which about ₹1,000 crore remains to be spent on Phase II and III.
- **New product commercialisation:** Products will be made on a pilot basis and sold to customers during the project year so quality and other issues are settled before commercial production; management said customer response is positive.
- **Merger:** Privi Fine Sciences and Privi Biotechnologies merger expected to complete before the end of this financial year. Privi Fine Sciences capacity expansion awaits regulatory permissions, expected "anytime now."
- **Prigiv JV:** Two phases of expansion, one underway; a third phase is in pilot with economics being worked out. A debt-to-advance conversion at the JV is in process.
- **Dividend:** First-ever interim dividend of ₹5 per share (face value ₹10) for FY26/27.
- **State incentives:** ₹1.62 crore received in H1 versus ₹9 crore in the prior year; a further ₹12-15 crore expected in the next two quarters, which management expects to take the full-year figure above last year's.
- **Raw material sourcing:** CST and GTO imports are very diversified across suppliers. About 70% of revenue comes from non-petroleum source raw materials.
- **Freight contracts:** Contracts now carry a quarterly pricing mechanism for freight, allowing pass-through of increases or decreases.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	20%	Maintained	H1 grew 15%; second half is normally stronger than the first
FY28 revenue growth	20% or better	New	Positive customer outlook; first indications from customers of higher purchases
FY28 revenue	Close to ₹4,000 crore, "maybe ₹3,750 or some number"	New	20% growth on the current base

METRIC	GUIDANCE	VS Q1 FY27	BASIS
EBITDA margin	Maintained at current level (27.48% in Q2)	Maintained (Q1: 20%+)	Operating efficiencies and product mix; new products expected at similar margins
₹5,000 crore revenue / ₹1,000+ crore EBITDA	By 2030	Maintained, date now explicit (Q1: 3-4 years)	About ₹1,900 crore of revenue from the three capex phases
Phase I volumes	Q3 partial, significant in Q4; 85-90% utilisation of expanded capacity in Q4	Timing later than Q1's September 2026 commercialisation	Annual contracts starting in Q4
Phase II completion and revenue	Completion by June, revenue from October 2027	Revenue timing maintained (H2 FY28); completion stated as June	Trial production after mechanical completion
Phase II revenue at full capacity	About ₹1,000 crore from 12,000 MT	Restated	Full capacity utilisation
Phase III capex and revenue	₹400-425 crore capex; ₹450-500 crore revenue	New detail (Q1 gave only the ₹850-900 crore total)	Phase III project plan
Total capex	About ₹1,400 crore across three phases; about ₹1,000 crore remaining	Raised from ₹850-900 crore	Phase II and III spend
Prigiv JV revenue	About ₹225 crore across FY27-FY28	New	Expansion phase underway; third phase guidance in three to six months
Privi Fine Sciences	Breakeven after permissions; ₹250-300 crore revenue post-merger	New	Regulatory approvals expected in the next few months
Working capital cycle	105-110 days on an annual basis	New	Long-term operating norm
State incentives	₹12-15 crore more expected in the next two quarters	New	Incentive claims in process

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
H2 dependence for 20% growth	H1 grew 15%; management needs a stronger second half and said investors should look at annual rather than quarterly numbers.
Phase I volume timing	Capacity is complete but volumes depend on annual contracts starting in Q4; Q3 gets only a partial benefit.
Privi Fine Sciences losses	About ₹34.28 crore loss in FY26; full capacity cannot be used until Pollution Control Board and other permissions arrive, and breakeven depends on those approvals.
Regulatory approvals	Privi Fine Sciences expansion permissions described as expected "anytime now" with no fixed date; merger completion targeted before the financial year end.
Strategic alliances	Two alliances discussed in Q1 remain unsigned; management gave no timeline.
Raw material cost variation	RMC moved to about 52% of sales from about 51%, attributed to CST and GTO sourcing across many mills and locations; management said this range can fluctuate.
Freight and geopolitics	Management said there is no material impact: about 70% of revenue uses non-petroleum raw materials, CST procurement faces no shipping-route challenges, and contracts carry quarterly freight pricing.

RISK	WHAT MANAGEMENT SAID
JV debt conversion	The debt-to-advance conversion at Prigiv is still in process and management said it takes time when dealing with large multinationals.
Customer contract visibility	Management declined to detail next-year contract discussions, calling the information proprietary, and said only that the situation is "extremely good."

Q&A HIGHLIGHTS

Phase I commissioning and ramp-up Question: The debottlenecking expansion due by September 2026 was not commissioned on time; when will utilisation ramp up? Answer: The expansion is completed. Part of the benefit comes in Q3, but a significant part comes in Q4 when new annual contracts start, with 85-90% utilisation of the expanded capacity expected in that quarter.

20% growth versus 15% H1 growth Question: With H1 growth at about 15%, reaching 20% for FY27 requires over 22-23% in H2; does the 20% guidance still hold? Answer: The 20% guidance stands. The first half is normally lower than the second, and management asked to be judged on annual rather than quarterly numbers.

FY28 outlook Question: What is the revenue and EBITDA guidance for FY28? Answer: Management is confident of 20% or better and expects revenue close to ₹4,000 crore, "maybe ₹3,750 or some number," with EBITDA margins maintained at current levels.

Phase II and III timing Question: When will the Phase II and III capex be completed and produce commercial revenue? Answer: Phase II covers furfural-based derivatives (maltol, ethyl maltol, cyclopentanone and specialty molecules). Everything is planned for completion by June, with trial production after, and revenue and margins from the second half of next financial year, meaning October 2027 onward.

Capex and revenue potential Question: What is the remaining capex and the incremental revenue from ongoing projects? Answer: The three phases total close to ₹1,400 crore, with about ₹1,000 crore still to be spent on Phase II and III. Phase II is expected to contribute close to ₹1,000 crore at 12,000 MT, Phase III ₹450-500 crore, and Phase I about ₹450 crore, totalling about ₹1,900 crore and supporting the ₹5,000 crore revenue mark by 2030.

Prigiv JV scale Question: What full-year revenue can be expected from the JV? Answer: About ₹225 crore across FY27-FY28 from the expansion underway. A third phase is in pilot, and guidance beyond ₹225 crore will come after three to six months once the economics are worked out.

Privi Fine Sciences losses Question: Privi Fine Sciences did about ₹68 crore turnover and a ₹34.28 crore loss in FY26 against an earlier ₹100 crore target; how will the merger affect consolidated books? Answer: Regulatory approvals have been delayed and are nearing completion. Four of five products are already supplied to top multinationals, capacity of 6,000 MT is in place, and utilisation is held back by pending permissions. Once approvals arrive and the merger completes before the financial year end, revenue can move from about ₹100 crore to ₹250-300 crore and the business should break even.

State incentives and margin comparison Question: Stripping out other income, EBITDA dipped versus last year; what is the incentive position? Answer: Only ₹1.62 crore of incentives was received in H1 versus ₹9 crore last year, with ₹12-15 crore more expected in the next two quarters, which should take the full year above last year. RMC was about 52% of sales versus about 51%, and the margin was held through lower other expenses on a higher sales base.

Working capital and receivables Question: The working capital cycle is near 90 days; is this the bottom, and why have receivables fallen while sales rose? Answer: The long-term annual norm should be 105-110 days. Receivables fell because customers have been paying on time, in some cases a few days early.

Carborundum Universal Limited

ABRASIVES & GRINDING WHEELS

TLDR

Carborundum Universal reported Q2 FY27 standalone sales of ₹911 crores, up 28% YoY and the highest ever quarterly sales, with all three segments in double-digit growth; consolidated sales rose 13.1% to ₹1,455 crores and consolidated segment results grew 26.3% to ₹163 crores. Consolidated PAT fell to ₹12 crores from ₹75 crores on ₹80.3 crores of Awuko exceptional items. Ceramics led with 36.1% consolidated growth, prompting a guidance upgrade to 25-28% growth and 22.5-23.5% margins, while Abrasives standalone PBIT fell 19.9% on phenol and resin cost increases that could not be passed on. Management cut FY27 consolidated Abrasives margin guidance to 8-8.5% ex-Awuko from 9.5-10%. Awuko's asset sale closed at ₹5.34 crores with no further write-offs expected; Foskor Zirconia resolution is targeted this quarter. Watch Abrasives margin recovery, Rhodius break-even by Q1 FY28, and H2 working capital reversal.

WHAT CHANGED SINCE Q1 FY27

- **Consolidated Abrasives margin guidance cut:** to 8-8.5% ex-Awuko for FY27 from 9.5-10% last quarter, on the standalone margin drop in H1 and cost pressures. Growth guidance of 11-12% ex-Awuko retained.
- **Ceramics guidance raised again:** FY27 growth now 25-28%, up from 23-25% (itself upgraded from 15-15.5% two quarters ago); margin guidance raised to 22.5-23.5% from 20.5-21%.
- **Rhodius guidance cut:** last quarter ~5% growth with a small PAT loss; now sales expected flat versus last year with the loss lower than last year. Q2 loss narrowed to EUR0.3M from EUR0.7M in Q1.
- **Awuko closure delivered:** the winding-up flagged for completion "within one quarter" concluded with agreements on 26 October to sell all PP&E and inventory for ₹5.34 crores, an exceptional item of ₹80.3 crores in Q2, and employee reconciliation under German labour law. Management said no further write-offs are expected.
- **Foskor Zirconia slipped:** resolution was targeted by Q2 FY27 last quarter; management now says it realistically expects completion "in this quarter" (Q3). Q2 sales were ZAR53M with a ZAR24M loss.
- **Electro Minerals margin guidance held but mix weakened:** 9-9.5% retained, though standalone PBIT fell 24% QoQ to ₹29 crores on product and industry mix.
- **New revenue disclosure on semiconductor equipment components:** management put the peak top line at ₹300-350 crores around FY30-FY31, a number not given last quarter.
- **Tone shift on Abrasives:** management called the margin "bottomed out" and pointed to a 15-16% historical range as the aim, after last quarter's "one quarter at a time" framing on the cost push.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Standalone sales	₹911 crores	+28% YoY; +7.7% QoQ	Highest ever quarterly sales; all three segments in double digits
Consolidated sales	₹1,455 crores	+13.1% YoY; +3.1% QoQ	Ceramics and standalone Electro Minerals growth, partly offset by Foskor and Awuko
Consolidated segment results (PBIT)	₹163 crores	+26.3% YoY; +22.4% QoQ	Ceramics PBIT up 62.1% YoY
Consolidated PBT before exceptionals	₹138 crores	+22.9% YoY; +16% QoQ	Operational performance across segments
Consolidated PAT after NCI	₹12 crores	Down from ₹75 crores YoY and ₹76 crores QoQ	₹80.3 crores Awuko exceptional item

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Standalone PAT	₹72 crores	+12.4% YoY; down from ₹88 crores QoQ	Q1 carried higher dividend income; segment results stronger
Standalone Abrasives	₹357 crores sales; ₹37 crores PBIT	Sales +15.9% YoY; PBIT -19.9% YoY	Phenol and resin cost rise from oil prices; small portion passed on
Consolidated Ceramics	₹410 crores sales; ₹101 crores PBIT	Sales +36.1% YoY; PBIT +62.1% YoY	Engineered ceramics and metallized cylinders; all three regions growing
Standalone Electro Minerals	₹279 crores sales; ₹29 crores PBIT	Sales +31.3% YoY; PBIT +49.1% YoY, -24% QoQ	Strong refractory and abrasive demand in India and abroad; QoQ drop on product and industry mix
Consolidated Electro Minerals	₹443 crores sales; ₹26 crores PBIT	Sales +11.1% YoY; PBIT -20.9% YoY	Growth from standalone after adjusting the Foskor Zirconia drop
VAW Russia	RUB1.55 billion sales; RUB98.7M PAT	Sales flat YoY; PAT down from RUB222M	Status quo under operating constraints
Capex and net debt	₹127 crores H1 capex; net debt ₹111 crores	H1 capex vs ₹162 crores prior year; D/E 0.09	Consolidated debt ₹362 crores, cash ₹251 crores excluding VAW

SEGMENTS & GEOGRAPHIES

- **Standalone Ceramics:** sales ₹313 crores, up 37.2% YoY and 14% QoQ, with industrial ceramics and refractories both contributing. Metallized cylinders, engineered ceramics, SOFC ceramics and glass ceramics all grew. Exports are typically 85% plus of the segment. Management expects engineered ceramics and metallized cylinders to keep driving growth.
- **Consolidated Ceramics:** ₹410 crores, up 36.1% YoY, with India, the Americas and Australia all growing. Subsidiary contribution to consolidated EBIT rose to ₹34 crores from ₹17 crores YoY.
- **Standalone Abrasives:** ₹357 crores, up 15.9% YoY and 8.6% QoQ, broad-based across precision, industrial and retail, predominantly volume with a small price contribution. Management sees industrial, construction and infrastructure demand continuing into H2.
- **Consolidated Abrasives:** ₹607 crores, up 4% YoY and down marginally QoQ. Rhodius sales fell 16.8% YoY to EUR14.5M against a high Q2 FY26 base when a EUR4-5M order shortfall from the warehouse transition was recovered; the QoQ dip is seasonality. Awuko contributed EUR1.1M in Q2 versus EUR2.9M a year ago.
- **Standalone Electro Minerals:** ₹279 crores, up 31.3% YoY, flat QoQ, from domestic and export demand in refractories and abrasives. The QoQ PBIT drop is attributed to product mix and the mix of industries served.
- **Consolidated Electro Minerals:** ₹443 crores, up 11.1% YoY, down 6.3% QoQ, with the sequential drop predominantly from lower Foskor Zirconia sales.
- **VAW Russia:** sales RUB1.55 billion, almost level YoY; PAT RUB98.7M versus RUB222M a year ago and RUB52.1M in Q1. Management expects status quo to continue with no volume improvement.

STRATEGY & COMPANY-SPECIFIC

- **Awuko exit completed:** agreements signed 26 October to sell all PP&E and inventory for ₹5.34 crores, with the money received; employee reconciliation and social plan agreed under German labour law; ₹80.3 crores exceptional booked in Q2; final liquidation and registration now proceeding.

- **Foskor Zirconia:** reported on a realisable basis with provisions considered adequate; management expects to conclude the process this quarter and sees no extraordinary challenge, though options are still being explored. Zirconia sourcing is independent of the South African facility and will continue from the current source.
- **Semiconductor equipment components:** peak top line of ₹300-350 crores expected around FY30-FY31, reached in phases; the earlier disclosed ₹66 crores investment and potential scaling to 3-4 times that were confirmed as captured correctly.
- **Electronic substrates (AMB/DBC):** milestones on track with anchor customer and technology support secured; management expects at least another year before the program completes and will share details at an appropriate time. The strategy is value-added substrates rather than plain substrate, built on two decades of metallization capability.
- **New-age businesses margin:** management said margins in semiconductor components, electronic substrates and armour will be higher than the 20-21% baseline in a stable state.
- **Thin wheels at Hosur:** facility established; qualification underway with six to seven major international customers. The Uttarakhand integration is not yet done.
- **Capex:** FY27 guidance of ₹400 crores retained; ₹127 crores spent in H1 versus ₹162 crores a year ago.
- **Tax:** no specific incentives for the new-age businesses; the new tax code has dispensed with many such benefits, so the company pays normal rates.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Consolidated sales growth FY27	4-4.5% reported; 11-12% ex-Foskor and Awuko; 15% on the revised basis	Maintained	Excludes ₹343 crores FY26 revenue from the two closing businesses
Consolidated Abrasives growth FY27	5.5-6% reported; 11-12% ex-Awuko	Maintained	Excludes ₹108 crores FY26 Awuko revenue
Consolidated Abrasives margin FY27	8-8.5% ex-Awuko	Cut from 9.5-10%	Standalone margin drop in H1 and cost pressures
Consolidated Ceramics growth FY27	25-28%	Raised from 23-25%	Strong demand in engineered ceramics and metallized cylinders
Consolidated Ceramics margin FY27	22.5-23.5%	Raised from 20.5-21%	Same demand drivers
Consolidated Electro Minerals growth FY27	8-9% reported; 9-10% ex-Foskor	Maintained	Excludes Foskor revenue
Consolidated Electro Minerals margin FY27	9-9.5%	Maintained	FY26 comparable 9.1% ex-Foskor
Consolidated capex FY27	₹400 crores	Maintained	All projects on track
Rhodius FY27	Sales flat versus last year; loss lower than last year	Cut from ~5% growth with a small PAT loss	Warehouse transition costs no longer present
Rhodius break-even	By Q1 FY28	New	Program with local team and management consultants
Semiconductor equipment components	₹300-350 crores peak top line around FY30-FY31	New	Phased expansion for the anchor customer

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Electronic substrates	At least a year to program completion	n/a	Milestones and anchor customer work progressing
Standalone Abrasives margin	Aim to return to ~15%	New	Historical range of 15-16%; cost pass-through program laid out

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Abrasives cost pass-through	Phenol and resin costs rose with oil prices and only a small portion was passed on; management calls it largely a timing difference but acknowledges the balance between cost push and what the market absorbs due to competition will continue
Chinese competition in Abrasives	"Continues to be definitely be affected"; better now on the export duty benefit, strong dollar and weak rupee, but "the threat continues. There's nothing called we are out of it"
Electro Minerals imports into India	Imports continue; management expects them to taper as a strong dollar and weak rupee make them expensive for importers
Foskor Zirconia timing	Resolution targeted this quarter but options are still being explored; management declined to give certainty
VAW Russia	Status quo under the same constraints, no volume improvement expected, no specific update
Working capital	H1 operating cash flow weak at about ₹25-26 crores after roughly ₹250 crores absorbed by working capital; management expects reversal in H2 from receivable collection and inventory built for higher H2 growth
Rhodius profitability	Still loss-making; break-even only expected by Q1 FY28, with a large program and consultants deployed
Electro Minerals margin mix	QoQ PBIT drop from product and industry mix; management calls it not significant and expects recovery

Q&A HIGHLIGHTS

Ceramics guidance upgrade drivers Question: Which Ceramics subsegments drive the higher growth and margin guidance, and how is the Bloom Energy-related business doing? Answer: Industrial engineered ceramics, including the Bloom-related product, and metallized cylinders are the two fastest-growing vectors; the upgrade is based on strong demand from these segments. Exports remain 85% plus of the segment.

Semiconductor components revenue potential Question: What peak revenue and cumulative capex should be expected from the semiconductor equipment components business? Answer: Peak top line of ₹300-350 crores around FY30-FY31, reached progressively in phases; the analyst's captured investment figures were confirmed as appropriate.

Abrasives margin bottom Question: Have standalone Abrasives margins bottomed at around 10%? Answer: Yes, margins have bottomed; the historical range is 15-16% and that is the aim. The drop came from sudden phenol and oil-based cost increases with limited pass-through, and a program is now in place to address it.

Cost pass-through versus competition Question: Is the inability to pass on costs a lag or competition, and is the Chinese export duty withdrawal helping? Answer: Largely a timing difference, with the company working to pass costs on within what the market can absorb. The export duty withdrawal is welcome for Indian manufacturers and could play a role in growth, though general industrial activity is also picking up.

Rhodius path to profit Question: Should an impairment be expected at Rhodius, and what is the sustainable margin? Answer: No current write-offs are expected. The first step is break-even by Q1 next year, then small profits,

supported by a large program with the local team and management consultants.

Awuko residual exposure Question: How much of the ₹80 crores is still to be paid in cash, and could the ₹16-17 crores held for sale against a ₹5 crores price bring further loss? Answer: No further loss is expected; the asset-held-for-sale value is based on an agreed contract and the money has been received.

Working capital reversal Question: Can the weak H1 operating cash flow reverse in H2? Answer: Yes; receivables rose with high September sales that collect in October and November, and inventory was built for higher H2 growth. Management sees this as normal course with no concern.

Zirconia sourcing after Foskor Question: Will winding down Foskor disrupt zirconia supply? Answer: The current zirconia facility is independent of the South African capability; established sources continue with no disruption.

Transformers and Rectifiers (India) Limited

CAPITAL GOODS - TRANSFORMERS

TLDR

TARIL reported Q2 FY27 standalone revenue of ₹709 crores, up 66% YoY and 27% QoQ, with EBITDA of ₹114 crores at a 16.1% margin (8.8% in Q2 FY26, 13.3% in Q1 FY27) and H1 revenue of ₹1,268 crores, up 35% YoY. The unexecuted order book reached ₹7,237 crores, up 32% YoY, with Q2 inflow of ₹1,169 crores, up 97% YoY, including a first nuclear order from NPCIL Kaiga Units 5 and 6, a Megha Engineering order, an APTRANSCO LOI, and DVC and GETCO orders. Management maintained FY27 guidance of 25% revenue growth and 9-10% PAT margin, with Changodar commercial production expected around Diwali and CTC commissioning in Q3. Watch items are working capital at 154 days against a 120-day target, the CTC timeline, and HVDC qualification now at least 18 months out.

WHAT CHANGED SINCE Q1 FY27

- **Revenue growth guidance maintained but the mix shifted.** Q1 FY27 standalone revenue was ₹559 crores, up 10% YoY; Q2 came in at ₹709 crores, up 66% YoY. Management kept FY27 guidance at 25% growth and 9-10% PAT margin, and said the target is "25% and beyond."
- **Changodar commissioning delivered on the revised date.** Q1 targeted completion by August 2026 after monsoon and labor delays; Q2 says the expansion is near completion with commercial production expected around Diwali. Capacity confirmed at 35,000 MVA, up from 12,000 MVA, at ₹150 crores capex.
- **CTC backward integration slipped.** Q1 guided CTC commissioning in Q2 FY27; Q2 now says the plant will be commissioned by Diwali, trial runs in November and December, commercial CTC manufacturing by Q4 FY27, captive only for TARIL, with external sales from Q1 FY28. Management denied this was a delay.
- **HVDC timeline extended.** Q1 said full HVDC manufacturing was 15-16 months away with about 9 months of repair work remaining. Q2 now says 4-5 months of repair, then 6-7 months of successful running, then qualification, putting commercial participation at least 18 months away. Converter transformer approval targeted within 18 months.
- **Working capital target loosened.** Q1 targeted 120-130 days from about 170 days. Q2 reported 154 days and set an internal target of 130 days, with the CEO saying the aim is 110-120 days this year.
- **Order book and inflow both grew.** Q1 order book was ₹6,630 crores with ₹2,114 crores inflow; Q2 order book is ₹7,237 crores with ₹1,169 crores inflow. The inquiry pipeline fell from ₹23,000 crores in Q1 to ₹21,000 crores in Q2.
- **New disclosures.** First nuclear sector order (NPCIL Kaiga 5 and 6, 400 kV plus generator transformers), a UK subsidiary established in September 2026, retention money of about ₹200 crores, and average realization of ₹7 lakh per MVA.
- **Tone shift on competition.** Q1 framed peers growing 50-60% against TARIL's 10% as a temporary plant-level constraint. Q2 says there is no major price war and "everybody has enough orders in hand."

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Standalone revenue	₹709 crores	+66% YoY, +27% QoQ	Improved capacity utilization and execution
Standalone EBITDA	₹114 crores	+203% YoY, +53% QoQ	Higher operating leverage and utilization
Standalone EBITDA margin	16.1%	vs 8.8% YoY, 13.3% QoQ	Operating leverage; management said margins are on the guided 16% lines

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Standalone PAT margin	9-10% (FY27 guidance)	Maintained	Management reaffirmed the full-year range
H1 FY27 revenue	₹1,268 crores	+35% YoY	Execution ramp
H1 FY27 EBITDA	₹185 crores	+47% YoY	Margin improved to 14.6% from 13.4% in H1 FY26
Unexecuted order book (30 Sep 2026)	₹7,237 crores	+32% YoY	Executable over 18-24 months
Q2 order inflow	₹1,169 crores	+97% YoY	NPCIL Kaiga, Megha Engineering, APTRANSCO LOI, DVC, GETCO
Production volume	~9,500 MVA	QoQ basis not stated	Quarterly output
Net working capital days	154 days	vs ~170 days in Q1	Inventory 93 days, receivables 117 days, payables 56 days
Standalone total debt	~₹575 crores	vs ₹424 crores at FY26-end	Long-term ~₹125 crores, short-term ~₹449 crores; D/E ~0.35x
Standalone cash	~₹77 crores	vs ₹139 crores at FY26-end	Plus unutilized QIP proceeds for backward integration

SEGMENTS & GEOGRAPHIES

- **Power transformers:** About 55-60% of the order book is 400 kV and above. In Q2, roughly 56% of executed power transformers were in the high-voltage class. Average realization is about ₹7 lakh per MVA across power and distribution transformers.
- **Changodar:** Capacity rising from 12,000 MVA to 35,000 MVA. Will produce distribution transformers, IDT transformers for renewable energy, small power transformers up to 132 kV, and large power transformers up to 220 kV. Commercial production expected around Diwali.
- **Moraiya:** Once Changodar is finished, work starts on the Moraiya EHV plant. The insulation manufacturing space at Moraiya will be freed up and added to transformer manufacturing, adding about 30% capacity. EHV production expected from FY28.
- **Exports:** 8% of Q2 revenue; about 15% of the order book. Of the ₹21,000 crores inquiry pipeline, 20% is export. Management said exports will be maintained at 10-15% of revenue.
- **Data centers:** Management said TARIL is a regular supplier to large data centers in India and abroad and is a registered manufacturer for several large data center facilities.
- **BESS:** No BESS transformer orders currently under execution; inquiries are ongoing and management expects orders in the current quarter. Market size not yet assessed.
- **Nuclear:** First order from NPCIL for Kaiga Units 5 and 6, generator transformers rated 400 kV plus. Management said the segment is repetitive, with NPCIL planning more nuclear projects, and that transformers are 15-18% of the cost of a greenfield nuclear project.

STRATEGY & COMPANY-SPECIFIC

- **Changodar expansion:** ₹150 crores capex, 35,000 MVA total capacity, commercial production expected around Diwali. Moraiya work begins after Changodar completes.

- **Backward integration:** CTC plant commissioned by Diwali, trial runs in November and December, commercial manufacturing in Q4 FY27 for captive use, external sales from Q1 FY28. About 60% of CTC output is captive. Management targets 200-300 bps margin expansion, with the full effect by FY29.
- **UK subsidiary:** Established in September 2026 to support customers and expand in the UK and European markets, with plans to develop local assembly and sales capability and potentially a regional manufacturing base.
- **Order intake:** NPCIL Kaiga Units 5 and 6 generator transformers; Megha Engineering and Infrastructures large transformer order in August 2026 with 35-month execution; APTRANSCO LOI in August 2026 with 13-month delivery; DVC order in October 2026 for 500 MVA and 200 MVA transformers with 15-28 month execution; GETCO order in October 2026 for 80 MVAR and 125 MVAR reactors and 500 MVA auto transformers with 24-30 month delivery.
- **PGCIL ultra mega order:** Execution timeline 24-28 months, with manufacturing to commence around December 2027.
- **Dynamic short-circuit testing:** Completed on three transformers, 400 kV and 220 kV auto and power transformers, for specific customers and electricity boards.
- **Capacity utilization target:** Management wants about 90% utilization, and said it is working toward it in FY28 or FY29.
- **Funding:** No additional capex or funding planned; capacity expansion and backward integration are already funded. No planned increase in debt.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	25% and beyond	Maintained	Order book execution and capacity ramp-up
FY27 PAT margin	9-10%	Maintained	Management reaffirmed the range
FY27 EBITDA margin	~16%	Maintained	Similar lines to prior guidance
Working capital days	130 days internal target; 110-120 days this year	Loosened from 120-130 days	Collection, inventory planning and milestone execution
Positive free cash flow	From end of FY27	New	Working capital cycle reduction
Backward integration margin benefit	200-300 bps, full effect by FY29	Maintained	CTC, pressboard, bushings, fabrication scaling
CTC commissioning	Q3 FY27 commissioning, Q4 FY27 commercial, external sales Q1 FY28	Slipped from Q2 FY27	Plant and machinery installation underway
Moraiya EHV production	FY28	New	Starts after Changodar completion
HVDC and converter transformers	Fully capable within 18 months	Extended from 15-16 months	Repair, testing and qualification with PGCIL
$1 billion revenue	Late FY29 or early FY30	Maintained	Transformer sales plus bushings, test boards, CRGO, CTC and tank manufacturing
Capacity utilization	~90%	New	Working toward it in FY28 or FY29
Additional capex or funding	None	Maintained	Existing funding already planned

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Working capital	154 days as of 30 September 2026, above the 130-day internal target; receivables of ₹1,053 crores, of which ₹825 crores current and the rest non-current
CTC timeline	Commissioning moved from Q2 FY27 to Q3 FY27; management said it is not a delay, with commercial output only in Q4 FY27
HVDC qualification	At least 18 months away; repair of 4-5 months, then 6-7 months of successful running before qualification
Raw material availability	Prices remain on the higher side; timely availability of certain critical raw materials is still an issue, addressed by holding large inventory
Middle East disruption	Management said raw materials do not come through that route, so no major impact, but critical material availability remains a concern
Order book duration	All current orders are beyond 18 months, so much of the intake is executable in FY29 and FY30
Retention money	5-10% of order value depending on customer, about ₹200 crores in total
Execution pace	H2 FY27 requires about ₹900 crores of revenue per quarter to meet the 25% growth guidance

Q&A HIGHLIGHTS

Nuclear order and competition

- Question: What are the details of the Kaiga and Megha Engineering orders, and does TARIL compete with newly listed Kanohar?
- Answer: The NPCIL Kaiga order is for 400 kV plus generator transformers, won against Crompton and other large manufacturers, and is repetitive as NPCIL plans more nuclear projects. TARIL competes with Kanohar in the 132 kV and 220 kV segments.

Order book mix

- Question: What share of the order book is 400 kV and above?
- Answer: About 55-60% of the order book is 400 kV and above. In Q2, roughly 56% of executed power transformers were in the high-voltage class.

Free cash flow and working capital

- Question: When can positive free cash flow be expected, and what is the internal working capital target?
- Answer: Working capital reduction starts at the end of FY27, which will produce positive cash flows. The internal target is 130 days, with the CEO aiming for 110-120 days this year.

Raw material prices and inventory

- Question: How are inventory and raw material prices, including copper bought at higher rates, affecting FY28 and FY29 margins?
- Answer: Inventory covers requirements until Q3 FY27. Management does not expect a margin impact in FY28 and FY29 because backward integration will be fully functional and provide an advantage.

Competition intensity

- Question: How intense is competition now?

- Answer: Management sees no major price war or margin reduction by competitors, and said everybody has enough orders in hand. The ₹21,000 crores of inquiries are bids already placed and awaiting finalization.

Changodar capacity and realization

- Question: What is the Changodar capacity, capex and average realization per MVA?
- Answer: Capacity is about 35,000 MVA at roughly ₹150 crores capex, taking total capacity above 75,000 MVA. Average realization is about ₹7 lakh per MVA.

Backward integration benefit

- Question: What cost benefit is expected once backward integration commences?
- Answer: 200-300 bps of margin expansion, first serving TARIL's entire need and then third parties, increasing gradually through FY28 and FY29, with the full effect by FY29.

Export share and price variation

- Question: What is the export share of revenue and order inflow, and how much price rise was taken in Q2?
- Answer: Exports were about 8% of Q2 revenue and about 15% of the order book. Price variation is billed every quarter with regular billing, and roughly 7-8% of revenue growth came from price variation.

HVDC progress

- Question: What is the status of the HVDC repair and qualification?
- Answer: Repair will take another 4-5 months, successful running 6-7 months, after which TARIL qualifies for manufacturing and can participate in tenders, at least 18 months away. Converter transformer approval is targeted within 18 months.

$1 billion target and funding

- Question: Is the $1 billion revenue target maintained, and will further funding be needed?
- Answer: The target is maintained for late FY29 or early FY30, supported by bushing, test board, CRGO, CTC and tank manufacturing sales in addition to transformers. No additional capex or funding is planned.

Quality Power Electrical Equipments Ltd

ELECTRICAL EQUIPMENTS/HVDC

TLDR

Quality Power reported Q2 FY27 consolidated revenue of ₹285.45 crore and PAT of ₹63.33 crore, up 80.10% YoY, with the order book crossing ₹2,000 crore excluding Winwin. Sangli's global coil factory began manufacturing on 20 October 2026 with winding on 3 machines and ISO audits done, and the Nigde PCS factory in Turkey is in full manufacturing mode with billing possible this quarter subject to contractual milestones and customer acceptance. Winwin completed porcelain type tests to 400 kV and won 800 kV HVDC and 765/400 kV AC orders from large Indian utilities including Power Grid, booking about ₹75 crore in two months at ₹35 crore a month. Management kept FY27 guidance unchanged, expects Q3 to be tough at Quality Power during the factory transition, and targets a QIP of about ₹700 crore in November, with FY28 growth of at least 50%.

WHAT CHANGED SINCE Q1 FY27

- Sangli commissioning moved from "trial production targeted August 2026" to manufacturing commenced 20 October 2026, with winding started on 3 machines and ISO audits complete. Final customer audits are scheduled from end-November, against the earlier ~60 audits over ~6 months.
- The PCS facility moved from "operations to begin Q3 FY27" to commenced manufacturing at Nigde, operating in full manufacturing mode, with billing possible this quarter subject to contractual milestones and customer acceptance.
- Winwin moved from "type tests up to 220 kV complete, 400/765 kV in a few months" to type tests completed to 400 kV under American and European standards, plus orders for 800 kV HVDC porcelain and 765 kV and 400 kV AC from large Indian utilities including Power Grid. Order intake is about ₹35 crore a month, ₹75 crore in two months, against the earlier internal target of ₹200 crore in 9 months.
- The fundraise changed from "up to ₹500 crore, roadshows from Aug 20" to about ₹700 crore, targeted 15-30 November subject to regulatory approvals and market conditions. Use of proceeds is now specified: about ₹175 crore to repay WS debt and promoters, ₹50-70 crore WS capacity expansion, about ₹300 crore working capital, and US office plus Class B manufacturing study.
- Mehru capacity plans are new: the current factory is good for about ₹500 crore, a nearby rented facility bridges about 18 months, and a new factory to at least double capacity is to be announced in 3-6 months. Q1 had no Mehru capacity discussion.
- The CTC magnet wire line slipped in framing: Q1 said full production targeted Q4 FY27; management now gives itself 4-5 months and says Q4 is when it will talk about it, with customer qualification still pending.
- FY28 growth of 50% was repeated, but management added that Mehru cannot sustain it post-FY28 while coil, insulators and PCS can.
- Tone shifted from capacity creation to execution. Management called Q3 "a kind of a tough time at Quality Power" because of the factory and people transition, and said it is "too early to start celebrating".

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Consolidated revenue	₹285.45 crore	Up from ₹256.4 crore in Q1 FY27 (QoQ)	Business mix and execution across the group; management did not give a YoY figure
Consolidated PAT	₹63.33 crore	Up 80.10% YoY	Business mix, operating efficiencies and cost management across the group
Other expenses	Declined QoQ	QoQ	Lower IAS 29 hyperinflation charge and no repeat of prior-quarter factory repairs

METRIC	REPORTED	CHANGE	WHAT DROVE IT
IAS 29 hyperinflation (Turkey)	₹4 crore credit to P&L in Q2	Q1 was ₹8 crore debit	Lower hyperinflation working this quarter
Consolidated order book	Above ₹2,000 crore, excluding Winwin	Q1 was ₹1,945 crore	Demand across reactors, instrument transformers, insulators, power conversion and FACTS
Order book execution	95%+ within 15-18 months	Q1 said 15 months	Fixed-price contracts; margins factored into guidance
QP standalone order book	About ₹600 crore	Q1 was ₹553 crore	FY26 revenue about ₹220 crore; 200-500 crore intake expected in the next few months
Mehru order book	About ₹600 crore plus	Q1 was ₹585 crore	FY26 revenue about ₹315 crore; tenders where Mehru is L1 not yet booked
Winwin order intake	About ₹35 crore a month, ₹75 crore in 2 months	New disclosure	Type tests and orders from Indian utilities; negotiation pipeline about ₹1,000 crore
Endox PCS/BESS capacity	4 GW, 1 GW ordered	Q1 said $70-80 million peak capacity	About $60 million revenue per GW with battery and PCS; 1,500-2,000 crore potential for PCS and BESS
Inventory	Rose, about ₹20 crore from Turkey	QoQ	IGBT, chipset and memory card stocking before the PCS factory, plus long-lead insulators and bushings

SEGMENTS & GEOGRAPHIES

- **QP standalone (coil products, reactors)**: Order book about ₹600 crore against FY26 revenue of about ₹220 crore. Material cost rose from 35% to 45% in Q2 on aluminum, resin and paint prices; management said this was flagged in Q1 and new contracts are signed at higher prices. Q3 will be tough during the transition between factories, with revenue shifting to Sangli over 4-5 months.
- **Mehru (instrument transformers)**: Order book about ₹600 crore plus, with several tenders where Mehru is L1 not yet booked. Management said Mehru would have delivered 22-23% margins without the copper and oil hit. A 765 kV instrument transformer launch is planned for Q4 this year.
- **Endox (power electronics, PCS/BESS)**: Traditional business margins about 25% this quarter; PCS booked at 10-12% with battery as pass-through. Q3 is Endox's Q4 and management expects a blockbuster revenue year from the PCS factory, with BESS projects being low-margin. PCS margin guidance deferred by a quarter.
- **Winwin (insulators)**: Current capacity supports about ₹300 crore, rising to slightly above ₹500 crore with the new capex. Orders booked at 20-25% EBIT including 8.25% SEZ duty, which management said would be above 30% without it. Revenue guidance of at least ₹200 crore next year; quoting 6-9 months against an industry standard of about 18 months.
- **Sukrut JV**: H1 grew almost 40% over last year and has been profitable. Management is stabilizing the division before focusing on growth.
- **US market**: Management plans to sell insulators direct under its own brand rather than white-label, expecting margins similar to or higher than Quality Power's 40% and above once integrated in a year to a year and a half.

STRATEGY & COMPANY-SPECIFIC

- Sangli global coil factory commenced manufacturing on 20 October 2026, 25 years after Quality Power began operations. It makes high-voltage reactors up to 1,050 kV with peak revenue potential north of ₹1,500 crore. The

old factory stays on for at least a year for customer approvals, then is kept for PCS or group businesses and revamped for new products.

- Nigde PCS factory in Turkey commenced manufacturing and is in full manufacturing mode. It cost about $2.5 million, with land already owned (about 45 acres in Turkey). R&D spend was about $2 million between 2020 and 2025 on PCS converters, expensed rather than capitalized.
- Winwin capex of ₹50-70 crore is planned for porcelain and composite insulator capacity. The Vizag site has about 50 acres, with 40 acres free.
- QIP of about ₹700 crore targeted 15-30 November, after the preferential issue lists. Proceeds: about ₹175 crore to repay WS debt and promoters, ₹50-70 crore WS expansion, about ₹300 crore working capital, and US office plus Class B manufacturing study. Management said working capital is needed for the first 2 years and should be recouped in 24-36 months.
- CTC cable backward integration adds about 4 months of working capital per project (2 months manufacturing plus 2 months credit). Management expects to save at least 8% import duty for domestic business and said the in-house cable will be more expensive than vendors.
- Mehru expansion: renting a nearby facility to bridge about 18 months, then a new factory to at least double capacity, with a large capex plan expected in 3-6 months.
- HVDC: an Australian 500 kV HVDC ships this quarter; prior execution in Abu Dhabi and Korea; UK HVDC link orders expected. Two Make in India HVDC awards are awaited, with orders of ₹100-200 crore each. Barmer HVDC is not expected to enter the books before Q2 next year given 1-1.5 years of engineering.
- Data centre reactors: handshakes with multiple US customers awaiting financial closure before LOAs. Management said capacity constraints mean it is content with the delay until the facility is confirmed.
- Minority stakes: Mehru has a put and call option after 7 years. Management said raising the Endox stake would be capital misallocation given 1% royalty access to the technology.
- Forex: everything in Turkey is hedged; India uses plain vanilla options with active tracking and no forwards.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	About 20%, unchanged, may revise at end of Q3	Maintained	Halfway through the year; factories not yet fully qualified
Stable EBITDA margin	About 20%	Maintained	Group-level; QP above 25%, Mehru 22-23% absent commodity hit, insulators about 25%, PCS 10-12%
FY28 revenue growth	At least 50%	Maintained	Order book and delivery timelines; Mehru cannot sustain this post-FY28, coil, insulators and PCS can
Q3 FY27	Tough at Quality Power, numbers should not fall much; Mehru scope for improvement; Endox blockbuster revenue year	New	Factory and people transition; Endox Q4 and BESS project build
Sangli revenue shift	4-5 months to move revenue from old to new factory	New	Customer audits starting end-November, 1-2 a week across about 60 audits
Winwin revenue	At least ₹200 crore next year	New	Current order book and customer commitments; can ramp with synchronization

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Winwin capacity	About ₹300 crore now, slightly above ₹500 crore after capex	New	Existing plant plus ₹50-70 crore expansion
Mehru capacity	About ₹500 crore current; 2x with new factory in about 18 months	New	Rented facility bridges demand; capex plan in 3-6 months
Endox PCS/BESS revenue potential	1,500-2,000 crore at 4 GW	New	About $60 million per GW with battery and PCS
CTC magnet wire	Qualification over 4-5 months, update in Q4	Maintained (Q4 FY27 full production)	New product, customer qualification pending
QIP	About ₹700 crore, 15-30 November	Raised (was under ₹500 crore)	Preferential issue listing, regulatory approvals and market conditions
Barmer HVDC	Not before Q2 next year	New	1-1.5 years of HVDC engineering

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Q3 transition at Quality Power	Moving factories and people; management called Q3 "a kind of a tough time" though numbers should not fall much
Customer audit pace	About 60 audits, each 3-4 people for 2-3 man-days; cannot run in parallel because the same people handle them; attempting 1-2 a week
Raw material pass-through	Fixed-price contracts mean aluminum, resin and paint increases cannot be passed on; new contracts are priced higher, and customers do not renegotiate if prices fall
Working capital	CTC cable adds 4 months of cash cycle; about ₹300 crore of QIP earmarked for working capital for the first 2 years; inventory rising as PCS orders grow
PCS margins	PCS booked at 10-12% with battery as pass-through; margin guidance deferred a quarter pending factory stabilization
India BESS regulation	Management said Indian regulations are not conducive, citing contingent liabilities and decade-long guarantees and warranties; PCS will be made in India for export rather than for India
Mehru capacity	No capacity online yet; demand 2-3 times current; new factory about 18 months away
Minority interests	51% holdings in Mehru and Endox mean a large share of profit sits outside; Mehru put and call only after 7 years
Global supply chain	Constrained supply of specialized electrical equipment, geopolitical developments, trade changes, logistics disruption and extended procurement lead times pressure schedules
Depreciation	Two new factories commissioned this quarter will add depreciation

Q&A HIGHLIGHTS

QIP size and use of proceeds Asked how the roughly ₹700 crore raise would be split, management said about ₹175 crore repays WS debt and promoters, ₹50-70 crore expands WS insulator capacity, about ₹300 crore is for working capital, and the rest funds the US office and a Class B manufacturing study, with any surplus kept for a future acquisition.

GE Vernova's acquisition of Trench Asked how the $9 billion Trench deal affects Quality Power, management said Trench is its largest competitor, GE is a customer, and the deal gives leverage with Hitachi and Siemens, which control

70-75% of HVDC and FACTS worldwide, with sourcing from Quality Power possibly rising over 2-3 years.

Order book split Asked for the ₹2,000 crore order book breakup, management said QP is about ₹600 crore, Mehru about ₹600 crore plus, Endox is stable awaiting PCS shipments, and Winwin booked about ₹75 crore in two months with a ₹1,000 crore negotiation pipeline.

Peak revenue by facility Asked for peak revenue from each capacity, management said Mehru's current factory is good for about ₹500 crore, Winwin about ₹300 crore rising above ₹500 crore with capex, Endox 1,500-2,000 crore at 4 GW, and Sangli north of ₹1,500 crore.

Insulator margins and market Asked about insulator demand-supply and margins, management said global demand may be about 4 against supply of about 1 with little new capacity, orders are booked at 20-25% EBIT including 8.25% SEZ duty, and direct US sales could reach 40% and higher.

Hyperinflation quantification Asked to quantify the IAS 29 entry, the CFO said Q1 had about ₹8 crore debited to P&L and Q2 had about ₹4 crore credited, a net ₹4 crore credit.

PCS margins Asked for PCS margins, management said PCS was booked at 10-12% with battery as pass-through and asked for a quarter to build through the factory before giving a number, with first published numbers this quarter.

Inventory build Asked why inventory rose, management said about ₹20 crore came from Turkey for IGBTs, chipsets and memory cards ahead of the PCS factory, plus long-lead insulators and bushings, and it may rise slightly over the next few quarters as PCS orders grow.

KSH International Ltd

ELECTRICAL EQUIPMENTS/HVDC

TLDR

KSH International reported Q2 FY27 revenue of ₹1,320 crore, up 85% YoY, with EBITDA of ₹90 crore and a record PAT of ₹48 crore, up 62% YoY. EBITDA per ton rose to about ₹1,01,000 from ₹93,000 in Q1 and ₹65,500 a year ago, driven by an elevated CTC mix, exports at 32% of revenue (up 108% YoY), 76% utilisation, a weaker rupee, and initial benefits from the Upcast recycling and rooftop solar plants. Volume was 8,842 MT, up 26% YoY and 11% QoQ. Phase 2 at Supa is 96% complete, six months ahead of schedule, taking installed capacity to 57,845 MT. The board approved a Phase 3 expansion of up to ₹185 crore to reach about 72,200 MT by Q1 FY29. Management guides 25-26% volume growth for FY27 and a long-term EBITDA per ton of about ₹85,000 post Phase 3, with quarters possibly exceeding it on mix, exports and currency.

WHAT CHANGED SINCE Q1 FY27

- **Long-term EBITDA per ton guidance raised to ~₹85,000 from ~₹75,000.** In Q1 management called ₹75,000 the comfortable long-term level; it now says ₹85,000 per ton is sustainable post Phase 3 at optimum utilisation, and that individual quarters may exceed it on product mix, exports and currency.
- **Phase 2 delivered ahead of the promised date.** Q1 guided full completion of the 30,000 MT Supa expansion by March 2027; management now reports 96% of Phase 1 and Phase 2 complete as on September 9, 2026, roughly six months ahead of schedule, with installed capacity at 57,845 MT available for H2 FY27.
- **New Phase 3 expansion announced.** Q1 had only board authorisation to evaluate an additional 10 acres; the board has now approved Phase 3, up to ₹185 crore including the 10-acre land purchase, taking capacity to about 72,200 MT by Q1 FY29, funded by internal accruals and long-term debt, with most spend in FY28.
- **Export share rose to 32% from 26%.** Q1 targeted a return to the historical ~40% peak over time; Q2 delivered 108% YoY export growth and 44% QoQ, and management now says it will try to bring exports back to 40% over the next one to two years on an expanded capacity base.
- **Working capital target pulled forward.** Q1 set 30-35 days over a multi-quarter timeframe from 60 days; Q2 reached 52 days, with ₹43 crore positive operating cash flow in H1 and debt down to ₹341 crore from ₹481 crore in Q1.
- **New approvals and orders.** Power Grid approved the Supa facility two weeks before the call to supply winding wires for up to 765kV transformers and reactors. The overseas HVDC trial order (two transformers) received last quarter is confirmed as one of the four major HVDC manufacturers.
- **Hitachi framework still unsigned.** Q1 said quantities and pricing were being finalised; management now says it needs about two more quarters to give an answer on long-term agreements, with similar discussions underway with a few other customers.
- **EV PEEK wire timeline pushed out.** Q1 said the EV peak insulated wire capacity was under installation in Phase 2; management now says trials are through and samples made, but EV becomes a meaningful volume business only from FY29 onwards.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹1,320 crore	+85% YoY	Volume, mix and material prices
EBITDA	₹90 crore	vs ₹46 crore YoY, ₹74 crore QoQ	Higher exports, favourable currency, recycling and rooftop solar

METRIC	REPORTED	CHANGE	WHAT DROVE IT
EBITDA margin	Not disclosed	n/a	Management did not give a margin figure
PAT	₹48 crore (quarterly record)	+62% YoY, from ₹42 crore QoQ	Improved profitability
Sales volume	8,842 MT	+26% YoY, +11% QoQ (from 7,969 MT)	Capacity availability and export pick-up
EBITDA per ton	~₹1,01,000	vs ~₹65,500 YoY, ~₹93,000 QoQ	Elevated CTC mix, exports, utilisation, weaker rupee, recycling and solar
Export revenue	~32% of revenue	+108% YoY, +44% QoQ	Volumes from existing customers and new OEMs after qualifications and test shipments
Specialised winding wire revenue	75% of revenue	+87% YoY	T&D demand globally
Standard winding wire revenue	25% of revenue	+119% YoY	Off a smaller base; new capacity ramping late in the quarter
Utilisation	76%	vs 73% QoQ	Based on available capacity for the quarter; specialised capacity above 80%
Working capital days	52 days	vs 60 days QoQ, ~70 days YoY	Payables and receivables improvement
Net debt / leverage	0.38x	vs 0.51x QoQ	Debt reduced to ₹341 crore from ₹481 crore

SEGMENTS & GEOGRAPHIES

- **Specialised winding wires (CTC):** Revenue grew 87% YoY and the segment is 75% of revenue. CTC contribution stayed elevated as a percentage of total revenue because of the timing of capacity installation; management expects the mix to moderate through H2 FY27 and FY28 as standard wire capacity ramps. Absolute specialised volumes are not expected to decline.
- **Standard winding wires:** Revenue grew 119% YoY off a smaller base, with most of the new capacity now online. Focus stays on EVs, AC compressors, motors and alternators. Management does not expect a big change in the 75:25 specialised-to-standard revenue split.
- **Exports:** 32% of revenue in Q2, with Europe and the Americas each under 10% and the Middle East around 10-11%. Export profitability is 3-5% better than domestic and management does not see that premium changing. Transit times and transport costs to the Middle East have risen, with no significant drop in business there. New countries are being added in Europe and the Americas.
- **India:** About 73% of revenue. Management expects CTC demand in India to reach roughly 120,000-130,000 tons by FY30, excluding exports, led by power transformers with HVDC and 765kV adding incremental demand.

STRATEGY & COMPANY-SPECIFIC

- **Phase 3 expansion:** Board approved up to ₹185 crore, including 10 acres at Supa, to take installed capacity to about 72,200 MT by Q1 FY29. Funded by internal accruals and long-term debt; most spend in FY28, a smaller portion in H2 FY27. The 72,200 MT level maxes out the current land; the new 10-acre parcel could add about 20,000 tons if required.
- **Phase 2 completion:** 96% of the Supa expansion complete as on September 9, 2026, six months ahead of schedule; 57,845 MT installed as on September 30, 2026, available for H2 FY27.

- **Power Grid approval:** Supa approved two weeks before the call to supply magnet winding wires for up to 765kV transformers and reactors.
- **HVDC trial order:** Two HVDC transformers for an overseas customer, one of the four major HVDC manufacturers (Hitachi, GE, Siemens, BHEL). Qualification would open the possibility of future HVDC transformer orders.
- **Hitachi framework agreement:** Five-year agreement still being finalised on volumes and pricing; management expects to answer on long-term agreements in about two quarters. Similar discussions are underway with a few other customers, with the industry moving from annual renewals to longer contracts.
- **Backward integration:** Upcast copper recycling plant and rooftop solar plant are operational and contributed incrementally to Q2. The Upcast plant sits on leased premises, which raised lease liabilities.
- **Capital allocation:** ROCE target of about 20%, moving toward 25%. Leverage at 0.38x; management does not want it much above current levels, though long-term debt for Phase 3 will raise it in the interim.
- **Capacity trigger:** Future capacity decisions trigger around 85% utilisation; management expects 85% on the 72,200 MT base between FY30 and FY31.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Volume growth FY27	25-26%	Maintained (~26%)	Expanded capacity available in H2; H2 expected to be better than H1
Long-term EBITDA per ton	~₹85,000 post Phase 3 at optimum utilisation	Raised (from ~₹75,000)	Long-term portfolio and capacity mix, exports, operating leverage; quarters may exceed on mix, exports, currency
Phase 2 capacity	57,845 MT installed; 96% complete	Delivered ahead of March 2027 date	Supa expansion
Phase 3 capacity	~72,200 MT by Q1 FY29	New	Specialised winding wire capacity plus 10 acres
Phase 3 capex	Up to ₹185 crore	New	Land, building, plant and machinery; majority in FY28, smaller portion in H2 FY27
Export share	Return to ~40% over the next 1-2 years	Maintained, timeline specified	Qualifications done, new geographies and wallet share gains
Utilisation at 72,200 MT	~85% between FY30 and FY31	New	Optimum utilisation assumption for new capacity
Working capital days	30-35 days (multi-quarter)	Maintained	Improvement from 52 days
ROCE	~20%, moving toward 25%	New	Internal target
EV PEEK wire volumes	Meaningful from FY29 onwards	Pushed out	Qualification and customer education still underway

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Hitachi and long-term agreements	Volumes and pricing still not settled; about two more quarters needed before an answer

RISK	WHAT MANAGEMENT SAID
Product mix normalisation	Elevated CTC share should moderate through H2 FY27 and FY28 as standard wire ramps, which will rationalise EBITDA per ton
Middle East logistics	Transit times and transport costs have risen; no significant drop in business
US data centre capex	Management sees no slowdown from customers, several of whom are building greenfield capacity in the next one to two years; the US is under 10% of revenue and AI data centres are a small part of the business
Customer backward integration into CTC	One or two Indian players have been heard of; management points to about 40% of specialised wire revenue coming from exports and a diversified customer base
Finance costs	Finance cost includes bank charges and supplier finance; it rose despite lower debt
Leverage during Phase 3	Long-term debt will raise leverage in the interim; target is not to go much above current levels
EV adoption timing	Longest development cycle; meaningful volumes only from FY29

Q&A HIGHLIGHTS

EBITDA per ton sustainability and Phase 3 scope Asked whether the Q2 margin holds in H2 and whether Phase 3 is mainly CTC, management said the elevated CTC contribution, higher exports, weaker rupee and recycling and solar benefits drove Q2, and that ₹85,000 per ton is the sustainable level at optimum utilisation. Phase 3 adds specialised wire capacity serving transformers, EV motors, renewables and railways, not CTC alone.

Conversion charges and pricing power Asked whether annual contract renewals are lifting conversion charges, management said contracts vary in length, some running two years, and that conversion rate increases are not a significant part of the EBITDA per ton rise. Higher value addition from more complex products plays a larger role than like-for-like price increases, and management does not factor in higher bargaining power when building EBITDA per ton.

Finance cost despite lower debt Asked why finance costs rose while debt fell, the CFO confirmed the cost includes charges from banks and from suppliers.

Long-term agreements beyond Hitachi Asked how customer agreements are evolving, management said transformer customers have order books to 2032 or beyond and want supply continuity from qualified suppliers. The Hitachi framework is still being finalised, similar talks are on with a few other customers, and an answer on long-term agreements should come in about two quarters.

US data centre capex Asked about a possible US AI data centre slowdown, management said the T&D story stands on grid, renewables and generation build-out, AI data centres are a small part of the business, and customers are adding capacity with no slowdown seen. The US is under 10% of revenue.

Absolute specialised volumes versus blended EBITDA per ton Asked whether specialised volumes fall as standard wire grows, management said specialised volumes are not expected to decline in absolute terms and that growth in standard wires does not affect specialised wire profitability. The blended EBITDA per ton falls only because of the mix.

Capacity on the new land and utilisation path Asked how much capacity the 10 acres can hold, management said 72,200 MT maxes out the current land and the new parcel could add about 20,000 tons if required. It expects 85% utilisation on 72,200 MT between FY30 and FY31.

H2 versus H1 volumes Asked whether H2 will be better than H1, management said with 25-26% volume growth for the year, H2 is expected to be better than H1, and some of the new capacity will be utilised in H2.

Standard Engineering Technology Limited

ENGINEERING - HEAVY - GLASS - LINED EQUIPMENT

TLDR

SETL reported Q2 FY27 total revenue of ₹296.6 crore (up 62.3% YoY), EBITDA of ₹51.4 crore (up 79.7%) and PAT of ₹28.2 crore (up 37.9%); PBT growth lagged EBITDA because surplus funds previously in fixed deposits were deployed into the GScale and GL Hakko stakes and stopped earning interest. H1 revenue rose 53% to ₹544.3 crore and operating cash flow reached ₹61 crore against ₹45 crore for all of FY26. The core business is being repositioned as an integrated engineering solutions provider across pharma, chemical, biotech and food, with the order book at about ₹1,000 crore, H1 inflows of about ₹600 crore and average monthly bookings of about ₹100 crore. GScale's secondary fluid network line targets revenue from 15 December 2026 and power products from 15 January 2027, with more than ₹250 crore of GScale revenue still targeted in Q4 FY27. Management reiterated FY27 consolidated revenue of ₹1,450 crore and expects core EBITDA margin to rise from 17.3% toward 20% over coming years.

WHAT CHANGED SINCE Q1 FY27

- **GScale commissioning slipped.** Q1 notes had operations starting November; management now targets 15 December 2026 for the secondary fluid network line and 15 January 2027 for power products, with machinery orders complete and equipment arriving.
- **GScale revenue timing narrowed.** The ₹250 crore FY27 target is unchanged but now described as "more than ₹250 crore" to be booked in Q4 FY27, subject to timely production readiness and project execution, versus the earlier framing of order conversion within the year.
- **Stake math updated.** Q1 described an up-to-51% acquisition; management now says ₹125 crore cash has been invested for a 34% stake, with a ₹64 crore share swap pending stock exchange approval to add 17.4% and take SETL to 51%. No plan to go beyond 51%.
- **Core order book fell.** Q1 reported an unexecuted order book of ₹1,400 crore; management now cites about ₹1,000 crore, with about ₹600 crore of H1 inflows, about ₹600 crore targeted in H2 and about ₹500 crore rolling into FY28.
- **Export guidance raised.** Q1 expected 5-6% of revenue in Q2; management now expects 7-8% for FY27 and 20-30% in 2-3 years, with reseller tie-ups in Europe/US, the Middle East and South East Asia.
- **Core margin path newly quantified.** Q1 maintained 17-18% consolidated EBITDA margin; management now puts core business EBITDA at 17.3% and expects it to reach 20% over coming years, with GScale at 20-25% (described as 22-25% at one point).
- **Capacity plans disclosed.** Existing core facility of 8 lakh sq ft with 3-4 lakh sq ft to be added, taking it to 1.2 million sq ft and supporting ₹3,500-4,000 crore of product capacity; GScale at 4 lakh sq ft with 2.9 lakh sq ft operational from 15 January and a 36-acre greenfield site of 1.5-1.6 million sq ft.
- **Working capital target dropped.** The Q1 commitment to bring working capital below 200 days by September FY27 was not mentioned; no update was given.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Total revenue	₹296.6 crore	+62.3% YoY	Execution on expanded product portfolio and healthy customer demand
EBITDA	₹51.4 crore	+79.7% YoY	Operating leverage, partly offset by higher employee and other operating costs
PBT	₹39.2 crore	+41.4% YoY	Interest income fell after surplus funds were deployed into GScale and GL Hakko

METRIC	REPORTED	CHANGE	WHAT DROVE IT
PAT	₹28.2 crore	+37.9% YoY	Same interest income reduction
H1 revenue	₹544.3 crore	+53% YoY	Core business growth
H1 EBITDA	₹91 crore	+56.5% YoY	Core execution
H1 PBT / PAT	₹75 crore / ₹54.9 crore	+33.9% / +32.2% YoY	Interest income reduction in Q2
H1 operating cash flow	₹61 crore	vs ₹45 crore for all of FY26	Improved cash generation
Core order book	~₹1,000 crore	QoQ decline from ₹1,400 crore	Billing in H1 against about ₹600 crore of inflows
H1 order inflows	~₹600 crore	n/a	Average monthly booking of ~₹100 crore
Core business EBITDA margin	17.3%	n/a	Management expects it to reach 20% over coming years

SEGMENTS & GEOGRAPHIES

- **Core engineering (pharma, chemical, biotech, food):** Management is repositioning SETL from equipment manufacturing to integrated engineering solutions, consolidating products and capabilities previously spread across nearly 150 specialised companies, from concept and detailed engineering through manufacturing, installation and turnkey delivery. CDMO customers are investing in new and expanded facilities, and management says future order visibility is strong.
- **Exports:** Export inquiries from the US and Europe have increased significantly. SETL sells through three reseller tie-ups (Europe/US, Middle East API pharma, South East Asia), with Japan and India handled directly with GL Hakko support. Management expects exports at 7-8% of revenue in FY27 and 20-30% in 2-3 years, including GScale products. One export order of $8-9 million is in the pipeline with no certainty of winning.
- **GScale (data centre infrastructure):** Pre-operational. Secondary fluid network machinery orders are complete, equipment is arriving and installation has begun, with revenue targeted from 15 December 2026; power products machinery orders are complete, delivery from 15 November 2026 and production targeted from 15 January 2027. More than 10 inquiries are in hand and customer visits are happening weekly. Most of the ₹250 crore FY27 revenue is expected from the secondary fluid network and turnkey solutions.
- **GL Hakko (Japan):** First phase complete with a 19.9% stake acquired. Management says the partnership strengthens glass lining technology, R&D and advanced engineering, combining Japanese technology with Indian manufacturing.

STRATEGY & COMPANY-SPECIFIC

- **GScale stake:** ₹125 crore cash invested for 34%; a ₹64 crore share swap awaits stock exchange approval and would add 17.4% to reach 51%. No plans to acquire beyond 51%.
- **GScale capacity:** 4 lakh sq ft facility, with 2.9 lakh sq ft operational from 15 January 2027 and another 1.10 lakh sq ft to be added in 3-4 months. A 36-acre greenfield site of 1.5-1.6 million sq ft is being built by SETL, taking total GScale space to 1.9 million sq ft.
- **Core capacity:** Existing 8 lakh sq ft, with 3-4 lakh sq ft to be added for a total of 1.2 million sq ft, supporting ₹3,500 crore to close to ₹4,000 crore of product production capacity. Management will update on manufacturing capacity next month.

- **GScale product scope:** Three revenue streams in FY27: SFN pipe, SFN solution including installation and commissioning, and power products. CDUs are initially excluded from the SFN offering; management is evaluating partnerships with European companies to manufacture CDUs in-house.
- **GScale partnerships:** Advanced discussions with a couple of Western companies on product partnerships and JVs with technology transfer, not contract manufacturing.
- **GScale team:** Leadership team of 14-15 people onboarded across product engineering and other verticals, with more than 75 people below that and more to join.
- **Data centre capex:** A ₹500 crore investment for data centre manufacturing capability was referenced by an analyst; management confirmed it is separate from the GScale stake acquisition.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 consolidated revenue	₹1,450 crore	Maintained	~50% core growth plus ₹250 crore from GScale
FY27 GScale revenue	More than ₹250 crore, in Q4 FY27	Maintained, timing narrowed to Q4	Subject to timely production readiness and project execution
FY27 export share	7-8% of revenue	Raised (Q1: 5-6% in Q2)	Increased US and Europe inquiries, reseller tie-ups
Export share in 2-3 years	20-30%	New	Core and GScale exports, with GScale majority focused on export
Core business EBITDA margin	17.3% now, rising to 20% over coming years	New detail (Q1: 17-18% consolidated)	Operating leverage
GScale EBITDA margin	20-25% (also stated 22-25%)	Narrowed (Q1: 23-25%)	Conservative view at current stage
GScale SFN revenue start	15 December 2026	Delayed (Q1: November)	Machinery in place, few components pending for commissioning
GScale power products production	15 January 2027	New	Machinery orders complete, delivery from 15 November 2026
H2 order inflows	~₹600 crore	New	Average monthly booking of ~₹100 crore
FY28 opening order book	~₹500 crore rolling in	New	Orders not executable in FY27
FY28/FY29 guidance	To be given in Q4 FY27	n/a	Based on order book once production is operational

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
GScale commissioning delay	SFN go-live moved from end-November to 15 December 2026, with a few components still to arrive for commissioning.
GScale order conversion	More than 10 inquiries and pre-operational customer visits done, but no signed orders disclosed. Management said global MNC tender evaluation is lengthy and expects closure in the next couple of weeks without committing to a date.
Customer approval dependency	Customers are waiting for factory visits and will approve only after machinery installation, tying revenue to the commissioning timeline.

RISK	WHAT MANAGEMENT SAID
Interest income loss	Surplus funds moved from fixed deposits into GScale and GL Hakko, reducing PBT and PAT growth relative to EBITDA; GScale is pre-operational and not yet contributing.
Order book decline	Core order book fell to about ₹1,000 crore from ₹1,400 crore in Q1, with about ₹500 crore of orders rolling into FY28.
Export concentration on one order	A single $8-9 million export order is in the pipeline; management said "we'll see we get or not sometimes."
Capacity guidance timing	Management declined to give a timeline for reaching peak utilisation or FY28 revenue, deferring both to Q4 FY27.
Working capital	The Q1 target of below 200 days by September FY27 was not addressed on this call.

Q&A HIGHLIGHTS

GScale stake and the ₹500 crore capex

- Question: Is SETL increasing its GScale stake beyond the 34% acquired for ₹125 crore, and how does that relate to the announced ₹500 crore data centre investment?
- Answer: A ₹64 crore share swap is pending stock exchange approval and will add 17.4% to reach 51%. The ₹500 crore capex is separate from the stake acquisition. No plans to go beyond 51%.

GScale revenue target after the delay

- Question: With commissioning pushed from November to December, is ₹250 crore still achievable this year and are any clients signed?
- Answer: The SFN factory goes live about 15 days later than planned, with most machinery in place and a few components pending. More than 10 inquiries are in hand and pre-operational visits have been done with a couple of customers; they are tracking the 15 December go-live.

GScale revenue mix and capacity

- Question: What share of the ₹250 crore comes from power versus cooling, and what capacity and realisations underpin it?
- Answer: FY27 revenue has three streams: SFN pipe, SFN solution including installation and commissioning, and power products. The major portion comes from SFN and turnkey solutions, using the previously declared capacity from 15 December.

Export strategy and pricing

- Question: How is SETL addressing the global opportunity given exports are single digit, and how much cheaper are GScale products than imports?
- Answer: SETL has three reseller tie-ups, with the Europe/US one signed two years ago now picking up. Exports should reach 7-8% this year and 20-30% in 2-3 years. GScale sees Indian switchgear panels priced at least 25-30% below Western or South East Asian supply, with a similar gap in EMEA.

Capacity and peak revenue

- Question: What is the peak revenue potential of the current facility and when will it be reached?
- Answer: Core capacity is 8 lakh sq ft with 3-4 lakh sq ft to be added, supporting ₹3,500-4,000 crore of product capacity. GScale has 4 lakh sq ft with 2.9 lakh sq ft operational from 15 January and a 1.5-1.6 million sq ft

greenfield site on 36 acres. Management will guide on timing later.

Vendor tie-ups and CDU manufacturing

- Question: Are international vendors approved by hyperscalers secured, and will CDUs be made in-house?
- Answer: The SFN solution is pre-qualified to hyperscaler specifications, pre-approved vendors have been evaluated and machinery orders placed. CDUs are excluded from the initial SFN offering; SETL is evaluating European partners and will start manufacturing CDUs in its factory soon.

Long-term margins

- Question: What sustainable consolidated margin should be expected as GScale scales?
- Answer: GScale is guided at 20-25% EBITDA, described as 22-25% at one point and conservative. Core business EBITDA is 17.3% and expected to reach 20% over coming years.

India data centre demand

- Question: With global concerns about data centre slowdowns, where is India heading and when does ordering pick up?
- Answer: Global capacity is around 100+ GW today, with recent reports pointing to 550 GW over the next 5-6 years. India's sovereign cloud and data mandate is expected to take capacity from 1.6 GW to 15-25 GW over 10-15 years, and the product range being built addresses 55-65% of the addressable market.

Macpower CNC Machines Limited

CNC - MACHINES

TLDR

Macpower reported its highest-ever quarterly revenue, EBITDA and PAT: revenue ₹120.33 crore (+40.39% YoY), EBITDA ₹19.93 crore (+40.8% YoY, 16.56% margin) and PAT ₹13.48 crore (+43.7% YoY, 11.20% margin), with H1 revenue ₹215.56 crore (+46.9% YoY) and H1 PAT ₹23.6 crore (+65.5% YoY). Average machine realisation rose to ₹20.36 lakh and the pending order book to ₹476 crore (+36% YoY), with the NEXA series at almost 40%. Management raised FY27 growth guidance to nearly 35% from 30% and set a 25-30% growth guidance for the coming three years, backed by a 13-acre plant targeted to be operational by end of Q2 FY28 and a plan to reach 10,000 machines of capacity across both land parcels. Watch points: capacity running near full, 10-20 machines refunded monthly for want of delivery, the 60-acre defence-policy land still pending, and margin expansion deferred to the new plant.

WHAT CHANGED SINCE Q1 FY27

- FY27 revenue growth guidance raised to "nearly 35%" from 30%+ last quarter. Management said the Q1 commitment was delivered in Q2.
- A three-year growth guidance of 25-30% is newly given, tied to the new plant and "visibility" from the existing plant.
- EBITDA margin guidance shifted in timing. Q1 notes had margin improving quarter-on-quarter through FY27; this call puts the step-up after the new capacity, with "more than 20%" margin guided only once monthly capacity reaches 10,000 machines.
- The 13-acre facility timeline is now dated: operational by end of Q2 FY28. Q1 notes had said completion within 12 months of the Q1 call.
- Capacity addition size is deferred. Q1 notes gave a ~1.5-2 lakh sq ft facility and ₹50 crore investment; management now says the capacity and capex calculation is 90% complete, orders to be placed within a month, and the number to be announced on the Q3 call.
- Land position restated: the earlier 30-acre parcel had an issue; the company is now eligible for 60 acres, with token money paid and 32-plus department clearances done, pending a new Gujarat defence policy. The 13-acre parcel is described as Plan B already implemented.
- Branch and tech centre count changed: 9 branch offices and 9 technology centres now, against 10 branches and 8 tech centres in Q1 notes. Four new tech centres (Kolhapur, Mumbai, Chennai, Aurangabad) are expected operational in Q3.
- New products disclosed: DCM 5 metre, V 500 G and VTX 1200 launched, in addition to the Q1 launches (VCM 2518, LX 1000, TOM 200). A 5-axis machine will be displayed at IMTEX in January 2027.
- The 4-6% price increase from June 1, 2026 did not lift Q2 margins: management said Q2 execution was on old order book and old inventory, with the new price flowing into Q3.
- Defence bid pipeline fell to ₹194 crore from ₹304 crore under evaluation in Q1; domestic bids submitted rose to ₹745 crore from ₹739 crore.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹120.33 crore	+40.39% YoY	Highest-ever quarter; execution of old order book and forward inventory carried from Q1

METRIC	REPORTED	CHANGE	WHAT DROVE IT
EBITDA	₹19.93 crore	+40.8% YoY	Volume-led; price increase not yet in Q2 execution
EBITDA margin	16.56%	Up from 16.20% in Q1 (QoQ)	Management did not attribute the QoQ move; said new pricing flows into Q3
PAT	₹13.48 crore	+43.7% YoY	PAT margin 11.20%, up 26 bps YoY
EPS	₹13.47	+43.8% YoY	-
H1 revenue	₹215.56 crore	+46.9% YoY	Highest-ever H1
H1 EBITDA / PAT	₹35.36 crore / ₹23.6 crore	+60.2% / +65.5% YoY	H1 PAT margin 10.7%, up 120 bps YoY; H1 EPS ₹23.05
Average machine realisation	₹20.36 lakh (quarter); ₹20.55 lakh (H1 order book)	Up from ~₹20 lakh in Q1	Higher-value models; NEXA basket rising
Pending order book	₹476 crore	+36% YoY	NEXA series almost 40% of the book
Bids submitted (domestic) / tender bids (government)	₹745 crore / ₹194 crore	Domestic up from ₹739 crore; tenders down from ₹304 crore (QoQ)	Total bids in pipeline ₹939 crore
CapEx (Q2)	₹2.89 crore	Up from ₹2.25 crore in Q1 (QoQ)	Incremental capex raised depreciation
Working capital days	~110 days (Sep 2026)	Improved from ~138 days (Sep 2025)	More machines delivered, no finished or unfinished inventory; stopped NBFC-backed dispatch scheme

SEGMENTS & GEOGRAPHIES

- **NEXA series (high-end):** almost 40% of the ₹476 crore order book. Management called 40% "more than enough" but wants to reach 50% by FY29, with the value share rising before the volume share.
- **5-axis machines:** one order worth ₹2 crore for a single machine received; the machine will be displayed at IMTEX Bangalore 2027 and EMO Milano. Management is not pursuing this segment now, citing Siemens-only control licences, export restrictions, a market of about 200 machines a year in India with 65-75% imported, and sanction risk. Focus stays on 3+1 and 4+1 axis machines, with one 4+1 machine sold each month.
- **Defence and aerospace:** orders from HAL, rifle factories and ordnance factories, all to be executed this financial year. Of bids released worth more than ₹1,000 crore, the company participates in 25-30% at two higher price points, and will bid more aggressively once defence capacity exists.
- **End industries:** automobile is the fastest growing, followed by die and mould, medical and agriculture. Management said it is not dependent on any single segment given a 2% share of Indian consumption.

STRATEGY & COMPANY-SPECIFIC

- **13-acre expansion:** construction started; compound wall and bore work completed, architect and contractors appointed with a six-month completion clause carrying a penalty. Plant targeted operational by end of Q2 FY28. Management said the land supports 25-30% growth for the next 3-4 years.
- **Capacity addition:** 90% of the calculation is done and orders will be placed within a month. About 20% of orders, with 5-6 month lead times, are already placed to raise spindle, sheet metal and telescopic cover capacity; grinding

and machining orders, with lead times under 3 months, are next. Exact capacity and capex to be announced on the Q3 call.

- **Backward integration:** in-house component capacity is short of need; spindle capacity is 1,400-1,500 units against 1,500 components purchased. Components are prioritised on four criteria: supply chain unavailability, accuracy, long delivery time, and cost.
- **60-acre land:** eligible for 60 acres, not 30; token money paid and 32-plus department clearances done. Allotment awaits a new Gujarat defence policy, the 2016 policy having expired and been extended to August. Management will not pay market rate and will develop the 13-acre site first. Both parcels together are described as giving visibility for 10,000 machines.
- **Subsidy:** the new capex is expected to qualify for 25% subsidy on construction, machinery and equipment and 7% interest subsidy under the Viksit Gujarat policy.
- **Distribution:** 39 cities, described as sufficient for now. Sales, service and tech centre teams are to double by the end of this financial year.
- **Joint venture:** discussions held in Germany with the same partners finalised earlier; they are waiting for the new facility, and paperwork may be announced once capacity is executed.
- **Exhibitions:** IMTEX Bangalore 2027 and EMO Milano, plus most major industrial exhibitions in 2027.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	Nearly 35%	Raised (from 30%+)	H1 delivered; Q3 and Q4 expected to break historical records
FY27 volume	2,300-2,400 machines	New	Forward inventory still available; capacity of 2,500 a year, about 600+ a quarter
FY28-FY30 growth	25-30% a year	New	Visibility from existing plant plus new capacity
EBITDA margin	More than 20% once monthly capacity reaches 10,000 machines	New (Q1 had guided QoQ improvement through FY27)	Higher volumes, fixed-cost absorption, backward integration
FY28 EBITDA margin	More than 20%	New	Management's answer on FY28 margin
13-acre plant operational	End of Q2 FY28	Dated (Q1 said within 12 months)	Construction underway with penalty clause
Capacity and capex of new plant	To be announced on Q3 call	Deferred (Q1 gave ~1.5-2 lakh sq ft and ₹50 crore)	Calculation 90% complete; orders within a month
NEXA share of order book	50% by FY29	New	Current almost 40%
Market share	Minimum 10% in 3-4 years	New	Current 2% of Indian consumption, 4% of Indian production
5-axis revenue	No target; testimonial sales only	New	Licence and export restrictions; focus on volume segments

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Capacity constraint	Current capacity 2,500 machines a year, about 600+ a quarter, with Q2 volume near 591 machines. Growth until Q2 FY28 depends on forward inventory and debottlenecking.
Order cancellations from wait times	10-20 machines refunded every month on average because deliveries cannot be given.
60-acre land delay	Awaits a new Gujarat defence policy; the earlier policy expired and was extended only to August. Management will not buy at market rate.
Margin timing	The 4-6% price increase did not show in Q2; new pricing flows into Q3. The 20%+ margin is tied to 10,000 machines of monthly capacity, not the near term.
Import dependence	Ball screws, linear motion guideways, CNC controls and bearings are imported; management called this common to Indian players and not viable to make in-house at current scale.
5-axis restrictions	Fanuc and Mitsubishi do not give 5-axis controls to India; Siemens licences carry export clearances. Management cited a prior company whose machine was sanctioned for two years over a Russia supply.
Working capital	Management said working capital is not a concern given 90-120 day supplier credit and advances before dispatch, and pointed to ₹30 crore of cash that is suppliers' money. Debtors are expected to rise as capacity increases.
Skilled manpower and competitive capacity	Management acknowledged the challenge of adding capacity at the pace of peers and of skilled manpower, and said it will grow 25-30% rather than chase 50% growth.

Q&A HIGHLIGHTS

FY28 and three-year growth Asked for FY27 and FY28 growth guidance after a ₹120 crore Q2, management raised FY27 to nearly 35% and guided 25-30% growth for the coming three years, citing visibility from the existing plant and the new capacity.

Price increase timing Asked how much of growth came from volume versus price and mix, management said Q2 ran on old order book and old inventory; the price increase taken 2-3 months earlier will be executed in Q3.

Capacity and utilisation Asked whether 95% utilisation leaves room to grow before the new plant, management said Q1 had 700+ machines of capacity and some forward inventory remains, that 2,300-2,400 machines can be delivered this year, and that Q3 and Q4 will break historical records.

Working capital improvement Asked why working capital days fell from about 138 to about 110, management attributed it to delivering more machines with no finished or unfinished inventory, and to stopping an NBFC arrangement that had assured funds within 15 days of dispatch.

Backward integration and margins Asked when in-house component manufacturing (about 80% of components) would lift margins, management said spindle capacity of 1,400-1,500 is short of the 1,500 components purchased, that the new capex will raise margins alongside salary and operating costs, and that R&D spending is rising.

5-axis commercial status Asked about customer validation and FY29 revenue from 5-axis, management said the machine is ready and will be displayed, but the Indian market is about 200 machines a year with 65-75% imported, licences and export restrictions are difficult, and focus will stay on 3+1 and 4+1 axis until a 10,000-machine capacity exists.

Order book advances and cancellations Asked what share of the order book is backed by advances and whether customers are leaving for competitors, management said the entire order book carries advances, except distributor

and government orders, and that 10-20 machines are refunded monthly on average for want of delivery.

Joint venture timing Asked whether the JV partner is close to finalising, management said discussions were held in Germany with the same partners finalised earlier, who are waiting for the new facility, and an announcement may follow once capacity is executed.

Shivalik Bimetal Controls Limited

SHUNT RESISTORS

TLDR

Shivalik Bimetal Controls reported Q2 FY27 numbers that management did not restate in the transcript; the call centred on capacity, mix and the assembly ramp. The contracts business runs at 50-60% utilisation on the product type that is nearly 50% of revenue, and the plant built for ₹300-350 crore of revenue at half the silver value now equates to about ₹400 crore, with 50-60% of that expected this year and about 55% utilisation by year end. Assembly revenue of ₹100-200 crore is expected in FY28 at 15-16% EBITDA margin against 26-27% for legacy lines, which management said could pull overall margin down 1.5-2.5% while 30-35% top-line growth holds over two years. A new CFO joins by end-December and a COO-level hire is being pursued. Watch the US-to-Asia revenue reclassification, silver in the top line, and EV-linked assembly adoption.

WHAT CHANGED SINCE Q1 FY27

- FY27 revenue growth guidance of 20-30% was not repeated. Management instead said 30-35% top-line growth over the next two years is sustainable, with margins dipping on mix.
- Margin direction shifted. Q1 framed EBITDA margin improvement as sustainable from value-added mix; Q2 said overall margin could fall 1.5-2.5% as 15-16% EBITDA margin assembly and contacts revenue scales, while legacy vertical margins should keep improving on volumes.
- Assembly revenue was newly sized for FY28 at ₹100-200 crore at 15-16% EBITDA margin. Q1 gave only the CCS path of ₹30-60 crore in year 1, ₹150-200 crore in year 2 and ₹300+ crore in year 3.
- Pune Phase 1 was approved for operation post-Q1; management said the new facility was fully functional by June end or early July and the added capacity is now showing in numbers.
- Capacity disclosure changed. Q1 put Shunts welding at about 70% and Bimetals at 40-45%. Q2 described the contracts business at 50-60% utilisation on the product type that is nearly 50% of revenue, about 30% on one other process, and roughly 50-60% overall, reaching about 55% by year end.
- The ₹1,300 crore capacity figure was revised upward. Management said it would now be higher, with some capacity enhancement already done.
- Leadership gaps were addressed. A new CFO is finalised and joins by end-December; a CEO/COO-level hire is being actively pursued. Q1 had no management-change disclosure.
- The Q1 expectation of meaningful Bimetals export volume additions in about four quarters was not updated. The US Shunts weakness was explained as reclassification, with 70-80% of converted components used outside the US and supplied directly to end users, mostly in Asia.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Consolidated revenue	Not stated on call	n/a	Management did not restate the quarter's revenue
EBITDA and margin	Not stated on call	n/a	Legacy lines cited at 26-27% EBITDA margin; assembly and contacts at 15-16%
PAT	Not stated on call	n/a	Not discussed
Contracts business utilisation	50-60% on product type at nearly 50% of revenue; about 30% on one other process; 50-60% overall	n/a	New facility fully functional from June end or early July; higher wallet share from existing customers

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Contracts plant capacity	₹300-350 crore revenue potential at half the silver value, about ₹400 crore at current silver value	n/a	Original capex sizing restated for silver price
Expected utilisation this year	50-60% of the ₹400 crore equivalent, about 55% by year end	n/a	Customer growth and new development
Assembly revenue (FY28)	₹100-200 crore expected	n/a	Assembly business opportunities management expects to capture
Standalone CCS/PCB contribution	5-7% of standalone business	n/a	Early stage of the assembly ramp
Total capacity base	₹1,300 crore figure now to be higher	Revised up	Some capacity enhancement already completed
Silver in growth	40-50% of about 100% growth from materials	n/a	Silver price rise over the last year; balance from customer growth and product increase

SEGMENTS & GEOGRAPHIES

- **Contracts (bimetals)**: The product type at nearly 50% of revenue runs at 50-60% capacity and can double without added capex; one other process runs at about 30%. Overall utilisation is 50-60%, heading to about 55% by year end.
- **Shunts**: Most new developments are already in component form and a vast majority of old strip business has converted. Management said the strip-to-component model can be extended to other products.
- **Assemblies**: Expected at ₹100-200 crore in FY28 at 15-16% EBITDA margin, against 26-27% for legacy lines. CCS/PCB was 5-7% of standalone in the quarter.
- **Contacts**: Described as a 15-16% EBITDA margin business with 15-16% growth expected.
- **Americas**: Shunts revenue fell in the reported geography because converted strip business with major customers is now shipped directly to their end users outside the US, 70-80% of those components, mostly in Asia.
- **Asia**: Quantities rose disproportionately as a result of that direct-shipment arrangement.

STRATEGY & COMPANY-SPECIFIC

- The new facility shifted two quarters ago and was fully functional by June end or early July; added capacity is feeding higher wallet share from existing customers.
- The contracts plant was set up for ₹300-350 crore of revenue at half the silver value, equivalent to about ₹400 crore at current silver value; management expects to cross 50-60% of that this year.
- The ₹1,300 crore total capacity figure will be higher than stated, with capacity enhancement already done in faster-growing areas.
- Capacity additions that need heavy capex have room available; low-cost, short-lead additions will be made before any overutilisation.
- A new CFO is finalised and joins by end-December. A CEO/COO-level hire is being actively pursued to support the next growth phase.
- Management said it has changed how it views revenue and profitability, looking to move one step forward from the product to capture more value in both thermostatic bimetal and shunts.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Top-line growth, next 2 years	30-35%	New (Q1 gave 20-30% for FY27)	Customer outlook for shunts and legacy lines, contacts growth, assembly ramp
FY28 assembly revenue	₹100-200 crore	New	Opportunities management expects to capture; dependent on parts materialising into business
Assembly EBITDA margin	15-16%	New	Nature of the assembly business
Contacts EBITDA margin	15-16%	New	Stated business margin
Legacy vertical EBITDA margin	26-27%, expected to keep improving with volumes	Maintained direction	Volume improvement
Overall margin, FY28	Down 1.5-2.5% if 30-40% growth holds and assembly revenue lands	New (Q1 said sustainable improvement)	Mix shift to lower-margin assembly and contacts revenue
Contracts utilisation, end FY27	About 55%	New	50-60% of the ₹400 crore equivalent expected this year
Total capacity	Above ₹1,300 crore	Raised	Capacity enhancement already done
CFO joining	By end-December	New	Hire finalised

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Margin dilution from mix	Assembly and contacts at 15-16% EBITDA margin could pull overall margin down 1.5-2.5% if 30-40% growth holds; legacy margins should improve on volumes and partly offset
Assembly revenue uncertainty	Which parts translate into business depends on many factors; the ₹100-200 crore FY28 range is an opportunity estimate
Silver price	40-50% of about 100% growth came from materials; management said silver up or down is not a major concern as the company does not make silver, and steps were taken to limit the impact
Capacity measurement	Management said capacity cannot be tied simply to revenue because component volumes drive process additions; the ₹1,300 crore figure is being restated
Leadership transition	CFO and COO-level positions are being filled; the CFO joins by end-December
US Shunts decline	Reported Americas Shunts revenue fell as converted business is shipped directly to end users outside the US; management attributed it to the arrangement, not lost accounts

Q&A HIGHLIGHTS

Two-year growth and margin trade-off Question: What growth and margin profile should be assumed once assembly revenue scales? Management said 30-35% top-line growth over two years is sustainable, with overall margin down 1.5-2.5% from 15-16% margin assembly and contacts revenue, while legacy vertical margins should improve with volumes.

Leadership gaps Question: Where are the organisational gaps and which critical hires are being evaluated? A new CFO is finalised and joins by end-December, and a CEO/COO-level candidate is being actively pursued.

Silver share of growth Question: How much of growth is silver versus real business? Management said 40-50% of about 100% growth is materials, with the balance from customer growth, customer development and product increase, and that silver price direction is not a major concern.

Contracts capacity and utilisation Question: What is the capacity and utilisation in the contracts business? The product type at nearly 50% of revenue runs at 50-60% and can double without capex; overall utilisation is 50-60%, reaching about 55% by year end against a plant sized at about ₹400 crore at current silver value.

Strip versus component mix Question: What portion of shunt volumes is strip versus assemblies, and can the model extend to other customers? Most new developments are already components and a vast majority of old strip business has converted; management said the approach can be applied to other products.

US Shunts decline Question: Is the company losing US Shunts market share? Management said converted strip business with major customers is now shipped directly to their end users outside the US, 70-80% of those components, mostly in Asia, which is why Asian quantities rose disproportionately.

Capacity base and capex Question: Where will capacity be in a couple of years against the ₹1,300 crore figure? Management said the figure will now be higher, some enhancement is already done, and low-cost additions will be timed before any overutilisation.

Centum Electronics Limited

EMS

TLDR

Centum Electronics reported Q2 FY27 standalone revenue of ₹312 crores, up 52% YoY, with EBITDA of ₹40 crores (12.69% margin, up 87 bps) and PAT of ₹23 crores, up 77% YoY. H1 revenue rose 32% to ₹517 crores. The order book stood at approximately ₹2,000 crores, up 38% YoY, with BTS at ₹959 crores (+47%) and EMS growing 41% YoY. Key wins included a ~₹30 crore export electronic warfare subsystem order and a ~₹51 crore tactical air navigation order from GRSE. Management guides 25-30% medium-term revenue growth, "closer to 30%," and maintains 12.5-13% EBITDA margin, targeting 13% next year and 14-15% in three to four years. Semiconductor equipment is now expected to surpass the earlier $25-30 million estimate and reach $45-50 million in about two years. Supply chain constraints in PCBs, memory and MLCCs remain the principal near-term bottleneck.

WHAT CHANGED SINCE Q1 FY27

- **Revenue growth guidance narrowed upward:** Q1 FY27 guided ~25% for FY27 and FY28; now guides 25-30% medium-term CAGR, "closer to 30%," with no specific annual number. Management explicitly declined to give quarterly or yearly guidance.
- **Margin guidance extended:** Q1 FY27 targeted 13%+ EBITDA for FY27 from 12.5% last year. Now maintains 12.5-13%, aims for 13% next year, and newly gives 14-15% in three to four years.
- **Semiconductor outlook raised:** Q1 FY27 expected ₹25-30 million ($25-30 million) in 1-2 years. Now says it will "definitely surpass" that and has visibility to $45-50 million in about two years.
- **BTS margin range newly disclosed:** CFO stated BTS margins are 20-22%, with quarterly variation from program mix and higher material cost in Q2 programs. Q1 FY27 notes did not give a BTS margin range.
- **New export BTS order delivered:** Q1 FY27 discussed an early-stage electronic warfare export opportunity with no order. Q2 booked a ~₹30 crore export EW subsystem order for naval applications, with repeat orders expected.
- **GRSE/Takan program converted to orders:** Q1 FY27 expected first deliveries early next year and further orders in 1-2 quarters. Q2 booked a ~₹51 crore tactical air navigation order from GRSE, following an initial ~₹30 crore order.
- **New facility scope expanded:** Q1 FY27 described a KIADB facility with ₹50-70 crores capex starting end of next fiscal. Q2 adds a plan to establish assembly, integration and test capability for full satellites at the new plant, plus dedicated BTS test infrastructure.
- **Borrowing limit increase:** Board took an enabling resolution on 4 November 2026, subject to shareholder approval, to raise authorized borrowings from ₹500 crores to ₹1,000 crores, as existing sanctioned limits of ~₹490 crores are nearly utilized.
- **Supply chain elevated to principal bottleneck:** Q1 FY27 did not flag component shortages. Q2 names shortages in memories, controllers, MLCCs and PCBs, with PCB lead times extending from 8-12 weeks to 40-50 weeks.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Standalone revenue	₹312 crores	+52% YoY	Execution across BTS and EMS; H1 ₹517 crores, +32% YoY
Standalone EBITDA	₹40 crores	+63% YoY	Margin 12.69%, up 87 bps YoY; H1 EBITDA ₹63 crores, +25%, margin 12.11%
Standalone PAT	₹23 crores	+77% YoY	PAT margin 7.31% vs 6.28%; H1 PAT ₹36 crores, +28%
Profit before tax	₹31 crores	+75% YoY	Not separately explained

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Order book	~₹2,000 crores	+38% YoY	Customer confidence across defense, space, semiconductor equipment, transportation, industrial, medical
BTS revenue	Not disclosed in rupees	+84% YoY	Improved execution across radar electronics and space programs; H1 +33% YoY
BTS order book	₹959 crores	+47% YoY	Export EW order, second TAN order, satellite payload electronics
EMS revenue	Not disclosed in rupees	+41% YoY, ~42% QoQ	Ramp-up of new customer programs; H1 +32% YoY
EMS order book	Not disclosed in rupees	+30% YoY	Healthy demand and improving delivery execution
Net working capital	136 days	Improved 6 days	Strong September collections; receivable days down 9 to 106
Borrowings	₹134 crores	+₹11.5 crores	Higher working capital; cash ₹127 crores including ₹49 crores restricted

SEGMENTS & GEOGRAPHIES

- **BTS:** Revenue grew 84% YoY in Q2 and 33% in H1 on radar electronics and space program execution. Order book ₹959 crores, +47% YoY. Management said the quarter reflects higher activity rather than spillover from Q1, expects H2 stronger than H1, and sees 25-30% BTS growth over the next couple of years. BTS margins are 20-22%, with program mix causing quarterly variation.
- **EMS:** Revenue grew 41% YoY and ~42% QoQ, with H1 up 32%. Order book up 30% YoY. Three new customer wins in defense, transportation and industrial, each expected to reach at least $10 million per year once ramped over two to three years. Management expects to expand EMS margins through design-led manufacturing.
- **Semiconductor equipment (within EMS):** Deliveries ramping across existing and new products; demand increases almost quarterly on qualified products. Management expects to surpass the earlier $25-30 million estimate and reach $45-50 million in about two years, mostly with the anchor customer. Preliminary discussions with other customers have far less traction.
- **Exports:** Defense exports are a sizable share of EMS revenue. BTS exports were negligible before the ~₹30 crore EW order. Management targets global BTS as a meaningful percentage of BTS revenue but gave no number; system-level exports are two to three years away pending completion of domestic programs.

STRATEGY & COMPANY-SPECIFIC

- **New BTS facility:** Capex plan for new facilities focused on BTS, with dedicated test infrastructure to bring third-party testing in-house and space for larger systems. The new plant will also house assembly, integration and test capability for full satellites.
- **Borrowing authorization:** Board resolution on 4 November 2026 to raise authorized borrowings from ₹500 crores to ₹1,000 crores, mainly for non-fund-based limits to support expected BTS order book growth.
- **QIP proceeds:** Of the QIP balance, ₹35 crores of capex is almost fully utilized with the remainder used this quarter; ₹50.7 crores for general corporate purpose is held as reserve with no specific near-term use identified.
- **Design-led manufacturing:** Being pursued within EMS with strategic customers, including a railway program won last quarter now in design. Management frames DLM as a route to expand EMS margins.
- **Space ambition:** Decision to build full-satellite assembly, integration and test capability; early-stage discussions with end-users on turnkey proposals. Management said timelines are not clear.

- **Order mix outlook:** Management expects roughly a 60-40 split between defense and space in orders booked over the next two to three years.
- **GISAT-1A mission:** More than 200 Centum subsystems and modules were aboard the mission.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Revenue growth	25-30% medium-term CAGR, "closer to 30%"	Maintained (range narrowed upward from ~25%)	Order book and demand; no specific annual guidance
EBITDA margin	12.5-13% now; 13% next year; 14-15% in three to four years	Maintained, long-term target new	BTS mix and operating performance
BTS margin	20-22%	New	Program mix; quarterly variation expected
BTS revenue growth	25-30% over next couple of years	Maintained	Order book execution over 25-30 month cycles
H2 vs H1	Growth expected in H2 over H1	New	Execution ramp and order book
Semiconductor equipment	$45-50 million in about two years	Raised from $25-30 million	Demand increases on qualified products and new product lines
New EMS customer wins	At least $10 million per year each in two to three years	New	Prototyping and qualification now underway
Global BTS	Meaningful percentage of BTS revenue; system exports two to three years away	Maintained (no number)	Early-stage discussions with a European customer
Order mix	~60-40 defense to space over next two to three years	New	Opportunity pipeline

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Supply chain	Principal near-term bottleneck. Shortages in memories, controllers, MLCCs and PCBs extend lead times and raise component prices, inventory and working capital. PCB lead times up from 8-12 weeks to 40-50 weeks.
Working capital	Inventory rose to ₹540 crores on growth and supply constraints; customer prepayments cover ~50% of net inventory. Net working capital 136 days.
Quarterly volatility	BTS has significant quarterly variation from project phasing and program mix; management asks for full-year assessment.
Customer concentration	Semiconductor momentum is mostly with the anchor customer; other discussions are preliminary. IP belongs to the customer.
Program execution	New EMS wins require prototyping, qualification and initial production builds before ramp. Radar and space programs carry design milestone risk.
Competition	Semiconductor competitor is in Southeast Asia and transferring business to Centum; management said no Indian company does the same work.
Export BTS	Foreign customers typically want IP in-country; management called the breakthrough non-trivial.
Capacity	No short-term production bottleneck, but system-level test capability currently depends on third parties until the new facility is built.

Q&A HIGHLIGHTS

BTS margin and company margin Asked why strong BTS growth did not lift margins, the CFO said BTS margins are 20-22% and Q2 had higher material cost in delivered programs; the company aspires to 12.5-13% at combined level.

Q2 BTS strength Asked whether Q2 BTS revenue was spillover from a muted Q1, management said it reflects higher execution and activity, not a one-off, and expects H2 growth over H1 while quarterly variation remains.

Semiconductor sizing Asked for the semicon outlook after ~₹85-90 crores delivered in H1, management said the segment is growing aggressively, will surpass the earlier $25-30 million estimate, and has visibility to $45-50 million in about two years.

New customer wins Asked about the three new customers, management described a large transportation Tier-1 OEM localizing electronics in India, a German industrial metrology OEM setting up an Indian plant, and a Middle Eastern defense customer for drone applications, each expected at $10 million per year or more once ramped.

Order book execution and capacity Asked how the ₹2,000 crore order book converts over two fiscals, management said BTS orders execute over 25-30 months with a ramp rather than equal splits, sees 25-30% BTS growth, and reported no short-term production bottleneck but a capex plan for BTS facilities and system-level test infrastructure.

Working capital and QIP use Asked about ₹540 crores inventory and the QIP balance, management cited AI data center capacity allocation and Middle East and Europe logistics delays as causes, said ~50% of net inventory is covered by customer prepayments, and said ₹50.7 crores of QIP funds is held as reserve with no specific use identified.

Global BTS Asked whether global BTS is in the order book, management cited the Middle Eastern order and advanced discussions with a European customer, declined to size the opportunity, and said system-level exports are two to three years away after domestic sales.

GRSE shipbuilding opportunity Asked about GRSE's large order wins, management said its air navigation systems will be part of those deliveries and it is assessing whether the same radars it supplies to BEL fit those ships; the opportunity is not yet quantified.

Azad Engineering Limited

AEROSPACE & DEFENCE - EQUIPMENTS

TLDR

Azad Engineering reported its highest-ever quarterly standalone revenue of ₹187.8 crore in Q2 FY27, up 31.6% YoY and 10.1% QoQ, with EBITDA of ₹70.4 crore (37.5% margin, up 150 bps YoY) and PAT of ₹30.8 crore (16.4% margin). All six customer-dedicated facilities at Tuniki Bollaram, totalling 44,800 sqm for Mitsubishi Heavy Industries, GE Vernova, Siemens Energy and Baker Hughes, are now commissioned. Management says the setup phase is complete and throughput begins in Q3 FY27, with revenue ramping from Q4 FY27 and all plants fully ramped by Q2 FY28. Installed capacity supports an annual revenue run rate above ₹1,300 crore by end-FY28, more than double FY26 revenue. PAT was compressed by lower treasury income (₹4.7 crore vs ₹12.7 crore), doubled depreciation (₹21.8 crore) and higher finance cost (₹12.2 crore). Watch points are delta qualifications, working capital and the timing of cash generation.

WHAT CHANGED SINCE Q1 FY27

- **Capacity build-out completed, not just stabilised.** Q1 said 80% of initiatives were stabilised with full closure by Q3. This quarter management said the "full foundation" is in place: all 6 customer-dedicated facilities are commissioned (44,800 sqm), against 4 facilities and 8 plants planned as of Q1. The 2 GE Vernova facilities were inaugurated in September.
- **Revenue inflection pushed out by a quarter.** Q1 guided substantive contribution from H2 FY27 with revenue visible from Q3. Now throughput begins in Q3 FY27, revenue ramps from Q4 FY27, and all plants are fully ramped by Q2 FY28.
- **New hard number on scale.** Q1 gave ₹150-180 crore per dedicated plant at full utilisation. This quarter management guided to an annual revenue run rate above ₹1,300 crore by end-FY28, more than double FY26 revenue, and said current capacity supports more than that.
- **Working capital plan changed.** Q1 relied on bill discounting to cut debtor days from 170-180 to ~90 and targeted 200 days in H1, 160-180 in H2. This quarter one OEM agreed to a 50% advance against purchase orders, with about $4.5 million expected, at a discount of "hardly 1% or so". Bill discounting lines with ICICI Bank and DP World are in reserve and usable from Q4 FY27.
- **Rolls-Royce qualification slipped.** Q1 said first qualification batch delivery within Q1 FY27 and "quite nearby". This quarter management said the qualification is in its last leg and the first qualification batch will be delivered "very soon", with production revenue from Rolls-Royce starting after that, followed by Pratt & Whitney and Safran.
- **Turbojet engine timeline softened.** Q1 said weapon integration in 4-6 weeks and "these are few months' story". This quarter testing is ongoing, a second engine is about to be delivered, and management said it has "very limited information" and is waiting for an engine to fly on a weapon before production mode.
- **New orders disclosed.** BHEL approved as a long-term source with a 2-year rate contract worth about ₹52.68 crore for gas turbine blades. The Baker Hughes supply agreement has been extended to 2030. Neither was in the Q1 notes.
- **New growth programs named.** Hot section nozzle vane segments for Mitsubishi Heavy Industries under an 8-year single contract, and aero engine airfoils with Rolls-Royce, Pratt & Whitney and Safran, with deliveries starting next fiscal.
- **Tone shift on margins and cash.** Q1 kept a conservative 32-35% EBITDA band. This quarter the CFO said he is confident of reaching the same margin and cost structure percentage as FY24 by the ₹1,300 crore run rate, and management expects cash to come out of the company from Q4 FY27.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue (standalone)	₹187.8 crore	+31.6% YoY, +10.1% QoQ	Highest ever quarterly revenue; steady delivery schedules
EBITDA (standalone)	₹70.4 crore, 37.5% margin	+37.1% YoY; margin +150 bps YoY, flat vs 37.6% in Q1	Gross margin expansion and indirect cost held at 7.7% of revenue
PAT (standalone)	₹30.8 crore, 16.4% margin	Q1 FY27 was ₹36.4 crore at 21.3%	Lower treasury income, doubled depreciation, higher finance cost, hiring ahead of revenue
Revenue (consolidated)	₹190 crore	+31.1% YoY	Consistent with standalone
EBITDA (consolidated)	₹72.3 crore, 37.9% margin	n/a	n/a
PAT (consolidated)	₹30.9 crore	n/a	n/a
H1 revenue (standalone)	₹358.3 crore	+29.3% YoY	Ahead of the over-25% guidance
H1 EBITDA (standalone)	₹134.5 crore, 37.5% margin	+34.7% YoY; margin up from 36%	Gross margin 45.1% vs 44.1%; indirect cost 7.6% of revenue vs 8.1%
H1 PAT (standalone)	₹67.2 crore, 18.7% margin	+6.6% YoY	Below-EBITDA costs; Q1 included a ₹4.3 crore deferred tax credit
Gross margin before depreciation	45.2%	+150 bps YoY, up from 45% in Q1	Operating leverage, local sourcing, backward integration into special process
Exports share	88% of revenue	Management expects above 85%	Export-led model serving global OEMs
Order book	~₹6,500 crore	n/a	Rolling contracts detailed by product and customer over 5-7 years; management said it should not be read as an order backlog

SEGMENTS & GEOGRAPHIES

- **Energy and oil and gas:** Q2 revenue ₹152 crore, up 30.02% YoY; H1 ₹290 crore, up 28.5%, over 81% of revenue. Growth from global power generation demand and dedicated facilities moving through qualification. The dedicated oil and gas facility for Baker Hughes adds a growth lever from Q4 FY27. Management expects this segment's contribution to fall to 55-60% by FY30-31 as aerospace and defense grows.
- **Aerospace and defense:** Q2 revenue ₹31.7 crore, up 31.6% YoY; H1 ₹60.4 crore, up 28.3%, about 17% of revenue. Rolls-Royce production revenue starts after the current qualification, followed by Pratt & Whitney and Safran. Management said aerospace revenue flows from FY28.
- **Domestic:** Revenue grew more than 2.5 times to ₹43 crore, now 12% of the business from 6%, helped by indigenisation work with BHEL.
- **Exports:** 88% of Q2 revenue, expected to stay above 85%.

STRATEGY & COMPANY-SPECIFIC

- **Dedicated facilities:** All 6 facilities at Tuniki Bollaram commissioned, 44,800 sqm for Mitsubishi Heavy Industries, GE Vernova (3 facilities), Siemens Energy and Baker Hughes. Management said no capacity is built speculatively;

each is anchored to customer contracts.

- **Delta qualifications:** Parts moving to a new facility or machine need revalidation, shorter than qualifying a new part, which can take 30-48 months. Several are running simultaneously across customer lines.
- **Aerospace dedicated facilities:** Management is in discussions with aerospace customers on the dedicated-facility model and has left 1-2 buildings at Tuniki Bollaram for this; customers cannot yet be named.
- **New programs:** Hot section nozzle vane segments for Mitsubishi Heavy Industries under an 8-year single contract; aero engine airfoils with Rolls-Royce, Pratt & Whitney and Safran, with deliveries starting next fiscal.
- **Turbojet engine:** After delivering India's first indigenous expendable turbojet engine to GTRE, Azad is positioned for end-to-end manufacture, assembly and integration of complete engine assemblies. Testing is ongoing and a second engine is about to be delivered. The aero engine capability is under discussion with other OEMs.
- **Orders:** BHEL 2-year rate contract worth about ₹52.68 crore for gas turbine blades. Baker Hughes supply agreement extended to 2030.
- **Working capital:** One OEM agreed to a 50% advance against purchase orders, about $4.5 million expected, at a discount of "hardly 1% or so"; management is discussing the template with other OEMs. Bill discounting lines with ICICI Bank and DP World are in reserve, usable from Q4 FY27.
- **Capital structure:** Net worth ₹1,619.6 crore; bank borrowings ₹536.4 crore (₹340.6 crore term loan, ₹195.8 crore working capital); cash and bank deposits ₹112.6 crore; net debt ₹423.8 crore, 0.26 times equity and 1.6 times annualised EBITDA. Of the ₹700 crore QIP, ₹621.8 crore used and ₹78.2 crore held in fixed deposit for balance capex. H1 capex ₹139.3 crore, funded by ₹80.8 crore QIP money, ₹28.6 crore term loan and internal funds. Fixed assets including capital work in progress ₹1,169 crore.
- **Land for next phase:** Mangampet land is ready for Phase 2 beyond the current build-out.
- **Future funding:** Management said it may go for a QIP when required for the next phase of capex, to be planned for FY29 onwards.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Long-term revenue growth	Over 25% annually	Maintained	H1 grew 29.3%, ahead of guidance
Revenue run rate	Above ₹1,300 crore annually by end-FY28, more than double FY26 revenue	New	Installed capacity; management said current capacity supports more than this
Revenue ramp	Throughput begins Q3 FY27, revenue ramps from Q4 FY27, all plants fully ramped by Q2 FY28	Cut (Q1: substantive contribution from H2 FY27, visible from Q3)	Delta qualifications clearing customer acceptance
EBITDA margin	Confident of reaching FY24 margin and cost structure percentage by the ₹1,300 crore run rate	New (Q1: 32-35% band)	Cost base largely in place; rising revenue flows through
Exports share	Above 85% of revenue	Maintained	Export-led model
Cash generation	Cash to come out of the company from Q4 FY27, consistently from Q1 FY28	New	Inventory converting to receivables and cash as throughput rises

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Working capital	Bill discounting lines usable from Q4 FY27	Changed (Q1: bill discounting to cut debtor days to ~90; 160-180 days in H2)	Lines in place with ICICI Bank and DP World
Segment mix	Energy and oil and gas at 55-60% of revenue by FY30-31, rest from aerospace and defense	New	Aerospace qualifications converting to production
Aerospace revenue	Flows from FY28	Maintained	Rolls-Royce, then Pratt & Whitney and Safran qualifications
Next capex phase	Plan for FY29 onwards; more colour next quarter	Maintained	Customer opens more engine programs after current qualifications
Turbojet engine production	Production mode after an engine flies on a weapon; timing not given	Softened (Q1: weapon integration in 4-6 weeks)	Testing ongoing; second engine about to be delivered

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Qualification timing	Revenue ramp depends on delta qualifications clearing customer acceptance; new part qualification can take 30-48 months. Management said it saw a 2-3 week delay in throughput and called it normal at this scale.
PAT compression	Treasury income fell to ₹4.7 crore from ₹12.7 crore, depreciation doubled to ₹21.8 crore and finance cost rose to ₹12.2 crore. Management said this phase is largely behind and costs are now in the base.
Working capital and cash flow	H1 operating cash flow after tax was negative ₹45.8 crore, an improvement from negative ₹76.5 crore. Inventory rose ₹98 crore to ₹425 crore, of which ₹72 crore is work in progress awaiting customer approval; receivables rose ₹92 crore to ₹402 crore.
Employee cost	₹50.3 crore against ₹32.5 crore a year ago from hiring ahead of revenue. Management expects a "drastic downfall" in the next-to-next quarter as revenue absorbs the cost, and said the cycle will repeat every 4-6 quarters.
Customer concentration in dedicated facilities	Capacity is built to specific OEM contracts; management said moving qualified business carries high switching costs for customers, which it presents as multi-year visibility.
Forex	Other income includes a ₹2.4 crore forex gain against ₹5.4 crore a year ago, which management called a macro factor outside its control.
Turbojet engine visibility	Management said it has "very limited information" on testing and that production depends on an engine flying on a weapon.
Hot section economics	Replacement cycles given for cold section parts (10-12 years for gas turbines, 16-18 years for steam); management said it has no proper answer yet on hot section cycles and volumes.

Q&A HIGHLIGHTS

Cash turning positive Asked when peak cash burn ends and free cash flow begins, management said supplies start from end-Q3 and Q4, and cash should come out of the company from Q4 FY27, consistently from Q1 FY28.

Capacity versus the ₹1,300 crore run rate An analyst asked whether total capacity is ₹1,800-1,900 crore against a ₹1,300 crore target for next year. Management said the ₹1,300 crore plus figure is the bare minimum and capacity and throughput already exceed it, with a range to be given next quarter.

Aerospace dedicated facilities Asked where new aerospace contracts would be housed given Tuniki Bollaram is fully leased, management said 1-2 buildings remain and unnamed aerospace customers want dedicated facilities on the same model, with an announcement soon.

Rolls-Royce qualification Asked whether qualifications are in hand for aero engine airfoils, management said the qualification is in its last leg after work since 2024, the first qualification batch will be delivered "very soon", and the capex for production is already done.

Advance from OEM Asked whether the customer advance came at the cost of margin, the CFO said no material discount was given, "hardly 1% or so", and the request was framed as customer support for working capital.

Order book definition Asked for order backlog by segment, management said the ~₹6,500 crore figure is rolling contracts based on 5-7 years of customer demand by product and customer, not an order backlog, and capacity is built to delivery schedules rather than to the full figure.

Segment mix beyond FY30 Asked whether the ₹1,300 crore run rate will stay energy-heavy, management said it will be mixed, with energy and oil and gas at 55-60% by FY30-31 and the rest from aerospace and defense, and that Azad serves under 2% of customers' wallet share.

Manpower and automation Asked how labour scales to ₹2,000-3,000 crore of revenue, management said hiring runs 4-6 quarters ahead of revenue and the cost normalises as revenue absorbs it, and that it is adopting lean manufacturing and more automation and ERP tools to reduce dependence on manpower.

Knowledge Marine &
Engineering Works Ltd.

TLDR

KMEW reported H1 FY27 revenue of ₹186.21 crore, up 89%, EBITDA of ₹101.71 crore at a 55% margin and PAT of ₹84.27 crore, up 267%. It won a ₹256.92 crore New Mangalore maintenance dredging contract for 15.9 million cubic metres over three cycles and acquired the River Pearl 48 trailing suction hopper dredger, which management says can dredge 8-10 million cubic metres a year and generate more than ₹150 crore annually. A third Green Tug contract, from Mumbai Port Authority, is worth ₹236 crore over 15 years, taking the three Green Tug contracts to about ₹928 crore. Order book is ₹1,732.55 crore. Management raised FY27 revenue growth guidance to 80% and expects FY28 and FY29 growth of 60%. Watch monsoon-led dredging seasonality, shipyard commissioning after Q4 FY27 and any Bahrain resumption.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations, H1 FY27	₹186.21 crore	+89% YoY	Execution of ongoing projects and contribution from all segments
EBITDA, H1 FY27	₹101.71 crore	+155% YoY	Execution and volume business
EBITDA margin, H1 FY27	55%	n/a; prior-period margin not stated	Management attributed margin expansion to scalable volumes
PAT, H1 FY27	₹84.27 crore	+267% YoY	Operating performance
PAT margin, H1 FY27	45%	n/a	Operating performance
Order book	₹1,732.55 crore	n/a	Dredging ₹467.75 crore, charter and hire ₹1,100 crore, shipbuilding ₹164 crore, excluding ₹275 crore captive shipbuilding
Shipbuilding revenue, Q2 FY27	About ₹40 crore	3x YoY	Milestone-based construction
Effective tax rate, Q2 FY27	23%	n/a	Interest income and shipbuilding profit; FY27 guided at about 15%
TSHD dredging capacity	8-10 million cubic metres per annum	n/a	River Pearl 48, one vessel

SEGMENTS & GEOGRAPHIES

Dredging. H1 included execution of the JNPA rock dredging and Pondicherry work. The New Mangalore Port Authority contract is the largest dredging contract KMEW has won, at ₹256.92 crore for 15.9 million cubic metres over three annual maintenance cycles. Management said Q2 is seasonally soft because ports wait for the monsoon to end, and it expects a jump in dredging revenue in Q3 and Q4. River Pearl 48 can dredge 8-10 million cubic metres a year; a second dredger is tied up pending a contract. Management put annual maintenance dredging at major and minor ports at about ₹2,000 crore and capital dredging at about ₹3,000 crore.

Charter and hire. The third Green Tug contract, from Mumbai Port Authority, is ₹236 crore over 15 years; the three Green Tug contracts aggregate about ₹928 crore. The government's Green Tug Transition Program has identified about 98 green tugs across major ports. Charter vessels are at 100% utilisation, and tenures run up to 15 years. Management said about 600 crafts operate around Indian ports; KMEW has 21 dredgers and about 30 other vessels in chartering.

Shipbuilding. Q2 revenue was about ₹40 crore, 3x Q2 FY26. The IWAI contract is for 10 electric hybrid passenger ferries worth ₹62 crore under the Harit Nauka initiative. Saphale will serve captive green tug demand and external commercial orders; management expects shipbuilding to be 40% of overall revenue in FY28 and FY29. More than 1,000 crafts need to convert green before 2047, rising to more than 1,500 with more waterways, according to management.

Myanmar and Bahrain. Revenue from both is almost nil in the current year. Bahrain work will not resume until management is confident of the safety and security of manpower and materials and insurance covers the same. Myanmar assets are engaged in India, and no vessel is being moved there immediately.

STRATEGY & COMPANY-SPECIFIC

- **Capex.** KMEW plans ₹1,000 crore of capex over two years and has already gone through six to seven months. Funds are being used for the TSHD, three green tugs, one conventional tug and other ongoing plans. Management expects asset turnover of 1:1 to 1:1.5, in line with the past.
- **Dredging fleet.** River Pearl 48 is the largest vessel in the fleet and raises hopper capacity nearly fourfold. Existing smaller dredgers remain for shallow water, inland waterways and technically challenging work. The second dredger's capex will follow a contract.
- **Green Tug integration.** KMEW builds green tugs at its own shipyard to control construction cost, quality and delivery schedules; standardisation is expected to help procurement and capex management.
- **Saphale shipyard.** Phase 1 is targeted for February 2027 and full commissioning after Q4 FY27; construction and infrastructure work is running alongside vessel construction. The yard will support captive green tugs and external commercial shipbuilding. KMEW is in discussions with three clients on export orders and will size the order after commercial negotiations.
- **Fundraising.** KMEW raised ₹150 crore through a preferential issue supported by 360 ONE PIPE Fund, Bank of India Mutual Fund and FourLion Capital. It also engaged with a secondary market sale of ₹100 crore with SBI Fund Management.
- **Capital structure.** Management sees no change in the equity structure in the near future. It will raise debt as needed for larger assets alongside internal accruals.
- **Order book.** The order book is ₹1,732.55 crore. Management cited a prospective pipeline exceeding ₹3,500 crore and bids in pipeline of ₹2,500-3,000 crore.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Revenue growth, FY27	80%	n/a	Current order inflow and expected inflow; raised from 60%, initial 30-40%
Revenue growth, FY28 and FY29	60%, against 40% considered earlier	n/a	Management said the 40% considered for the year after was brought up to 60% in the last guidance
EBITDA margin	More than 45% once stable; current expansion up to 50-55%	n/a	Volume business and scalable volumes
Shipbuilding revenue, FY27	3x to 4x last year	n/a	Saphale yard and existing orders
Shipbuilding share of revenue, FY28 and FY29	40%	n/a	Shipbuilding scale-up; balance 60% from dredging and chartering; shipbuilding profits taxed at 25%

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Dredging revenue, Q3 and Q4 FY27	Jump	n/a	Monsoon ends and maintenance contracts start in October
Shipbuilding revenue, Q3 and Q4 FY27	Substantial rise	n/a	Steady growth; Q2 was 3x YoY
Saphale Phase 1	February 2027	n/a	Construction and infrastructure development ongoing
Saphale full commissioning	After Q4 FY27	n/a	Construction parallel with vessel construction
New Mangalore commencement	Before 15 November	n/a	Port requirement; vessel acquired
Order book next year	Exceeding ₹2,000 crore	n/a	Continual bidding
Capex	₹1,000 crore over two years	n/a	TSHD, three green tugs, one conventional tug; six to seven months elapsed
Effective tax rate, FY27	About 15%	n/a	Q2 rate 23% due interest income and shipbuilding profit; management said future rate would be closer to 15% and less than 15%
TSHD revenue potential	More than ₹150 crore per annum	n/a	One vessel; 8-10 million cubic metres per annum; rate per cubic metre varies by port

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Dredging seasonality	Q2 is usually soft because clients wait for the monsoon to end; execution is done in Q3 and Q4.
Bahrain operations	Revenue is almost nil; work will not resume until safety and security of manpower and materials are assured and insurance covers the same.
Myanmar deployment	Assets are engaged in India; no vessel is being moved immediately.
Charter contract execution	Tenures up to 15 years depend on timely vessel delivery and contract execution.
Order book conversion	The pipeline exceeds ₹3,500 crore, but conversion depends on tender outcomes; bids in pipeline are ₹2,500-3,000 crore.
Competition	All three segments have multiple players; management says KMEW's USPs and execution give it an edge and help maintain margins.
Shipyard commissioning	Full commissioning is after Q4 FY27 and Phase 1 is targeted for February 2027. Management said ongoing shipbuilding contracts are on schedule with no delay penalties.
Working capital	Other current assets outflow was advances to shipbuilding vendors; shipbuilding has staged payments across 5-10 milestones, with 10% of contract value available through advance bank guarantee or insurance, so working capital need is limited.
Margin pressure	Management said it does not see contraction with contracts in hand.

Q&A HIGHLIGHTS

Tax rate Question: What is the FY27 tax rate after the Q2 rate? Q2 effective rate was 23% because of interest income and shipbuilding profit; FY27 effective rate is guided at about 15%, depending on shipbuilding revenue and interest income quarter by quarter.

Dredging market size Question: How large is the market KMEW can address with the new dredger? One vessel can dredge 8-10 million cubic metres a year; India's major and minor port maintenance dredging is about 150 million cubic metres a year. Revenue per cubic metre varies by port.

Shipbuilding share and funding Question: When will shipbuilding contribute and will KMEW raise more debt? Q2 shipbuilding revenue was about ₹40 crore; FY27 revenue is guided at 3-4x last year, and shipbuilding is expected to be 40% of overall revenue in FY28 and FY29. No near-term equity change; debt will be raised as needed for larger assets alongside internal accruals.

New Mangalore vessel redeployment Question: Will the vessel have work after the New Mangalore contract? Bids are in at other major ports and defence naval establishments on the west coast, with outcomes expected in the current month; the vessel will move to one of these after New Mangalore. Management said vessel movements take less than 15 days over 365 and the self-propelled vessel does 13 knots.

Second dredger Question: What is the progress on the second dredger? The vessel is tied up and waiting for a potential contract; capex will be done once the contract is finalized.

Working capital and shipbuilding billing Question: What is the other current assets outflow and how will shipbuilding receivables work? The outflow is advances to shipbuilding vendors, booked when bills of entry are passed and materials received. Shipbuilding has staged payments across 5-10 milestones, with 10% of contract value available through advance bank guarantee or insurance, so working capital need is limited.

Guidance revision Question: What are the FY27 and FY28 growth and margin guidance? FY27 revenue growth guidance was revised upward to 80% from 60%, which was above the initial 30-40%. EBITDA margin is guided above 45% once stable, with current expansion up to 50-55%; management does not see margin contraction with contracts in hand.

Capacity utilisation and competition Question: What is utilisation across segments and how much competition exists? Chartering vessels are at 100% utilisation; dredging vessels are fully utilised from October to May and were at 100% in October; shipbuilding utilisation will rise after the yard is ready post Q4. All three segments have competitors, and management attributes order wins and margins to its USPs and execution.

Steel Strips Wheels Limited

AUTO ANCILLARIES - WHEELS

TLDR

Steel Strips Wheels reported its highest-ever quarterly revenue, EBITDA and PAT in Q2 FY27: revenue ₹1,930 crores (+61% YoY), EBITDA including other income ₹237 crores (+107% YoY) at a 12.3% margin, and PAT ₹119 crores (+209% YoY) at 6.2%. EBITDA per wheel rose to ₹404 from ₹242, which management attributes to a richer mix with alloy wheels at about 45% of revenue, cost optimisation, higher exports (₹187 crores, +69% YoY) and price revisions for input costs other than raw material. Alloy wheel capacity was debottlenecked by 10% to about 5.4 million annualised without spend. The board approved a ₹1,400 crores greenfield plant at Sambhaji Nagar over 60 months (alloy and steel wheels, OTR, hot stamping) and an interim dividend of ₹1.50 per share. Management calls ₹404 per wheel sustainable and expects to exceed it if October demand holds; it targets at least ₹1,500 crores of exports in three years. Watch points are a US trade deal, freight costs and volume dependence of per-wheel EBITDA.

WHAT CHANGED SINCE Q1 FY27

- **EBITDA per wheel guidance effectively raised again.** Q1 FY27 target was >₹310 per wheel with ₹314 reported and an "upside bias". Q2 came in at ₹404, and management now calls ₹404 sustainable and says it may exceed it, with 450-500 per wheel mentioned as reachable eventually from product mix.
- **FY27 revenue guidance left open rather than restated.** Q1 FY27 guided 20%+ growth, implied ~₹6,500 crores. This quarter management said H1 exceeded both the 20% growth and >₹310 per wheel guidance and that it is "extremely confident" of a strong remaining two quarters, but gave no new number, telling analysts to construe FY27 from the Q2 run rate.
- **Export target raised in range.** Q1 FY27 target was ~₹600 crores. Now management says it remains on track to exceed ₹600 crores and that it "might go to ₹700-750 crores" depending on a US trade deal, with a new three-year target of at least ₹1,500 crores, possibly ₹2,000 crores.
- **New greenfield project announced.** The board approved a ₹1,400 crores, 60-month plant at Sambhaji Nagar, Aurangabad for alloy wheels, steel wheels (passenger car and OTR) and a hot stamping line, funded by debt, internal accruals and likely strategic investment. Q1 FY27 had only mentioned hot stamping "under discussion" with no site or outlay.
- **Capex mix changed within the ~₹600 crores FY27 plan.** Q1 FY27 split was ₹420 crores Bhuj, ₹80 crores replacement, ₹150 crores steel wheel brownfield. Now it is ₹420 crores Bhuj, ₹120 crores for about half a million tractor sets at Dappar, and about ₹70 crores for machinery replacement and automation. The ₹150 crores steel wheel brownfield line was not mentioned this quarter.
- **Bhuj commissioning dates firmed.** Q1 FY27 said trial production in Q4 FY27 for both. Now knuckle commercial production is on track for Q4 FY27 and aluminium wheels for early April next year, with FY28 utilisation guided at 80%+ for the new facilities.
- **Capacity numbers revised up.** Q1 FY27 said alloy capacity would reach ~6.2 million post-Bhuj. Now Mehsana debottlenecking adds about 0.6 million, taking alloy to 5.4 million plus 1.2 million at Bhuj (6.6 million), and a further 2.5 million at Sambhaji Nagar would take it to 9.1 million.
- **Tone shift on steel wheels and pricing.** Q1 FY27 described steel wheels as an unexpected resurgence. This quarter management said it broke free of 20 years of price competition and told OEMs price increases were needed to fund new capacity, and that OEM export approvals (MAN, Scania, Daimler) will make steel wheels a growth driver from Q4 FY27.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue	₹1,930 crores	+61% YoY	Richer product mix with higher alloy share, higher exports, higher aluminium prices supporting alloy revenue
EBITDA incl. other income	₹237 crores	+107% YoY	Mix, cost optimisation across factories, higher export contribution, price revisions for non-raw-material input costs
EBITDA margin	12.3%	vs 9.6% YoY	Same drivers as EBITDA
PAT	₹119 crores	+209% YoY	Operating performance; PAT margin 6.2% vs 3.2%
EBITDA per wheel	₹404	vs ₹242 YoY	Mix, volumes, exports, knuckles and alloy growth; management calls it sustainable
Alloy wheel revenue share	~45% of Q2 revenue (42% H1)	vs 35% in Q1 FY27	Premiumisation in passenger vehicles and rising EV share
Alloy wheel volumes	~12 lakh units Q2; 23 lakh H1	n/a	OEM demand and alloy penetration; capacity debottlenecked 10% to ~5.4 million annualised
Export revenue	₹187 crores (H1 ₹314 crores)	+69% YoY (H1 +16%)	Diversification across Europe, Latin America and Asia alongside the US
Tractor market share	45%	vs 43%	Farm mechanisation, rural activity, preference for higher horsepower tractors
CV wheels	Highest growth segment	n/a	OEM offtake, replacement demand, infrastructure activity; October expected to be highest-ever CV sales
Supplementary invoicing	₹183 crores H1 (₹140 crores Q2)	n/a	Raw material pass-through only; management says it has no bearing on EBITDA

SEGMENTS & GEOGRAPHIES

- **Alloy wheels:** About 45% of Q2 revenue and the main growth driver, with volumes of ~12 lakh units in Q2 and 23 lakh in H1. Management cites more than 64% market share excluding Maruti and expects alloy volume growth to continue on penetration and EV share.
- **Aluminium knuckles:** Progressing in line with expectations, with focus on more customer approvals and scaling commercial supplies. Management expects it to become an important growth engine over the medium term as lightweighting spreads across ICE and EVs.
- **Commercial vehicle wheels:** Highest growth among all segments across domestic and export markets, helped by OEM offtake, replacement demand and infrastructure activity, and a recovery from Q2 FY26 weakness. October is expected to be the highest-ever CV sales month by a wide margin.
- **Tractor wheels:** Steady quarter with market share up from 43% to 45%. Volume grew about 15% in H1 and management expects it to cross 15% for the year.
- **Steel wheels:** Demand rising for "high-end" steel wheels styled like alloy wheels at lower cost, and the company is gaining share there. Management expects a turnaround from OEM export approvals, starting in Q4 FY27 and accelerating next year.
- **Exports:** ₹187 crores in Q2 after a soft Q1, with H1 at ₹314 crores (+16% YoY). Management expects to exceed ₹600 crores for FY27 and reach at least ₹1,500 crores in three years, with next year's growth led by OEM exports of car steel wheels, car alloy wheels and truck wheels to Europe.

STRATEGY & COMPANY-SPECIFIC

- **Sambhaji Nagar greenfield:** Board approved, subject to regulatory clearances, a ₹1,400 crores plant over 60 months at Aurangabad for alloy wheels, steel wheels (2 million passenger car and 1.8 million OTR) and hot stamping, with scope to add knuckle capacity later. Management says the site is close to customers in Maharashtra and will be at least 25% more productive operationally than current plants.
- **Hot stamping:** About ₹170 crores including land and building, targeting turnover of close to ₹400 crores, with capacity of 183,000 stamps. Production targeted for Q4 of next calendar year, for an anchor customer in Maharashtra, with talks on with two other customers. Management names Gestamp, JBM and Autogen as competitors.
- **Bhuj:** ₹420 crores of the FY27 capex. The alloy plant adds 1.2 million wheels, taking total alloy capacity beyond 6.2 million, and the knuckle facility has 1.1 million units annual capacity. Knuckle commercial production is on track for Q4 FY27 and alloy wheels for early April.
- **Dappar tractor expansion:** ₹120 crores to add almost half a million tractor sets.
- **Automation and AI:** About ₹70 crores for machinery replacement and automation in FY27, part of a multi-year focus on productivity.
- **Capacity debottlenecking:** Mehsana alloy capacity raised about 10% (roughly 0.6 million wheels) in October without capital spend, taking annualised capacity to about 5.4 million.
- **Dividend:** Board approved an interim dividend of ₹1.50 per equity share.
- **Funding:** The Sambhaji Nagar project will be funded by debt, internal accruals and likely strategic investment from commodity players who have partnered with the company since its first factory. Management did not name them.
- **Returns:** Management cited ROC of 24% in H1 FY27 and expects the new investments to earn more than that.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	20%+ (no new number; H1 exceeded it)	Maintained, not restated	H1 performance and confidence in the remaining two quarters
EBITDA per wheel	₹404 sustainable, possibly higher; 450-500 eventually	Raised	Mix, debottlenecked capacity, CV and export demand, October run rate
FY27 exports	Exceed ₹600 crores; possibly ₹700-750 crores	Raised	H1 ₹314 crores, US trade deal timing, capacity additions
Exports in 3 years	At least ₹1,500 crores, possibly ₹2,000 crores	New	OEM export approvals and capacity coming on stream
FY27 capex	Over ₹600 crores: ₹420 crores Bhuj, ₹120 crores Dappar, ~₹70 crores replacement/automation	Maintained in total, mix changed	Announced projects
Bhuj knuckles	Commercial production Q4 FY27	Maintained	Project on track
Bhuj alloy wheels	Commercial production early April	Maintained	Project on track
New facility utilisation FY28	80%+ for the full year; 100% within 3-4 months of start	Maintained	Sold-out order book
Sambhaji Nagar	₹1,400 crores over 60 months	New	Board approval, subject to regulatory clearances

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Hot stamping	Production Q4 of next calendar year; ~₹400 crores turnover on ~₹170 crores investment	New	Anchor customer order
Tractor volume growth	Cross 15% for the year	New	H1 growth of about 15%

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
US trade deal timing	Export upside to ₹700-750 crores depends on a trade deal with America; management expects more clarity by the January call.
Freight costs	Freight is elevated but affects competitors equally; lower freight would improve competitiveness.
Volume dependence of per-wheel EBITDA	Management conceded that if CV and tractor volumes fall, EBITDA per wheel will be affected, though it does not expect that now.
Raw material pass-through lag	Supplementary invoicing of ₹183 crores in H1 reflects raw material pass-through settled with a lag; management says it does not affect EBITDA.
Competition in hot stamping	Gestamp, JBM and Autogen are named competitors; management says there is enough market for capable players.
Project execution	Sambhaji Nagar is subject to regulatory clearances and spread over 60 months; Bhuj ramp-up must reach 80%+ in FY28 to serve sold-out commitments.
China in export markets	Chinese wheel exports face anti-dumping duty in some markets; management said it does not supply to America because of Chinese competition there.

Q&A HIGHLIGHTS

Sustainability of ₹404 per wheel

- Question: Is ₹404 per wheel sustainable, and did the ₹183 crores of pass-on benefit in H1 inflate it?
- Answer: Management said the supplementary invoicing is raw material pass-through with no bearing on EBITDA, and that ₹404 is sustainable on operational efficiencies and volume growth, with October strong enough that a better number is possible if November and December follow.

Sambhaji Nagar returns and funding

- Question: What is the IRR on the ₹1,400 crores project and how will it be funded given existing debt?
- Answer: Management cited ROC of 24% in H1 FY27 and said the new plant should earn more, helped by proximity to customers and higher automation, and will be funded by debt, internal accruals and likely strategic investment.

Alloy wheel competition in exports

- Question: Who does the company compete with globally in alloy wheels, and on what basis?
- Answer: Most competition is based in Turkey, and management said SSWL is more competitive on manufacturing cost and logistics; quality is a requirement rather than a differentiator, and the qualification cycle for a new programme is about nine months.

Hot stamping anchor customer

- Question: Is there an anchor customer for hot stamping and what is the competition?

- Answer: The factory is being built for a specific customer in Maharashtra close to the site, with talks on with two more; production is targeted for Q4 of next calendar year and the plant is expected to start with sold-out capacity.

Segment margin gap

- Question: What is the margin gap between steel, alloy and knuckle products?
- Answer: Management said the aluminium segment (wheels and knuckles) earns about 40% more per wheel than steel, without giving exact segment numbers.

Capacity and FY28 utilisation

- Question: What will total capacity be at the start of FY28 and what utilisation is expected?
- Answer: Management confirmed 21 million steel, 6.2 million alloy and 1.1 million knuckles, with 80%+ utilisation for the new facilities in FY28 and 100% within 3-4 months of commissioning; debottlenecking takes alloy to 5.4 million plus 1.2 million at Bhuj, and Sambhaji Nagar would add 2.5 million alloy and 2.8 million steel wheels.

Why per-wheel EBITDA confidence rose

- Question: Last call management was cautious near ₹310 per wheel; what explains the jump in confidence?
- Answer: Management said it secured input cost increases of 2-10% after 20 years of price competition, telling OEMs that new capacity had to be paid for through higher prices on existing business, and that capacity shortage in the market supported this.

Volume risk to per-wheel EBITDA

- Question: If CV and tractor volumes taper from a high base, can ₹400 per wheel hold?
- Answer: Management said lower volumes would affect EBITDA per wheel, but it sees customers desperate to secure CV product and expects October to be the highest-ever CV sales month by a wide margin, with tractor volume growth crossing 15%.

Menon Bearings Limited

AUTO ANCILLARIES - BEARINGS

Menon Bearings Limited

TLDR

Menon Bearings reported Q2 FY27 consolidated total income up 57% YoY, EBITDA up 91-92%, PBT up 122%, PAT up 117% and EPS up 117%, with cash and bank balance including mutual funds at ₹25.69 crores; H1 FY27 revenue was ₹191.56 crores, up 43% YoY, with H1 EBITDA up 63%, PBT up 79% and PAT up 74%. Management guides FY27 growth above 30% and FY28 above 30%, with additional business of ₹30 crores in FY27, ₹131 crores in FY28 and ₹157 crores in FY29, excluding a Europe pipeline of ₹35-40 crores that management expects to convert in FY28-FY29. Segment margins are 30-35% in brakes, 23% in bearings and 18-19% in Alkop, with a FY28 consolidated EBITDA margin target of 23%. Watch items are raw material inflation (tin up 72%, copper up 50%, steel up 12%), freight and shipment times, drought-like conditions in Maharashtra affecting tractors, and the pace of Europe conversion.

WHAT CHANGED SINCE Q1 FY27

- FY27 revenue guidance raised in substance: Q1 FY27 was ~₹360 crores (conservative, not revised upward); now management says growth will be "more than 30%" for FY27, which on the ₹300 crores FY26 base implies above ₹390 crores (computed from management's own figures). FY28 growth guided at more than 30% again, a new number.
- Additional business guidance restated on a different basis: Q1 FY27 gave ₹65-75 crores for FY27-FY28 combined; now ₹30 crores for FY27, ₹131 crores for FY28 and ₹157 crores for FY29, excluding ₹35-40 crores of Europe RFQs.
- Europe moved from a September 2026 visit plan to a quantified pipeline: the visit has happened, management cites potential of more than ₹35 crores converting in FY28-FY29, and describes Europe as a more stable option than the US.
- Export share guidance quietly dropped: Q1 FY27 expected exports to rise to ~37% of revenue by next year from 24-30%; now management says exports have stayed at 34-35% against a predicted 38-40%, and expects the percentage to remain roughly constant as domestic grows at a similar rate.
- EV share guidance effectively walked back: Q1 FY27 targeted 8-10% of Alkop by FY27 end from 4-5%; now management says the share will be "even more than that" in volume but the percentage will stay more or less constant because other business is growing too.
- Segment margins restated: Q1 FY27 gave bi-metal ~21%+, Alkop ~21%, brakes 25%; now brakes is 30-35%, bearings 23% and Alkop 18-19%. Consolidated margin guidance moves from "sustain ~20-21%" to a range of 20-22% with a FY28 target of 23%.
- ₹500 crores timeline pulled forward: Q1 FY27 aimed at ₹500 crores within 2-3 years (original 2030 target); now management says ₹500 crores should be possible next year, or the year after.
- Railway brake update promised for end-August 2026 dynamometer commissioning did not appear in the Q2 call; management refers only to railways as a future contributor alongside replacement market and OEM brakes.
- New disclosure on automation: robotic cells and AI visual inspection, with ₹5 crores planned in Alkop and ₹4-4.5 crores in bearings over the next 12-15 months, ROI of 2.5-3.5 years, and about 50 fewer employees across 16 bearing lines.
- Working capital explained: the Q1-built three-month US customer inventory is now settled, and management calls the improved operating cash flow sustainable.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Consolidated total income	Not stated in rupees	Up 57% YoY	Domestic OEM, export, aftermarket and merchant export all growing
Consolidated EBITDA	Not stated in rupees	Up 91-92% YoY	Process improvement, 25% productivity gain, overhead absorption
Consolidated PBT	Not stated in rupees	Up 122% YoY	Operating leverage and lower input consumption
Consolidated PAT	Not stated in rupees; all-time high	Up 117% YoY	Same drivers; management called it the highest profit in company history
EPS	Not stated in rupees	Up 117% YoY	Follows PAT
H1 FY27 revenue	₹191.56 crores	Up 43% YoY	H1 EBITDA up 63%, PBT up 79%, PAT up 74%
Cash and bank balance incl. mutual funds	₹25.69 crores	n/a	Internal accruals; no term loan availed for over 6 months
OEM business growth	n/a	Up ~50% YoY	Higher domestic OEM production
Export growth	n/a	Up more than 75% YoY	US-led exports plus new customers
Export share of revenue	34-35%	Roughly flat	Domestic grew at a similar rate; 80% of exports go to the USA
Auto share of revenue	60-65%	n/a	Engineering and appliance applications make up the rest; mix expected to stay similar
Tractor share of engine bearing business	34%	Down from 54% about 10 years ago	Diversification into generator, earthmoving, braking, steering and transmission applications

SEGMENTS & GEOGRAPHIES

- **Bearings (bi-metal):** Segment margin 23%. About 16 semi-automatic lines with roughly 90 machines are being converted to single-piece flow, saving about 3 people per line per shift, around 50 employees in bearings. Tractor schedules from customers are at all-time highs this quarter despite drought-like conditions in Maharashtra.
- **Menon Alkop (aluminium die-casting):** Segment margin 18-19%. Lower aluminium and alloy prices in the quarter benefit the segment, and vendor prices were also reduced, adding to profit. About 54 parts developed in the last two years have begun SOP. Auto is only 18-20% of Alkop, with the rest in industrial, home automation, oil and gas and EV applications.
- **Menon Brakes:** Segment margin 30-35%, dependent on product mix. Replacement market demand rose substantially. Management expects brakes to take a substantial lead in the replacement market, with major OEM and railways to follow.
- **Exports and geographies:** 80% of the 34-35% export share goes to the USA. Europe visits produced RFQs and management sees European customers moving away from China and Eastern Europe suppliers on energy and war-related cost pain. US tariff and policy volatility is cited as a reason to build Europe as a long-term market.

STRATEGY & COMPANY-SPECIFIC

- **Automation and capex:** Robotic machining cells and AI-based automated visual inspection are being installed, with 100% visual checking of about 1 million engine bearing parts a month targeted. Planned spend is ₹5 crores in

Alkop and ₹4-4.5 crores in bearings over 12-15 months, with ROI of 2.5-3.5 years. A machining cell needing 4 people per shift, 12 across three shifts, is the unit being automated.

- **Manpower:** Headcount rose about 5% against 30% growth. Management expects automation to hold headcount growth below revenue growth rather than commit to an absolute reduction.
- **Europe market entry:** Management and the marketing head visited Europe in the last few months; RFQs worth more than ₹35-40 crores are cited, with conversion expected in FY28-FY29. New business typically takes 9-12 months from RFQ to start of supply.
- **US market:** Management visited Detroit and Iowa in the two weeks before the call to meet new customers.
- **Diversification:** Non-auto applications under development include home automation, airport applications, oil and gas automation, generators with Cummins, refrigerant compressors, air conditioning and refrigeration bushings, and braking, steering and transmission parts.
- **Working capital:** Three-month inventory buffers at US customer warehouses are now built, and packing credit is available at 4.65-4.75% with a 2.75% government subvention. Borrowing cost stayed flat YoY despite turnover growth.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
FY27 revenue growth	More than 30%	Raised	Current order book, domestic and export pipeline; management says the ₹360-370 crores figure will be bypassed
FY28 revenue growth	More than 30%	New	Additional business of ₹131 crores plus existing base
Additional business FY27	~₹30 crores consolidated	Restated	RFQs, finalized commercials, approved samples
Additional business FY28	~₹131 crores	Restated	Customer-wise list with RFQs and commercial discussions
Additional business FY29	~₹157 crores	New	Same pipeline, excluding Europe
Europe potential	More than ₹35 crores, converting FY28-FY29	New	RFQs from recent Europe visits; management says 100% conversion expected
Consolidated EBITDA margin	20-22% range; FY28 target 23%	Raised	Automation, solar power, process improvement, raw material pass-through
Segment margins	Brakes 30-35%, bearings 23%, Alkop 18-19%	Restated	Product mix and segment cost structure
Export share	Roughly constant at 34-35%	Cut	Domestic growing at a similar rate to exports
EV share of Alkop	Percentage to stay roughly constant, volumes higher	Cut	Other Alkop business growing at the same pace
₹500 crores revenue	Next year or the year after	Advanced	30% plus growth sustained for four years
Volume vs price in 30% growth	About 20% plus from volume	New	Balance from rate revisions
Capex, automation	₹5 crores Alkop, ₹4-4.5 crores bearings over 12-15 months	New	Productivity and quality projects; funded from internal accruals

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Raw material inflation	Tin up 72%, copper up 50%, steel up 12%; average input price increase of almost 50% YoY. Pass-through is a routine process and prices will be revised with all customers this quarter, with a one-quarter lag to absorb.
Freight and shipment times	Export freight to the US and Europe rose substantially, lifting sales and distribution expenses. Shipment times are at all-time highs; air freight is sometimes needed and is borne by the company if the delay is its fault.
Tractor demand and monsoon	Drought-like conditions in Maharashtra are expected to hurt the tractor industry, but customer schedules from tractor companies are increasing and non-tractor schedules have risen substantially.
Auto cyclicality	Management says it sees no downturn now; HCV, LCV and passenger vehicle volumes have risen for six months, with EV growth at 20%. Q2 is historically the weakest quarter and the company posted its highest numbers in it.
US policy volatility	Tariffs and policy statements are cited as a reason the US is less stable; Europe is being developed as a long-term alternative.
Europe conversion timing	Europe business will reflect in the next financial year or the year after, with a 9-12 month RFQ-to-supply cycle.
Working capital	US customers prefer three months of stock at their warehouses; inventory carrying cost is built into pricing, and management calls the current level sustainable with only volume-linked increases.
Geopolitics	Closing comments condition achieving projections on no adverse geopolitical situation.

Q&A HIGHLIGHTS

Aluminium price benefit in Alkop Asked whether the roughly 15% fall in aluminium prices since May-June helped Q2, management said the benefit accrues to Alkop and vendor prices were also reduced in the quarter, adding to profit.

Margin expansion despite gross margin decline Asked how EBITDA margins expanded with gross margins down more than 7 percentage points YoY, management cited reduced raw material consumption per unit, a 25% productivity gain and better overhead absorption, and said margins will be sustained as price increases are passed to customers.

Automation and headcount Asked whether 30% growth would come without matching headcount growth, management said headcount rose about 5% and that 16 bearing lines converted to single-piece flow would save about 50 employees, with ₹5 crores and ₹4-4.5 crores of automation capex in Alkop and bearings.

EV share guidance Asked whether Alkop is on track for 8-10% EV share in FY27, management said volumes will be even higher but the percentage will stay roughly constant because domestic and export business is growing at the same rate.

Europe as a new market Asked about the growth drivers behind 30% plus, management said Europe has not contributed yet, that RFQs are coming from European customers facing cost pain with existing suppliers, and that Europe business will show in the next financial year or the year after.

Margin level and FY28 target Asked when EBITDA margin returns to 22%, management said it is already there, that the range is 20-22%, and that the target for next year is about 23%.

Segment margins Asked for the margin split, management gave brakes at 30-35%, bearings at 23% and Alkop at 18-19%.

Cyclicality and de-risking Asked where the business stands in the auto cycle, management said tractor's share of engine bearings has fallen from 54% to 34% while volumes grew, that non-auto applications now cover 16-17% of

the mix, and that it sees no downturn now.

Esds Software Solution L

TLDR

ESDS reported Q2 FY27 revenue from operations of ₹1,383.4 million, up 3.5% QoQ from ₹1,336.6 million, with H1 FY27 revenue of ₹2,719 million up 24.6% YoY and H1 PAT of ₹603.7 million up 26.3% YoY. The quarter's focus was the Sydney AI factory: 8,200 GPUs are in final NVIDIA cluster testing, with ready-for-service targeted between the first week and 17 December 2026, and management expects one month of revenue and profit in Q3 and a full quarter in Q4. Management guides ₹288 crore monthly revenue and ₹50-60 crore monthly PAT from the cluster once all 8,200 GPUs fire up, at a 16-18% AI factory PAT margin. Domestically, a ₹1,500 crore capex AI factory is targeted to go live by June-July 2027, adding ₹1,000 crore annual revenue and 1,150-1,200 GPUs. Key watch points are the December go-live date, the absence of new contracts or customer advances in Q2, and a shrinking customer base.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹1,383.4 million	+3.5% QoQ (Q1 FY27: ₹1,336.6 million)	Management gave no driver for the sequential move
H1 FY27 revenue from operations	₹2,719 million	+24.6% YoY (H1 FY26: ₹2,183.7 million)	Not explained
H1 FY27 total income	₹2,788 million (includes ₹68 million other income)	+25.6% YoY (H1 FY26: ₹2,219 million)	Not explained
H1 FY27 EBITDA	₹1,137.5 million	+12.3% YoY (H1 FY26: ₹1,012.7 million)	Not explained
H1 FY27 PAT	₹603.7 million	+26.3% YoY (H1 FY26: ₹477.9 million)	Not explained
Cash and cash equivalents	₹16,368.31 million as on 30 Sep 2026	n/a	Includes about ₹6,500 million of IPO proceeds placed in fixed deposits
Other bank balances	₹3,419.80 million as on 30 Sep 2026	n/a	Includes IPO proceeds in fixed deposits
IPO proceeds utilised	₹469.13 million of ₹7,200 million raised	n/a	Unutilised ₹673.87 million, with the balance in fixed deposits and the monitoring account
Customer count	1,709 (from 2,216)	Down	Small customers moved to an internal virtual subsidiary; 50-60 customers asked to exit
Data centre utilisation	About 85% of existing data centres	n/a	Capacity being added in three other data centres, up in 2-3 months
International revenue	Nil in Q2	n/a	No international customer revenue for design or otherwise in the quarter

SEGMENTS & GEOGRAPHIES

- **Infrastructure as a Service (domestic):** The foundation of the business, spanning data centre, cloud, colocation and AI compute. Management says the domestic cloud and colocation opportunity, mainly cloud, is around ₹3,000 crore, mostly AI infrastructure demand from defence PSUs, the central government defence department, enterprises and banks. The managed services and SaaS funnel is described as less promising than the AI infrastructure funnel.
- **Cloud services:** Fell 9% QoQ, per an analyst's reference to the presentation that management did not dispute. Management attributed the customer decline to moving small customers into an internal virtual subsidiary and

exiting 50-60 customers, keeping only the top 400-500 customers in ESDS, possibly 250-300 in future.

- **BFSI:** Revenue was down and customers dropped, per the analyst's reference; management did not give a separate explanation beyond the customer-base restructuring.
- **International AI factory (Sydney):** No revenue in Q2. The 8,200-GPU cluster is in final NVIDIA testing, with ready-for-service between the first week and 17 December 2026. Management expects one month of revenue and profit in Q3 and a full quarter in Q4.
- **India AI factory:** A ₹1,500 crore capex build funded from IPO proceeds plus customer advance, targeted to go live June-July 2027, adding ₹1,000 crore annual revenue and 1,150-1,200 GPUs immediately, with more added around August-September 2027.

STRATEGY & COMPANY-SPECIFIC

- **Sydney AI factory contract structure:** The commitment to Sharon AI is for 5 years with the rate locked for 7 years; a renewal after 5 years would be at 30-40% discounted pricing to the first 5 years. Pricing to ESDS's own customer is flexible, with the option to raise or hold price after 5 years. The 8,200 GPUs are fully contracted to ESDS as a private dedicated AI factory, not shared.
- **Advance payments:** ESDS paid Sharon AI an advance of $140 million; 50% amortises over 3 months from go-live and 50% in FY34-FY36. A matching arrangement with ESDS's customer sits as an advance in liabilities, mirrored in current and non-current assets.
- **India capex:** ₹1,500 crore of capex from IPO proceeds plus customer advance, targeted to go live June-July 2027.
- **Data centre acquisition:** ESDS is in the process of acquiring data centres with 50-100 MW power capability. Management declined to disclose the detailed domestic and international strategy.
- **1 GW power target:** Management has a strategy to bring 1 GW of power under its control, targeting countries with hydropower, wind power or geothermal power, plus India.
- **Next AI factories:** ESDS is working with NVIDIA, Supermicro, Dell and new cloud and data centre companies to shorten delivery to under 6 months before announcing the next deal. It targets American, South Korean, Taiwanese and Swedish partners, and signed an MOU with a Swedish partner.
- **Management change:** The CTO and CIO role became redundant after the Chief AI Officer position (created about a year back) took over technology operations and the Chief Product Officer (onboarded 2 months back) took the product portfolio. Management says the CIO role is 100% redundant and it sees no reason to hire a new CTO at present.
- **Swaraj Cloud:** Management expects the DPDP regulation, when it takes effect next year, to push customers off foreign cloud platforms toward ESDS, and says it is preparing for that demand.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Sydney AI factory ready-for-service	First week to 17 December 2026	n/a	NVIDIA cluster testing completing in 2-3 weeks, then 20 days of customer testing
Sydney AI factory revenue in Q3 FY27	One month of revenue and profit	n/a	Go-live within the quarter
Sydney AI factory revenue in Q4 FY27	Full three months	n/a	Cluster live for the full quarter

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Sydney AI factory monthly revenue at full 8,200 GPUs	₹288 crore	n/a	Management's approximate figure
Sydney AI factory monthly PAT at full 8,200 GPUs	₹50-60 crore	n/a	Management's estimate
AI factory PAT margin	16-18%	n/a	Management's estimate; domestic PAT margin cited at 26-27%
India AI factory go-live	June-July 2027	n/a	₹1,500 crore capex from IPO proceeds plus customer advance
India AI factory revenue	₹1,000 crore per year added to India business	n/a	Management's target
India GPU additions	1,150-1,200 GPUs by June-July 2027; more around August-September 2027	n/a	Immediate addition, with further additions later
Domestic revenue	Triple or quadruple from ₹500 crore in one to two years	n/a	Management said it is hopeful; no firm guidance given
Data centre capacity addition	Three data centres up in 2-3 months	n/a	Existing utilisation at about 85%

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Sydney go-live delay	Ready-for-service is targeted between the first week and 17 December 2026; NVIDIA testing is still completing and a 20-day customer test follows. Management called 17 December the higher side.
Customer concentration and counterparty strength	An analyst raised Sharon AI's share price decline and delivery record. Management said stock prices should not be compared with company performance, that Sharon AI has over $2 billion in cash against a $1.5 billion market cap, and that the 7-year contract protects ESDS.
No new contracts or advances in Q2	Management confirmed no major contracts were signed in Q2 and no major customer advances were received.
GPU price increase	B300 prices have risen; management said committed pricing means ESDS cannot raise rates on the Sydney contract, though it could have earned a potential ₹150 crore or more per month at current prices. Higher pricing is possible in the India data centre.
Shrinking customer base	Customers fell from 2,216 to 1,709, with cloud services down 9% QoQ and BFSI revenue down. Management is deliberately narrowing to the top 400-500 customers.
Power availability	Management said power is the constraint on AI factory expansion globally and that India has 40-50 GW of surplus for AI factories over the next 4-5 years.
Technology obsolescence	Management said CUDA improves performance of older GPUs and that H100 and H200 sell at 3-4 times their purchase price; it expects B300 and GB300 to hold demand for 6-8 years.
Contract negotiation timelines	Management said signing an MSA can take almost 2 months with multiple legal counsels, and it will announce the next deal only once delivery timelines are under 6 months.

Q&A HIGHLIGHTS

Sydney AI factory economics Asked for the commissioning status and revenue and margin contribution, management said NVIDIA testing completes in 2-3 weeks, ready-for-service is targeted between the first week and

17 December 2026, and at full 8,200 GPUs the cluster should generate about ₹288 crore monthly revenue and ₹50-60 crore monthly PAT, a 16-18% PAT margin.

Hourly rental rate Asked the per-hour rate charged to the customer, management declined to give details and repeated the ₹288 crore monthly revenue and ₹50-52 crore monthly PAT figures.

Competition with Sharon AI and GPU price rise Asked whether Sharon AI competes with ESDS in selling services and about rising B300 prices, management said the 8,200 GPUs are a private dedicated AI factory fully contracted to ESDS with no competition, and that committed pricing prevents a rate increase even though current prices could have supported ₹150 crore or more per month.

Contract tenure Asked to reconcile a 5-year versus 7-year lock-in and the $1,250 million contract value, management clarified the commitment to Sharon AI is 5 years with the rate locked for 7 years, that the $1,250 million is ESDS's liability to Sharon AI, and that ₹288 crore per month is ESDS's billing to its customers.

Customer count decline Asked why cloud services fell 9% QoQ and customers dropped from 2,216 to 1,709, management said small customers are being moved to an internal virtual subsidiary with lower support costs and a profitability target, 50-60 customers were asked to exit, and ESDS wants to keep only the top 400-500 customers.

Domestic pipeline Asked about the ₹3,000 crore domestic pipeline, management said it is mostly infrastructure as a service for AI workloads from defence PSUs, the central government defence department, enterprises and banks, and that the managed services and SaaS funnel is less promising.

India AI factory Asked for the timeline and revenue potential of the India GPU expansion, management said the target is June-July 2027 and ₹1,000 crore of revenue per year, with 1,150-1,200 GPUs added immediately and more around August-September 2027.

Take-or-pay confirmation Asked whether the Sydney contract is take-or-pay, with every available GPU hour billed regardless of utilisation, management confirmed it is.

Milky Mist

TLDR

Milky Mist reported Q2 FY27 revenue of ₹1,089 crore, up 41.06% YoY, gross profit of ₹368.8 crore (33.9% margin, up 112 bps), EBITDA of ₹165.2 crore (15.2% margin vs 14%), and PAT of ₹77.9 crore, roughly threefold the ₹28.4 crore of Q2 FY26. Paneer grew 44% by value and 28% by volume; yogurt grew 168%; cheese 34%; curd 22%; ice cream 43%. The high-protein range is 12% of top line, up from 7% last year, and management expects 18-20% in two to three years. A ₹40 crore skyr and Greek yogurt plant was commissioned in September 2026 at Perundurai, lifting capacity from 20 to 180 tonnes per day. Management guides to sustaining 40%-plus growth and 15% EBITDA margin, with H1 milk procurement cost up 11% offset by calibrated price increases. Watch Tamil Nadu procurement concentration, milk price direction, and the 20% cheddar utilisation.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹1,089 crore	+41.06% YoY	Steady demand and higher consumption across the value-added dairy portfolio; paneer, yogurt and ice cream led the mix
Gross profit	₹368.8 crore	+46.4% YoY	Product mix and pricing; gross margin 33.9%, up about 112 bps
EBITDA	₹165.2 crore	+53.9% YoY	Operational efficiencies, volume growth, capacity utilisation and product mix; margin 15.2% vs 14%
PAT	₹77.9 crore	About 3x YoY (₹28.4 crore)	EBITDA expansion, loan repayment and a deferred tax offset; PAT margin 7.2% vs 3.7%
H1 revenue	₹2,062.9 crore	+42.5% YoY	Same category drivers as the quarter
H1 EBITDA (incl. other income)	₹310 crore	+62.9% YoY	Margin 15.03% vs 13.2% in H1 FY26
H1 PAT	₹142.6 crore	+308.4% YoY (₹34.9 crore)	Margin 6.9% vs 2.4%
Paneer	100 tpd produced of 150 tpd installed, about 65% utilisation	Value +44%, volume +28% YoY	Clean-label branded positioning; management sees capacity peaking in 24 to 30 months
Yogurt	35-40 tpd produced of 180 tpd capacity	+168% YoY	Fastest-growing category; new skyr and Greek yogurt plant commissioned September 2026
Cheese (cheddar)	100 tpd capacity, 20% utilisation	Value +34%, volume +26% YoY	Input to processed cheese; also absorbs surplus milk instead of converting to powder
High-protein portfolio	12% of top line	Up from 7% last year	High-protein paneer, cheddar, milk and yogurt; management targets 18-20%
Milk procurement	246.5 million litres in H1	+31% volume YoY	Expanded network of over 92,000 farmers; 25 bulk milk chillers added in Maharashtra

SEGMENTS & GEOGRAPHIES

- **Paneer:** Value growth 44% and volume 28% YoY. Management calls it the lead category and expects the 150 tpd capacity to be fully used within 24 to 30 months, with a further 200 tpd facility under design at Perundurai.
- **Yogurt:** Grew 168% YoY, the fastest category. The new Perundurai facility raised capacity from 20 to 180 tpd; current output is 35-40 tpd. Management describes yogurt as the highest-margin product, above 50% gross

margin.

- **Cheese:** Value up 34% and volume up 26% YoY on 100 tpd cheddar capacity running at 20% utilisation. Management expects utilisation to reach 50% in two to three years and is working on snack-format variants.
- **Curd and ice cream:** Curd grew 22% YoY. Ice cream grew 43% YoY on extended summer and about 12,000 added freezers; management expects 35-40% growth across all quarters.
- **South India:** About 70% of H1 revenue. Tamil Nadu is the largest state at about 26%, Karnataka at 23%. Management is expanding in West and Central India, including UP and Bihar.
- **Channel mix:** E-commerce and quick commerce 21% of H1 revenue (11% in H1 FY26), modern trade 22% with slight degrowth as quick commerce takes share, general trade 28-30%, HoReCa 14-15%, B2B about 6%, exports about 4%.

STRATEGY & COMPANY-SPECIFIC

- Commissioned a skyr and Greek yogurt plant at Perundurai in September 2026 for ₹40 crore, using ultrafiltration, raising capacity from 20 to 180 tpd.
- Launched high-protein lactose-free milk in October 2026, a 250 ml pack with 25 grams of protein at ₹99 MRP, aimed at A-class outlets, modern trade and quick commerce with a six-month shelf life.
- Introduced a four-pack format across ghee, skyr and Greek yogurt for 42 grams of daily protein consumption.
- Exploring a 200 tpd paneer plant at Perundurai; with the addition, capacity would reach 350 tpd, which management says covers growth until 2035. Design work is in progress.
- Acquired 50 acres in Baramati, Maharashtra, for a second facility targeted to be operational in three years. No budget fixed yet; spending is at design and approval stage, to be funded from internal accruals.
- Maharashtra milk procurement: 25 bulk milk chillers set up across 25 villages, targeting about 70 by end of the year and 1 lakh litres per day; currently 65,000-70,000 litres per day, to be raised to 2-3 lakh litres before the plant starts.
- IPO proceeds: ₹750 crore of debt repayment completed at the time of the IPO. Remaining funds are held in fixed deposits for planned projects.
- Distribution: about 4 lakh retail touchpoints, 4,200 distributors (200 added since Q1), over 45,000 visi coolers and freezers, including 29,000 ice cream freezers (up from 16,000).
- Farmer network expanded from 75,000 to over 92,000, with bank tie-ups to help small farms raise herd size from 5 to 7-8 animals and structured artificial insemination.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Revenue growth	Sustain 40%-plus, including the next quarter	n/a	Growth from existing markets, deeper distribution and new markets such as UP and Bihar
EBITDA margin	Sustain 15%	n/a	High-margin categories, capacity utilisation and calibrated pricing
Volume vs value growth	Volume 28-30%, value about 42%; gap of 10-12% to persist	n/a	Volume growth across paneer, cheese, ice cream, curd and beverages; about 5% from product mix and 4-5% from price

METRIC	GUIDANCE	VS Q1 FY27	BASIS
High-protein share of top line	18-20% in two to three years	n/a	Protein category growing 18% CAGR; capacity already in place
Paneer capacity	150 tpd fully used in 24 to 30 months; additional 200 tpd planned	n/a	28% volume growth on current 100 tpd output
Cheddar utilisation	20% to 50% in two to three years	n/a	Cheese volume growth and new snack variants
Ice cream growth	35-40% across all quarters	n/a	Treated as an everyday product; freezer expansion
Freezer throughput	Target ₹15,000 per freezer per month	n/a	Current ₹9,000-10,000 annualised, ₹20,000-22,000 in peak summer
Maharashtra plant	Operational in three years	n/a	Design, development and approval stage; land acquired
Capex	No major capex in the next six months; ₹70 crore CWIP	n/a	IPO project spending continuing; Maharashtra spend in single-digit crores from internal accruals
Milk price outlook	No further inflation expected in Tamil Nadu; 3.5-5% increase absorbable	n/a	Good rains and green fodder in Tamil Nadu; Karnataka price already raised

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Milk procurement concentration	About 85% of procurement is from Tamil Nadu. Management says de-risking is underway through Karnataka, Maharashtra and Andhra Pradesh, with about 30% of milk expected from Karnataka and Maharashtra.
Milk price inflation	H1 input costs rose 11%, offset by calibrated price increases. Management does not see softening of milk prices today and will wait a quarter to assess.
Extended El Niño and monsoon deficit	Milk deficit in Rajasthan, Gujarat, parts of Maharashtra and Karnataka. Management expects winter volumes to improve but gives no price relief.
Quick-commerce storage and quality	Regulators have inspected dark stores for cleanliness, refrigeration and expired stock. Management says it monitors product movement, holds regular meetings with platforms and has issued SOPs on storage temperature.
Analog paneer	Regulatory scrutiny continues. Management says South India has no analog paneer and it holds over 65% share there; organised paneer is about 10% of the market and is expected to reach 25-30%.
Protein competition	Large players entering the segment. Management says it is too early to assess margin impact and points to a large addressable market.
Modern trade	Slight degrowth as quick commerce takes share.
Price cuts in a softening cycle	If procurement prices fall ₹5-10 per litre, management expects calibrated price cuts or offers of 2-5%, which it says will not affect growth.

Q&A HIGHLIGHTS

Protein portfolio share and margins Asked how much of the business the four high-protein products contribute and how their margins compare, management said the category is 12% of top line, up from 7% last year, and should reach 18-20% in two to three years. Yogurt carries the highest margin, above 50% gross margin, and the protein range sits at similar levels.

Milk inflation and second-half margins Asked about H1 milk inflation and whether further price hikes are needed, management said input costs rose 11% and prices were raised in a similar range across Q1 and Q2. It expects no further inflation in Tamil Nadu given good rains, and said a 3.5-5% increase could be absorbed. It guided to sustaining H1 growth and 15% EBITDA margin.

Timing of price increases Asked when the 10-11% price increase was taken, the CFO clarified the H1-to-H1 comparison and said the actual price impact in Q2 was about 1.5-2%, with the full effect coming in Q3.

Cheddar capacity absorption Asked how the large cheddar capacity would be used, management said the plant runs at 20% utilisation, cheddar feeds processed cheese, and surplus milk can be converted to cheese for ripening instead of powder. It expects utilisation to reach 50% in two to three years and is developing snack variants.

Maharashtra milk sourcing Asked whether milk would be procured in advance for the Baramati plant, management said procurement has started with 25 bulk milk chillers, targeting 70 by year-end and 1 lakh litres per day, rising to 2-3 lakh litres before commissioning so the plant starts at 40% utilisation.

Lactose-free milk awareness and pricing Asked how it would build awareness in a market where over 60% of the population is lactose intolerant but awareness is low, management said it already sells lactose-free milk, will invest in brand building, and has priced the 250 ml pack at ₹99 MRP with better margins than competitors.

Dark store quality and analog paneer Asked about regulatory checks on quick-commerce dark stores and the analog paneer ban, management said it monitors product movement with platforms, has issued storage SOPs, and expects organised paneer to rise from 10% to 25-30% of the market as consumers shift from loose product.

Capex outlook Asked about H1 capex of about ₹240 crore and the full-year plan, the CFO said much of it follows capitalisation of prior CWIP and cash capex was limited. He said ₹70 crore of CWIP remains, no major capex is planned in the next six months, and Maharashtra spending will be small and funded from internal accruals.

Saregama India Limited

MUSIC LICENSING

TLDR

Saregama reported Q2 FY27 revenue from operations of ₹314.3 crore (+37% YoY), adjusted EBITDA of ₹118.0 crore (+39% YoY) and operational PBT of ₹85.8 crore (+43% YoY). The music vertical (licensing, artist management, retail) grew 35% YoY to ₹251.3 crore with EBITDA of ₹154.0 crore (+37%) and net margin of ₹116.5 crore (+46%); management attributes the margin step-up to content bought two to four years ago now earning more than its charge-off. Content spend for FY27 is guided at ₹300-350 crore, with FY28-FY30 combined new content spend of about ₹1,200 crore, growing at a nominal 10% a year. Management maintained 20-23% music revenue CAGR and 60-65% EBITDA margin over the short to medium term, and expects the live events vertical to stay loss-making while it shifts from artist concerts to owned IPs.

WHAT CHANGED SINCE Q1 FY27

- Content spend guidance extended: Q1 gave ₹300-350 crore for FY27 only. This call added FY28-FY30 combined new content spend of about ₹1,200 crore, built on a 10% annual increase from a ₹325 crore FY27 midpoint.
- Music revenue growth guidance reframed as a three-to-five-year CAGR of 20-23%, not a per-year number. In Q1 the same 20-23% was described as FY27 guidance; management now says it does not guide annually because "you may have a year where the numbers come down a bit."
- Music EBITDA margin guidance of 60-65% was maintained, but the reported music EBITDA margin moved to 55.4% in Q2 from 48.4% a year earlier, a 700 bps gain management links to older content investments paying back.
- Artist count rose to 340 with 450 million+ combined Instagram and YouTube followers, from 309 artists and 440 million+ in Q1.
- Song catalog growth rate was restated at 4,500-5,000 new releases a year, down from the 5,000-6,000 stated in Q1.
- Live events turned loss-making in Q2. Management attributed it to upfront investment in owned IPs (UN40, Hahakaar, Krishna, Carvaan Live) that is charged off rather than capitalised. Q1 discussed the same IP shift without reporting a loss.
- Diljit's India tour, flagged as tentative for Q3 in Q1, is dropped for this season: management said the financials did not work out. Guru Randhawa, UN40 and Hahakaar are named for H2 instead.
- Video revenue decline slowed to 16% YoY (₹18.3 crore) from 53% in Q1, and management said it may fall further as the films wind-down plays out.
- The Q1 content-spend discrepancy (₹300-350 crore guidance vs ₹265.3 crore in the presentation) was not revisited. Management instead introduced a combined music reporting format across licensing, artist management and retail.

FINANCIALS & KPIS

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Revenue from operations	₹314.3 crore	+37% YoY	Music vertical growth; management asks for evaluation on a 12-month rolling basis
Adjusted EBITDA	₹118.0 crore	+39% YoY	Operating leverage from content bought two to four years ago
Operational PBT	₹85.8 crore	+43% YoY	Same content payback effect
Music vertical revenue	₹251.3 crore	+35% YoY	Licensing, artist management and retail combined; low base in H1 FY26 helped

METRIC	REPORTED	CHANGE	WHAT DROVE IT
Music vertical EBITDA	₹154.0 crore	+37% YoY	Content charge-off now below revenue earned on older content
Music vertical net margin	₹116.5 crore	+46% YoY	Same
Music EBITDA margin	55.4%	+700 bps YoY	Management's figure; content investments maturing
Video vertical revenue	₹18.3 crore	-16% YoY	Films business being wound down; revenue may decline further
Live events revenue	₹45 crore in Q2, ₹61 crore in H1	n/a	Ilaiyaraaja US tour across 11 cities with 20,000 attendees; 54 Carvaan Live shows
Other income	Not disclosed	-55% YoY	Cash moved into Pocket Aces, Haryanvi catalog and Bhansali Productions
Unallocable expenditure	₹27 crore	vs ₹18 crore YoY	CFO said the rise is the other-income line netted off; flat otherwise

SEGMENTS & GEOGRAPHIES

- **Music (licensing, artist management, retail):** Revenue ₹251.3 crore, up 35% YoY. H1 leaned on non-film music (I-Popstar albums in Hindi and Tamil, Haryanvi and Bihari songs, Nijjar's Punjabi album); the Telugu album The Paradise produced "Yeshanagula," which hit global number 1 on YouTube's daily music video chart. H2 shifts to film albums: Love & War, Fion, Naagzilla and a Tiger Shroff film produced by Sanjay Leela Bhansali. Management guides 20-23% CAGR over three to five years.
- **Digital vs non-digital:** Most music revenue comes from digital. Within non-digital, brands and public performance are growing; TV channel and radio licensing are growing much slower. Management declined to quantify the split.
- **Live events:** ₹45 crore in Q2 and ₹61 crore in H1, close to FY26's full-year ₹62 crore. The vertical made a loss in Q2 on upfront spend on owned IPs. 54 Carvaan Live shows served about 10,000 people; the Ilaiyaraaja US tour covered 11 cities and 20,000 attendees; 17 devotional shows featured Manoj Muntashir Krishna, Backstage Siblings and Jaya Kishori. H2 pipeline includes Guru Randhawa, UN40, Hahakaar and an unannounced mid-to-large artist tour. Management expects to keep tilting toward owned IPs for pricing power.
- **Video:** Revenue ₹18.3 crore, down 16% YoY, by design as films are wound down and investment routed to Bhansali Productions. Remaining focus is Gen Z short-format content and TV/web shows, mostly low-ticket with an advertiser or platform signed before shooting.
- **Brand partnerships:** Over 20 deals in the quarter with Apple, Airbnb, Google, Cadbury and Tanishq, across music, live events and short-format video.
- **Artist management:** 340 artists with 450 million+ followers. Combines Saregama and Pocket Aces talent; Pocket Aces talent is featured in Saregama music videos. Management gave no separate growth or margin guidance for this vertical.

STRATEGY & COMPANY-SPECIFIC

- **Content budget:** FY27 new content spend of ₹300-350 crore. From FY28, budgets rise about 10% a year, giving roughly ₹1,200 crore combined for FY28-FY30. Bhansali Productions music is paid for separately and sits inside this budget, including Love & War.

- **Payback model:** Management reiterated a five-year payback on new music followed by 55-75 years of returns, and described catalog as an infrastructure-light, inflation-linked asset class attracting institutional capital.
- **AI:** Two dedicated teams. The content team will release about 100 hours of podcast content in Q3 built on Saregama songs and new music videos for older tracks. The process team has produced marginal manpower cost savings, with full impact expected over the next few quarters. Saregama tracks unlicensed AI covers and remakes, buys them out or pulls them down, and is approaching AI creators to license versions of its own songs.
- **Carvaan app and Carvaan Club:** Still in a testing phase with existing Carvaan hardware owners, no marketing push and no spend. Management will share details after four to six months, around the end of the financial year. The aim is a community for middle-aged and older listeners, not a music streaming app.
- **Pocket Aces:** Broke even in FY26 and is moving toward profitability this year.
- **Bhansali Productions:** Love & War slated for Q4 FY27; the FY28 slate is being worked on.
- **Reporting change:** Music is now presented as licensing plus artist management plus retail combined, with the three broken out in the presentation. Segment results still split music licensing and retail from artist management.

GUIDANCE & OUTLOOK

METRIC	GUIDANCE	VS Q1 FY27	BASIS
Music vertical revenue CAGR	20-23% over three to five years	Maintained, reframed from FY27 to a multi-year CAGR	Licensing, artist management and retail combined
Music EBITDA margin	60-65%	Maintained	Content investments maturing; older content earning above its charge-off
New content spend FY27	₹300-350 crore	Maintained	Most already committed
New content spend FY28-FY30	About ₹1,200 crore combined	New	10% nominal annual increase from a ₹325 crore FY27 midpoint
Content payback	Five years, then 55-75 years of returns	Maintained	Management's underwriting standard for new music
Video revenue	May decline further in coming quarters	Maintained direction	Films wind-down; investment routed to Bhansali Productions
Subscription pricing as a growth engine	Two to three years away	New	India growth currently comes only from new subscribers
Carvaan app details	To be shared after four to six months	New	Testing phase with existing hardware owners

RISKS & CONSTRAINTS

RISK	WHAT MANAGEMENT SAID
Live events losses	Owned IPs carry upfront investment that is charged off, not capitalised; profitability would look better on artist-only concerts but management accepts the drag for pricing power
Artist concert dependence	Diljit's India tour was dropped for this season because the financials did not work out; artist-based shows are described as safer but offer less control
Unlicensed AI use	AI covers and remakes of Saregama songs are the near-term issue; the company tracks them and buys out or pulls down infringements, with no quantified exposure

RISK	WHAT MANAGEMENT SAID
Short-format monetisation	Instagram Reels and YouTube Shorts remain fixed-fee deals; management wants ad-revenue sharing and declined to speculate on timing
Other income decline	Down 55% YoY as cash moved into Pocket Aces, Haryanvi catalog and Bhansali Productions; management expects those investments to more than compensate for lost interest income
Quarterly volatility	Management repeated that results should be read on a 12-month rolling basis; marketing and release timing move quarterly numbers
Content spend scale	₹300-350 crore in FY27 and about ₹1,200 crore over FY28-FY30 depend on new releases performing; payback is assumed at five years

Q&A HIGHLIGHTS

Live events loss and unallocable cost Asked why events lost money despite decent revenue and why unallocable expenditure rose to ₹27 crore from ₹18 crore, management said the events loss comes from upfront spend on owned IPs that is charged off, and the unallocable rise is the 55% fall in other income netted against that line, with the rest flat.

Guidance conservatism Asked whether FY27 music growth would beat guidance given 37% H1 growth and Q4 releases still to come, management said guidance is a three-to-five-year CAGR of 20-23%, not a per-year number, and individual years can run above or below.

Music margin expansion Asked what drove the 700 bps YoY rise in music EBITDA margin to 55.4%, management said content bought in FY24-FY26 now earns more revenue than the charge-off it carries, the effect it flagged in FY24, and that paid subscription is growing much faster than ad-based revenue.

Diljit tour Asked whether a Diljit India tour was confirmed for Q3, management said Saregama is not working with him this season because the financials did not work out, and named Guru Randhawa, UN40, Hahakaar and an unannounced artist tour for H2.

Music revenue reporting Asked why music revenue appears as ₹200 crore, ₹250 crore and ₹230 crore in different places, management said the presentation now combines licensing, artist management and retail as music, segment results still split them, and the 20-23% guidance applies to the combined ₹250 crore pool.

Carvaan app and community Asked for Carvaan app subscriber metrics and long-term plans, management said the app is in testing with existing hardware owners, with no marketing spend, and the goal is a community for older listeners spanning hardware, live events and the app, with details after four to six months.

TikTok return Asked about the impact if TikTok returns to India, management said it would be very positive, that the market would become far bigger than today, and that TikTok's payment structures in other markets suit IP owners better, though it cannot comment on the terms of any India return.

Current liabilities and digital split Asked about the rise in current liabilities and the digital versus non-digital revenue split, the CFO said the increase is customer advances that will accrue to revenue over time, and management declined to quantify the digital split as competitor-sensitive, saying only that brands and public performance are the growing non-digital parts.