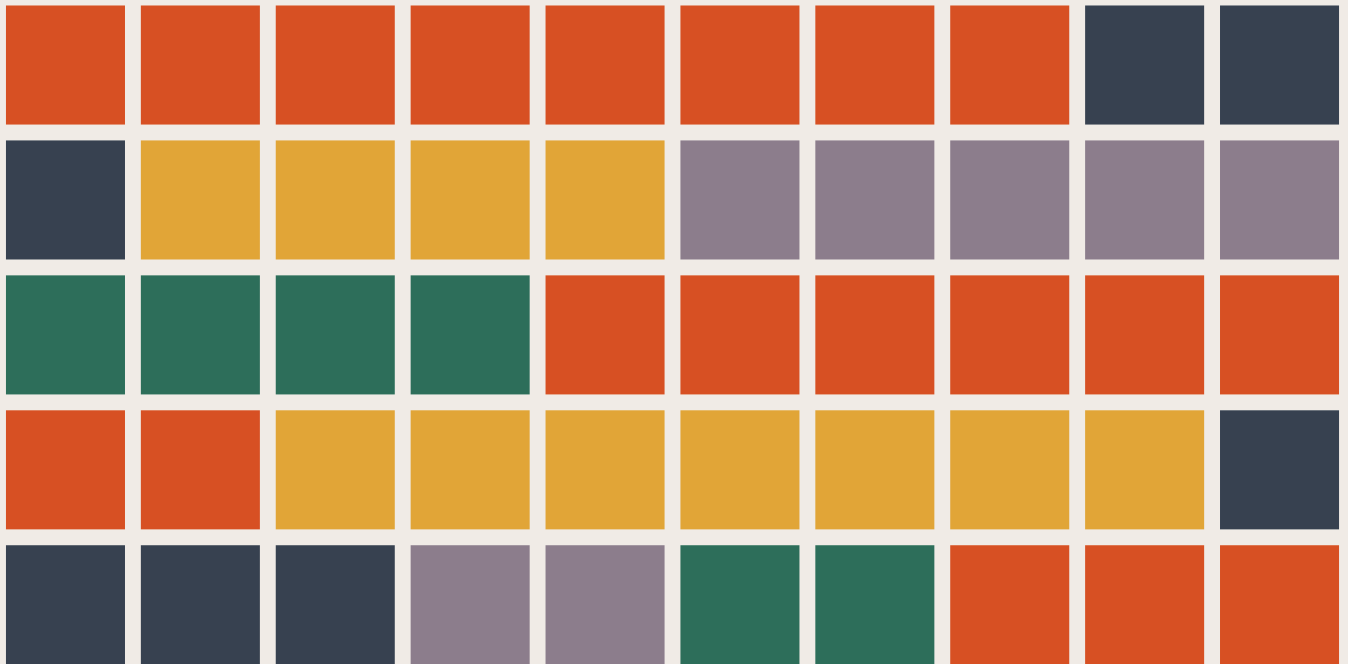




50 must-read concalls

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Bharat Forge Ltd

Why read this call

This is not just a good quarter - it's a call where the company openly says demand is coming so fast they must build capacity ahead of it. The next 2-3 years will look fundamentally different: defense scaling into naval and energetics, aerospace doubling on new ring mill, semiconductor revenue emerging, and traditional auto forging shifting toward high-horsepower engines and power gen. Each claim is backed by named orders, dated facility startups, an INR 11,196cr defense order book, and a concrete fundraise/capex plan. The quarter's numbers are muted by temporary costs and a US breakdown, but the inflection is real and detailed. Any investor holding or evaluating Bharat Forge needs to hear this to price the transition away from a cyclical auto forging business to a diversified advanced manufacturing and defense platform.

The quarter

Q1 FY27 standalone revenue INR 2,347cr (+11.5% YoY), EBITDA INR 614cr (+4.5%), margin 26.2% (hit by ~160bps energy/logistics/input costs; normalized ~28%). Consolidated revenue INR 4,640cr (+18.7%), EBITDA INR 752cr (+10.3%), margin 16.2%. Defense order book INR 11,196cr; new orders: forging INR 522cr, defense INR 681cr, ferrous casting INR 150cr. US steel ops had press breakdown → EBITDA loss of INR 4cr (fixed, recovery in Q2). European business positive EBITDA (3% margin).

The inflection

Multiple dated proof points of a step-change: 1) Largest-ever naval order - Marine Gas Turbine Generators for Kolkata-class ships, with naval MRO tied up and entry into full naval value stream (content per ship to jump; 140 new ships planned). 2) Defense Jasuri facility enters serial production this year for ATAGS and carbine deliveries. 3) Baramati ring mill starts Q4 for aerospace; new forging facility for 500-5,000 HP engines coming online. 4) Semiconductor business won double-digit million dollars, needing machining capacity to ramp. 5) CDP restructuring on track (end CY27), with orders transferring to India at better margins. 6) INR 1,800cr organic capex + INR 2,500cr fundraise to build capacity ahead of demand, targeting asset turns >1.5x. 7) Energetics plant in Andhra Pradesh for shell filling (license applied).

It's a huge new opportunity. See, in the naval side, we were originally only on the shafting and propellers. Now we'll be on the power gen also, and then we will also get into the fight side. We will be on the entire value stream of the naval side. The content per ship will go up dramatically. 140 new ships coming is a lot.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Standalone Revenue	₹2,347 crore	Up 11.5% YoY; second straight quarter of export recovery, strong defense execution
Consolidated Revenue	₹4,640 crore	Up 18.7% YoY; led by Indian subsidiaries, exports and defense
Standalone EBITDA	₹614 crore	Up 4.5% YoY; absorbed ~160 bps cost impact from energy, logistics and input costs
Consolidated EBITDA	₹752 crore	Up 10.3% YoY
Standalone EBITDA Margin	26.2%	~28% normalized ex-cost escalation; recovery through customer negotiations
Consolidated EBITDA Margin	16.2%	Dragged by overseas losses; India subsidiaries strong
Europe Revenue / EBITDA	₹1,074 crore / ₹30 crore	~3% EBITDA margin in a difficult quarter; CDP restructuring underway
US Revenue / EBITDA	₹461 crore / -₹4 crore	Steel furnace breakdown halted production ~3 months; fixed, recovery expected Q2
Defense Order Book	₹11,196 crore	New defense orders of ₹681 crore in Q1; ATAGS/carbine deliveries pending approval
New Orders - Forging	₹522 crore	Recorded during Q1
New Orders - Ferrous Casting	~₹150 crore	Recorded during Q1
Net Debt to Equity	0.45x	Consolidated; balance sheet remains strong

Geographic & Segment Commentary

- **India (Standalone):** Revenue of ₹2,347 crore (+11.5% YoY) with EBITDA margin of 26.2%, absorbing 160 bps of cost escalation. Export revenue recovered for the second straight quarter. CV/PV growth was below industry due to mid-quarter supply disruptions from labor shortages and fuel switching.
- **North America:** Revenue of ₹461 crore with an EBITDA loss of ₹4 crore, driven by a furnace breakdown in steel operations (no production for ~3 months). Now fixed with recovery expected in Q2. Strong business sentiment from corporate capex across construction, mining, data centers and power systems; US government announced a plan to restart the mining economy.
- **Europe:** Revenue of ₹1,074 crore with EBITDA of ₹30 crore (~3% margin) despite a difficult quarter. CV demand is strong, PV softer. CDP restructuring on track for completion by end of CY27, with remaining orders transferring to India.
- **Defense (KSSL):** Strong operating performance driven by higher realization and better product mix. Order book of ₹11,196 crore. Won largest naval order to date - marine gas turbine generators for Kolkata class ships - and tied up MRO for naval turbines. New Defense Jesury facility entering serial production this year for ATAGS and CQB carbine deliveries.
- **Castings (JS AutoCast):** Revenue grew 20% YoY and EBITDA 30% YoY. Ferrous castings business on track to triple revenue since acquisition, with higher value-addition and machining content.

Company-Specific & Strategic Commentary

- **Growth Capex & Fundraise:** Announced fundraise of up to ₹2,500 crore for growth capex across large engine, power generation, semiconductor components, aerospace, and an energetics plant in Andhra Pradesh. Organic India capex of ₹1,800 crore over FY27-28, with asset turnover guided above 1.5x.
- **New Manufacturing Facilities:** Baramati ring mill (starting Q4) and new forging facility to boost aerospace and large engine (500-5,000 HP) production; new K Drive plant in northern India for a key customer; naval systems facility being set up near a naval shipyard; Orissa mega project awaiting final approvals (target end of 2026) with first plant in ~2.5 years.
- **Defense Expansion:** Marine gas turbine generator order for Kolkata class ships marks entry into naval power generation; MRO contract for naval turbines secured. AP energetics plant will handle shell filling and propellant/explosives manufacturing (modular, expandable). Navy's planned 140 new ships present a large growth runway.
- **Restructuring:** BFCDP (German steel) restructuring on track for end CY27; ~₹30 million provision taken (non-cash initially, cash outflow post 12 months); remaining orders transferring to India at good margins.
- **New Growth Platforms:** Aerospace revenue ~₹400 crore, expected to double in two years; semiconductor business targeting ₹30-40 million organic revenue in two years, to double with new machining facilities; energy/data center business expected to double in four years with long-term contracts already in place.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue Growth	Strong; H2 more robust	Exports resuming, defense deliveries commencing (ATAGS, carbines); barring geopolitical upheavals or supply chain shocks
Q2 FY27 EBITDA Margin	Gradual improvement	Customer recoveries for cost escalation; optically margins may not fully reflect recovery as both revenue and costs rise; margin per ton returning to normal
Defence EBITDA Margin	22-23% steady state annual	KSSL driven by higher realizations and product mix
Aerospace Revenue	Double in ~2 years	From ~₹400 crore base; ring mill and new forging facilities coming online
Semiconductor Revenue	₹30-40M in 2 years, then double	Organic growth; machining capacity required for further scaling
Energy/Data Center Business	Double in 4 years	Long-term contracts in place; capacity additions underway
India Manufacturing	15% CAGR over next 5 years	Auto (new products) + non-auto (castings, K Drive) growth
US Operations Margins	Steel ~12%, Aluminum 15-16%	Once normalized, likely next year; contingent on aluminum tariff resolution
CDP Restructuring	Complete by end CY27	Orders transferring to India; provision taken; entity to cease existence
Orissa Mega Project	Approvals by end 2026; plant in ~2.5 years	Only environmental/forest clearance remaining

Risks & Constraints

RISK	CONTEXT
Energy & Input Cost Escalation	160 bps EBITDA margin impact in Q1 FY27 from energy prices, logistics and input costs post Iran war. Recovery through customer negotiations is gradual and optically affects margins.
Labor Shortage	LPG crisis and Iran war caused migrant labor exodus; ~70-75% normalcy regained. Impacted steel industry and sub-suppliers, disrupting raw material supply chains.
US Aluminum Tariffs	50% tariff on raw aluminum from Canada (US has no smelters); finished components may enter at 10-15% margins. Tariff situation unpredictable and beyond company control; affects US aluminum margins and volumes.
ATAGS Approval Delay	Few weeks' delay in FOPM approval (procedural); two suppliers must be ready. Deliveries begin 2-3 months post-approval; no company control over timing.
Geopolitical Disruptions	Iran war caused energy/fuel and labor disruptions; management cautious that new shocks could impact FY27 outlook.
US Steel Furnace Breakdown	No production for ~3 months in Q1; fixed with recovery expected in Q2. Resumption key to margin normalization.

Q&A Highlights

Capex, Fundraise & Returns

- Question: What asset turns, margins and ROC for new businesses from the ₹2,500 crore fundraise? What is the overall consolidated capex plan for FY27-28? (Kapil Singh, Nomura; Binay Singh, Morgan Stanley)
- Answer: Organic India capex of ₹1,800 crore spread across forging, machining, heat treatment, ring rolling and quality control; assets usable across industries with asset turnover above 1.5x and very good margins. Fundraise of ₹2,500 crore covers current capex plus potential additional growth capex and M&A. Management conservative - likes to maintain ~₹2,000 crore cash on balance sheet. (Amit Kalyani)

Fundraise Rationale

- Question: Given strong balance sheet, why raise equity? (JP Morgan analyst)
- Answer: Growth capex in hardcore manufacturing sectors - large engines, power gen, semiconductor components, aerospace - plus AP energetics plant. Conservative financial approach; M&A opportunities in India emerging (JSA, K Drive have proven fruitful). (Amit Kalyani)

Segment Outlook & Supply Challenges

- Question: Outlook for CV/PV domestically and overseas; why below-industry growth? (Kapil Singh, Nomura)
- Answer: Supply challenges mid-quarter from steel industry labor issues and fuel switching during Iran war peak. India fairly strong, US very strong, Europe CV strong, PV not weak. GM raised guidance again, indicating US economy strength. (Amit Kalyani)

New Growth Platforms - Aerospace, Semiconductor, Data Centers

- Question: Scale and build-out of aerospace, semiconductor and data center businesses over next 3-4 years? (Gunjan Prithyani, BofA)
- Answer: Aerospace will double in ~2 years from ₹400 crore base. Semiconductor targeting ₹30-40M organic in 2 years, then double with machining facilities. Energy/data center business expected to double in 4 years with long-

term contracts in place; products already validated over 15-18 years. (Amit Kalyani, Subodh Tandale)

Defense Margins & ATAGS Timeline

- Question: Defense margin outlook and ATAGS delivery timing given revised 20-25% growth guidance range? (JP Morgan analyst; Binay Singh, Morgan Stanley)
- Answer: Defense steady-state annual EBITDA margin target is 22-23%. ATAGS FOPM approval delayed by a few weeks (procedural); order and product are ready, deliveries start 2-3 months post-approval. Two suppliers must both be ready. (Amit Kalyani)

Naval Systems Breakthrough

- Question: Details on marine gas turbine generator win - technology, capability, content, investments? (Pramod Amthe, InCred Capital)
- Answer: Product already developed and entering testing; turbine range of 1.25 MW to 25+ MW for naval applications. Entire turbine made in-house except electrical generator (sourced initially). Multi-fuel and usable for commercial/power sectors. Small incremental investments. MRO for naval turbines already tied up for existing and future ships. (Amit Kalyani)

CDP Restructuring & Order Transfer

- Question: What happens post-restructuring; will orders shift away and margins improve? (Arvind Sharma, Citigroup; Chandra Mauli Mudaya, Goldman Sachs)
- Answer: CDP entity will cease to exist; remaining orders (sizable, excluding phased-out products) transfer to India at good margins. Timeline for closure is Q2-Q3 CY27. (Amit Kalyani)

Margin Recovery Path

- Question: Will Q2 margin recovery be a one-time jump back to 28% or gradual? (Nitin Chain, Fair Value Equity Advisory; Gunjan Prithyani, BofA)
- Answer: Gradual improvement through the year. As customer recoveries flow, optically margins look different (denominator and numerator both rise); margin per ton returns to normal levels. Better than Q1, but not a full step-jump. (Kedar Dixit, Amit Kalyani)

US Operations & Tariff Overhang

- Question: When do US operations normalize and what margins can be expected? (Kapil Singh, Nomura)
- Answer: Steel margins ~12%, aluminum 15-16%, hopefully next year. Challenge: 50% tariff on raw aluminum from Canada (US has no smelters); components from certain countries can earn 10-15% margins. Tariff situation ridden out without cash losses. (Amit Kalyani)

EV Opportunity & K Drive

- Question: How is Bharat Forge tapping the EV opportunity? (Kapil Singh, Nomura)
- Answer: K Drive already making EV access axles for LCVs and LMCVs; new plant in northern India for a key customer will drive growth. Margins and scale expected to grow. Broader EV strategy may see commentary in 3-6 months. (Amit Kalyani)

AP Energetics Plant & Orissa Project

- Question: License status for AP plant and capacity vs. shell manufacturing; status of Odisha mega project. (Ronak Singhvi, NAFA; Abhishek Shah, Fortitude)
- Answer: AP license applied for, process ongoing; modular facility - lines can be added. Shell capacity already very large. Orissa: environmental and forest clearances still pending (delayed by unique site circumstances - infrastructure relocation, high-tension lines); only approval needed. Once received, first plant running in ~2.5 years. (Amit Kalyani, Subodh Tandale)

Key Takeaway

Bharat Forge delivered a resilient Q1 FY27, with standalone revenue of ₹2,347 crore (+11.5% YoY) and consolidated revenue of ₹4,640 crore (+18.7% YoY), absorbing a 160 bps cost escalation hit from energy, logistics and input costs while managing supply-chain disruptions from the Iran war (labor shortages, fuel switching). Standalone EBITDA margin came in at 26.2% (normalized ~28%) with gradual recovery expected through Q2 as customer recoveries flow. The defense order book reached ₹11,196 crore with a landmark marine gas turbine order for Kolkata class ships, and management targets 22-23% steady-state defense EBITDA margins. The company announced a ₹2,500 crore fundraise for ₹1,800 crore growth capex across large engines, aerospace, semiconductors and an AP energetics plant, with asset turnover guided above 1.5x. Aerospace (~₹400 crore) is set to double in two years, semiconductor business targets ₹30-40M in two years, and the energy/data center business aims to double in four years. US operations saw a ₹4 crore EBITDA loss from a steel furnace breakdown (fixed, recovery in Q2), while aluminum tariffs remain a watch item. Management expects FY27 to be very strong with H2 driven by ATAGS/carbine deliveries and export momentum, with FY28 also looking strong; key watch points include ATAGS approval timing, energy cost recovery pace, and US tariff resolution.

Happy Forgings Ltd

Why read this call

This is a textbook inflection call. The company has a massive contracted order book (~50% of revenue), is commissioning the world's 2nd largest forging press into a booming energy/data-center market, has won permanent price increases after 3 years, and is shifting mix toward higher-margin industrial and export business. The next 2-3 years will look structurally different from the last 3, with management confident of sustaining >30% EBITDA margins. Every claim is backed by dated capacity, orders, and price actions.

The quarter

Q1 FY27 revenue INR 449 cr (+27% YoY), PAT INR 91 cr (+39.2%), EBITDA margin 31.3% (4th consecutive quarter >30%), volume +23.1%, realizations +3.2% to INR 253/kg. Segments: CV +7% (domestic +18%, export -12% due to transit delays), Farm +mid-20s, Industrial +50%, Off-highway +40%, PV +70% (export more than doubled).

The inflection

Order book of INR 950 cr incremental annual revenue (~50% of current revenue), 60% export, driven by industrial (40%) and PV (25-30%). World's 2nd largest 18,000 ton press commissioning Q4 FY27 (hot trials Q3), targeting energy/data centers with parts up to 3 tons (quoted at INR 28-30 lakhs each). Permanent price increases won after 3 years (30% in Q1, rest from Q2). Solar power on stream Jan 2027 adding 1-1.5% EBITDA margin. Management targets industrials doubling in 3-4 years, PV to 12-15% of revenue.

The strong order books of almost INR 950 crore of additional incremental businesses, which is there, is already in the pipeline, already in the development phase or ramp-up phase, which gives us the strong confidence that growth will continue.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹449 crores	+27% YoY; highest-ever quarterly revenue; volume growth of 23.1% plus realization improvement
Realizations	₹253/kg	+3.2% YoY; value-added product mix supporting price
Gross Profit	₹273 crores	+43.1% YoY; gross margin at 60.7%, +276 bps YoY
EBITDA	₹141 crores	+39.3% YoY; margin at 31.3%, +275 bps YoY; 4th consecutive quarter above 30%
PAT	₹91 crores	+39.2% YoY; margin at 20.4%, +178 bps YoY
Forging Capacity	1,56,000 tons	Added 4,080 tons via new 4,000-ton press line during Q1
Casting Capacity	75,200 MT	Stable
Capacity Utilization	Forging 59%; Machining 78%	Headroom available as new capacity ramps
Order Book	~₹950 crores	Peak incremental annual revenue potential over next 2-3 years; 60% export-oriented

Geographic & Segment Commentary

Commercial Vehicles (33% of revenue): Healthy single-digit growth; domestic business up ~18% supported by infrastructure activity, freight movement, and replacement demand, outpacing industry production growth of ~10%. Exports declined ~12% due to geopolitical transit delays (DDP terms to Europe/Turkey), resulting in higher inventory in transit and lower sales conversion.

Farm Equipment (32% of revenue): Mid-20s growth with domestic up over 20% on favorable demand. Exports grew despite challenging US/EU demand-subdued tractor markets due to low farm incomes, high interest rates, weak commodity prices, and deferred purchases.

Industrial (16% of revenue): ~50% growth across domestic and export. Demand healthy across power generation, renewable energy (including wind), railways, oil & gas, and digital infrastructure. Management expects continued tailwinds from grid infrastructure, railway modernization, and data center ecosystems.

Off-highway / Others (11% of revenue): Over 40% growth across domestic and export; domestic construction equipment grew ~9% supported by healthy road/highway project awards.

Passenger Vehicles (8% of revenue): Growth of more than 70%-domestic up over 50% on healthy market demand and increased wallet share; export revenue more than doubled as previously secured export orders began executing.

Company-Specific & Strategic Commentary

Price Revisions: Successfully negotiated price increases with OEMs after ~3 years--~2% captured in Q1 (~30% of total), remaining ~4.5-5% to fully reflect from Q2 onwards, with permanent benefit.

Order Book Diversification: ₹950 crore order book split roughly 35-40% industrial, 25-30% passenger vehicles, 25-30% commercial vehicles, with 60% export share. Order book dominated by complex precision engineering, value-added products with superior realizations.

Heavy Forging Line (250 kg to 3 tons): World's second-largest line, now ~65-70% utilized on 14,000-ton press; 18,000-ton vertical press trials from Q3, operational from Q4 FY27. Quoting parts worth ₹28-30 lakh apiece (~1.8 tons) for energy and data center sectors; expected meaningful contribution from FY29.

Solar Power Project: Captive solar on-stream from January (Q4 FY27); expected to add ~1-1.5% to EBITDA margin from FY28.

M&A / Partnerships: Open to acquisitions or JVs in energy and aerospace for technology and metallurgy know-how, but cautious on simple businesses given expensive valuations.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Volume Growth (FY27)	High-teens	Q1 delivered 23.1% despite guidance; management notes potential to outperform
EBITDA Margin (FY27)	Broadly in line with FY26; potential improvement	Price revisions fully from Q2, operating leverage, cost pass-through underway
18,000-ton Press	Operational from Q4 FY27	Trials starting Q3; part of heavy forging program
Solar Project	On-stream January (Q4 FY27)	Right-of-way work near completion; large part of capex done
Heavy Forging Contribution	Meaningful from FY29	New industrial/PV programs ramp; industrial expected to double in 3-4 years
Medium-term Mix	PV to 12-15%; industrial+PV ~45-50% of revenue	Supported by ₹950 crore order book, predominantly export

Risks & Constraints

RISK	CONTEXT
Geopolitical / Transit Delays	CV export sales delayed ~one month due to longer shipping routes (Europe, Turkey) under DDP terms; affected Q1 sales conversion; higher inventory in transit. Management expects normalization as routes stabilize.
Freight Cost Inflation	Container costs tripled from ~\$2,000 to ~\$6,000; ~75% pass-through (recovering ~\$4,500), leaving 15-20% incremental cost hit. Management in discussions for higher recovery.
Weak US/EU Farm Equipment Demand	Subdued tractor demand in developed markets due to low farm incomes, high interest rates, and weak commodity prices; deferred purchases could persist through FY27.
Asset Turn Dilution	Aggressive capex (₹350-400 crores annualized) creates temporary asset-turn trough by start of FY28 until new capacity ramps; management views this as deliberate investment ahead of demand.
High Base Effect	Q1 FY27 was an easy base; subsequent quarters lap stronger FY26 comparables, making YoY growth harder to sustain.

Q&A Highlights

Growth Trajectory & Margin Sustainability

- Question: What gives confidence in the 2-3 year growth trajectory, and can the industry-leading margins hold? (Pankaj Debrevall, IKIGAI)

- Answer: All sectors performing; diversification into industrials/PV and ₹950 crore order book provide confidence. Complex new products (high horsepower crankshafts, exports) carry higher realizations; price increases taken from a ~3-year-old base will help sustain margins going forward. (Ashish Garg)

Price Revision Impact Timing

- Question: Does the price settlement benefit come entirely from Q2? (Arjun Khanna, Kotak MF)
- Answer: ~30% of the benefit came in Q1; domestic price increases of ~2% captured in Q1 out of ~4.5-5% negotiated; remaining passes through from Q2. The increase is permanent, not a one-quarter adjustment. (Ashish Garg)

Solar & EBITDA Margin Outlook

- Question: Solar timing and can 30%+ EBITDA margin be sustained? (Arjun Khanna, Kotak MF)
- Answer: Solar on-stream from January (Q4 FY27); clearances done, right-of-way work in progress, most capex complete. Expected 1-1.5% EBITDA benefit from power; confident of sustaining 30%+ margins. (Ashish Garg)

CV Segment Export Decline & Freight Costs

- Question: Why did CV grow only 7% vs double-digit industry, and how are container cost increases being managed? (Mihir Vora, Equirus)
- Answer: Domestic grew ~18% vs ~10% industry production; exports declined ~12% due to geopolitical transit delays of ~one month on DDP contracts to Europe/Turkey. Container costs up to ~\$6,000 from ~\$2,000; ~75% pass-through with recovery of ~\$4,500, leaving 15-20% incremental cost to absorb. (Ashish Garg)

Export Mix by Segment

- Question: Can you provide export revenue split across segments? (Mihir Vora, Equirus)
- Answer: Passenger vehicles ~63% of exports, industrial ~9%, commercial vehicles ~7%, farm equipment ~5%; Europe accounts for ~60% of exports. (Ashish Garg)

Capacity Utilization & 18,000-ton Press

- Question: Utilization on the 14,000-ton press and timing of the 18,000-ton line? (Senthilkumar Natarajan, Joindre Capital)
- Answer: 14,000-ton press is 65-70% utilized on industrial and CV; ~30% open capacity backfilled with new orders; shifting components to the 10,000-ton line frees heavy capacity. 18,000-ton line trials from Q3; operational from Q4 FY27. Inventory days at ~50 as on June 2026, with improvement in working capital days. (Ashish Garg)

Order Book Breakup

- Question: Can you give the ₹950 crore order book split by end-user industry? (Krisha Kansara, Molecule Ventures)
- Answer: Industrial ~35-40%, passenger vehicles ~25-30%, commercial vehicles ~25-30%, others including off-highway and farm; roughly 60% export and 40% domestic. (Ashish Garg)

New Heavy-Line Margin Profile

- Question: What are the standalone plant-level margins for the new heavy forging line? (Krisha Kansara, Molecule Ventures)

- Answer: Realizations high-gross margins ~80-85% on full-machined components, ~60-65% on forged crankshafts on the high horsepower category; roughly 50% of gross margin translates to EBITDA. (Ashish Garg)

Long-term Shape, Funding, and M&A

- Question: How large can export and PV become, and what is the acquisition appetite? (Pankaj Debreval, IKIGAI)
- Answer: Industrial expected to double from current levels in 3-4 years; PV to reach 12-15% of revenue; combined industrial+PV ~45-50% of revenue. Growth will be funded largely from internal accruals, with possible bridge loan for LC-related needs. Open to acquisitions/JVs in energy and aerospace for technology and metallurgy (e.g., titanium grades), but cautious on simple businesses given expensive valuations. (Ashish Garg)

Capex Impact on Asset Turns

- Question: With capex peaking by end-FY27, will asset turns trough at FY28 start amid high sector bases? (Jay Shah, Genuity Capital)
- Answer: Not worried about temporary six-month asset-turn dip-capacity is built for the future; growth would be impossible without installed capacity. Customer acquisition in PV is just beginning (currently only 2-3 customers). Industrials is a very large sector with multiple sub-segments (data center, energy, mining, wind), not a single cyclical base. (Ashish Garg)

Key Takeaway

Happy Forgings delivered its strongest-ever quarter in Q1 FY27 with revenue of ₹449 crores (+27% YoY), EBITDA margin of 31.3% (+275 bps), and PAT of ₹91 crores (+39.2%), powered by 23.1% volume growth, realization improvement to ₹253/kg (+3.2%), and a successful OEM price revision (~4.5-5%) that will fully reflect from Q2. Growth was broad-based-domestic CV +18%, farm equipment mid-20s, industrial ~50%, PV >70%-with export momentum only temporarily hit by geopolitical transit delays and a tripling of container costs (largely pass-through). Management maintained FY27 high-teen volume guidance with margins "broadly in line with FY26, with potential for improvement," and expects 18,000-ton press commissioning by Q4, captive solar on-stream from January, and meaningful contribution from the heavy forging line (250 kg-3 tons) from FY29. The ₹950 crore order book (60% export, 35-40% industrial) supports medium-term targets of industrial doubling and PV reaching 12-15% of revenue. Key watch items: geopolitical transit/logistics normalization, freight cost recovery, US/EU farm equipment demand, and asset-turn trough expected by FY28 start.

Ramkrishna Forgings Ltd

Why read this call

This is the exact inflection call: a multi-year capex cycle is now converting into revenue and cash flow, with the rail wheel JV and Mexico both hitting dated milestones and booked demand. Management explicitly states 'best period for RKFL has just started' and guides 22-25% CAGR to INR 8,000 cr by FY29. The quarter itself is strong (PAT +297%, EBITDA +47%) and the order book, capacity ramp, and deleveraging trajectory give the inflection receipts, not just adjectives.

The quarter

Consolidated revenue INR 1,217 cr, +19.84% YoY, flat QoQ. EBITDA INR 218.47 cr, +47% YoY, +5% QoQ, margin 17.96% (up from 17.11% QoQ). PAT INR 46.88 cr vs INR 11.7 cr YoY, +297%. Net debt reduced ~INR 100 cr QoQ to ~INR 1,900 cr.

The inflection

Rail wheel JV (RKTR) trial production started, samples to Indian Railways in August, bulk supply from Sept-Oct; 80,000 wheels confirmed from Railways + 25,000 from JV partner = 110,000 wheels booked to FY28, with export customers being lined up beyond. Mexico plant live (INR 6 cr revenue this quarter, significant from Q3). Casting integration substantially complete, ramp-up ongoing. Capex cycle largely done, focus shifted to utilization and deleveraging (INR 500 cr debt reduction guided this year). New non-ferrous ventures (aluminum, titanium, Inconel) for aerospace/semiconductors/robotics in early quoting stage, meaningful contribution ~2 years out.

I think I can confidently tell you best period for RKFL has just started. I think in coming quarters, coming year, you will see much more traction in terms of growth, in terms of improvement in balance sheet.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹1,217 crores	+19.84% YoY, flat QoQ; driven by robust domestic demand, improving export volumes, and disciplined execution
EBITDA (excl. other income)	₹218.47 crores	+47% YoY, +5% QoQ; better operating leverage and improved product mix
EBITDA Margin	17.96%	+85 bps QoQ from 17.11%; continued sequential improvement expected
Gross Margin	~54%	+535 bps QoQ; management termed it sustainable with further upside
PBT	₹65.34 crores	+172% YoY vs ₹23.9 crores
PAT	₹46.88 crores	+297% YoY vs ₹11.7 crores
Order Inflows	₹293 crores	Auto ₹278 crores (82% passenger vehicle, 18% two-wheeler; 4-year program life) + ₹15 crores metro segment; PV order entirely domestic EV
Net Debt	~₹1,900 crores	Down ~₹100 crores QoQ from ₹1,990 crores; ≥₹500 crore reduction targeted in FY27
ROC	12-15% (FY27 guidance)	Recovery to old levels; ~20% targeted for FY28
Exports Share	~35% of revenue (FY27 guidance)	20%+ export growth expected; management guided to best-ever export year
Ring Rolling Utilization	127%	At peak; no capacity addition planned, expected to sustain 2-3 years

Geographic & Segment Commentary

- **Commercial Vehicles:** Core business; demand across the CV ecosystem strengthened further, supported by healthy production schedules and policy clarity around regional supply chains. Strong GST collections and consumption trends reflect underlying domestic economy strength.
- **Passenger Vehicles & EVs:** 82% of Q1 auto order wins (₹228 crores) from domestic passenger vehicle segment, entirely EV-driven. Overall PV order book is ~50/50 ICE vs EV; exports PV currently predominantly EV with ICE bulk supplies also starting. Management called PV growth the "next lever for transformation" of RKFL.
- **Exports (North America & Europe):** International business recorded further improvement led by North America demand alongside improving customer engagement in Europe. Tariff environment more stable, providing greater visibility. Exports guided to ~35% of consolidated revenue with 20%+ growth - highest ever for the company.
- **Railways & Wheels JV (RKTR):** Confirmed 80,000 wheel order from Indian Railways (passenger trains, locomotives, Vande Bharat; wagons excluded) plus ~25,000 wheels from JV partner obligation - covering ~110,000 wheels through FY28. Trial production started; 300 samples to Railways in August; bulk supply expected September-October 2026. Export customers for additional wheels being pursued.
- **Casting:** Integration substantially completed; ramp-up on track with gradual production increase over next three quarters. Realizations temporarily lower due to new capacity commissioning; expected to normalize from coming quarters.

- **Mexico:** Production commenced; ~₹6 crores revenue booked in Q1; significant revenue contribution expected from Q3 FY27.
- **Non-ferrous (Aerospace, Semiconductors, Robotics):** Aluminum forgings already in bulk production; stainless steel order book expected from Q4 FY27; Inconel/titanium/nimonic meaningful contribution in 8-10 quarters. Initial capex of only ₹10-20 crores required; larger capex contingent on order book visibility by end FY28.

Company-Specific & Strategic Commentary

- **Capex Cycle Completion:** Majority of strategic capital expenditure is behind; focus has shifted to higher asset utilization, improved asset turns, and operating leverage. Net block of ~₹3,700 crores supports ~₹9,000 crores sales at 100% utilization (2.5x asset turn); 75-80% utilization achievable before next major capex.
- **Deleveraging Commitment:** Net debt reduced ~₹100 crores in Q1 to ~₹1,900 crores; ≥₹500 crore reduction targeted in FY27, taking net debt to ~₹1,500 crores. Management emphasized continued leverage discipline while funding growth and maintenance capex.
- **Diversification Strategy:** Non-automotive order book share improving across energy, mining, off-highway, and railways. ₹293 crores of new orders secured in Q1 spanning PV, two-wheeler, and metro segments. CV remains core; PV/EV positioned as transformative growth engine.
- **New Ventures - Aerospace & Advanced Materials:** Company is entering non-ferrous manufacturing (aluminum, titanium, Inconel, nimonic) for aerospace, robotics, and semiconductors - sectors traditionally dominated by global players. RFQ quoting underway; capabilities being established with minimal incremental capex.
- **Working Capital Optimization:** Internal targets set: debtor days down 5-10 days, inventory days down 5 days, creditor days up 10 days - a combined 15-20 day improvement targeted over the next 12 months.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
ROC	12-15% FY27; ~20% FY28	Recovery to old levels as new assets ramp up utilization
Net Debt	~₹1,500 crores by FY27 end	≥₹500 crore reduction; company on track
Capex	~₹350 crores FY27 (+₹20-30 crores Rail JV)	Maintenance and growth capex only; strategic capex largely complete
Revenue	₹8,000 crores by FY29	Delayed one year from earlier ₹8,000 crore FY28 target; implies 22-25% CAGR over next three years
Exports	~35% of revenue; 20%+ growth in FY27	Best-ever export year; driven by North America and Europe
EBITDA Margin	Continued QoQ improvement; no full-year range	Aspiration to return to old ~22% margin levels; timeline not committed
Capacity Utilization	~80% by FY27 end	Ring rolling at 127%; cold forging >70% by Q3; casting ramp-up gradual
Working Capital	15-20 day improvement over ~12 months	Debtors -5-10 days, inventory -5 days, creditors +10 days

Risks & Constraints

RISK	CONTEXT
Geopolitical escalation (West Asia)	Resurgence of conflict remains an overhang; shipping delays create working capital pressure and transit-time elevation. Management noted this as the primary external uncertainty affecting demand sentiment and costs.
Energy prices	Energy is one of the biggest cost levers in forging and steel-making; current prices are at peak levels. Gas and shipping costs cannot be fully passed on to customers - escalation beyond current levels is the key profitability risk.
Tariff developments	Tariff negotiations could re-emerge; management noted the environment is "considerably more stable" but remains an area of close attention across export markets.
Steel price pass-through lag	Raw material (steel) is passed through with a one-quarter lag; quarterly steel price volatility creates temporary margin swings. No hedging mechanism exists for alloy steel.
Casting ramp-up	New capacity realizations temporarily below normal levels during ramp-up; expected to normalize in coming quarters as utilization improves.

Q&A Highlights

Railway Wheels JV - Capacity & Offtake

- Question: Beyond the 80,000 wheels from Indian Railways, how will remaining capacity be utilized, and are wagon wheels included? (Pranav Jain)
- Answer: The 80,000 confirmed wheels cover passenger trains, locomotives, and Vande Bharat - wagons are excluded as Railways supplies cast wheels FOC for wagon building. JV partner obligation of ~25,000 wheels brings utilization to ~110,000 through end FY28. Export customers in Europe and North America are being pursued for additional wheel volumes. (Naresh Jalan)

Rail JV & Mexico Project Timelines

- Question: Status of the railway plant trial and Mexico acquisition ramp-up? (Sidhaant)
- Answer: Rail JV trial production has started; first 300 wheel samples will be submitted to Indian Railways in August for testing, with bulk production expected September-October 2026. Mexico production has commenced with ~₹6 crores revenue in Q1; significant revenue contribution expected from Q3 FY27. (Naresh Jalan)

ROC Targets & Export Growth

- Question: What are the ROC and export revenue targets for this year and next? (Kaushik Jawhar)
- Answer: ROC of 12-15% guided for FY27, rising to ~20% in FY28. Exports expected at ~35% of consolidated revenue - the highest ever - with 20%+ growth. Margin improvement will continue sequentially, though management declined to guide profitability timing. (Lalit Khetan, Naresh Jalan)

Margin Sustainability & Key Risks

- Question: What factors could aid or hurt margins going forward? (Hardik Chheda)
- Answer: Continued QoQ margin improvement is expected from higher utilization and favorable export mix. Primary risks are geopolitical shipping delays tightening working capital, and energy price escalation - gas and shipping costs are not fully pass-through to customers. (Naresh Jalan)

Commodity & Freight Pass-through

- Question: How much of the commodity and freight cost increase is being absorbed? (Mitul Shah)
- Answer: Steel is a pass-through with one quarter lag; gas, shipping, and freight costs fluctuate too rapidly for customer pass-through and are being absorbed. Management is working with customers on absorption mechanisms. Gross margin expansion (+535 bps QoQ) reflects better product mix rather than price revisions alone. (Lalit Khetan, Naresh Jalan)

Non-ferrous & Aerospace Foray - Timeline & Capex

- Question: How long before titanium/Inconel products contribute meaningfully, and what capex is required? (Aditya)
- Answer: Aluminum forgings are already in bulk production; stainless steel order book begins Q4 FY27; Inconel/titanium will take 8-10 quarters for meaningful contribution. Immediate capex is only ₹10-20 crores for heating arrangements; major capacity addition will follow order book and approvals, likely announced by end FY28. (Naresh Jalan, Lalit Khetan)

Leverage Reduction & FY27 Capex Plan

- Question: What are the gross/net debt levels and full-year capex outlook? (Viral Shah)
- Answer: Net debt is ~₹1,900 crores, down ~₹100 crores QoQ from ₹1,990 crores. Management remains on track to reduce leverage by ≥₹500 crores in FY27, exiting at ~₹1,500 crores. FY27 capex guidance is ~₹350 crores, with an additional ₹20-30 crores for the Rail JV. (Lalit Khetan)

₹8,000 Crore Revenue Target & Working Capital Roadmap

- Question: When will the ₹8,000 crore turnover target be achieved, and what are the working capital improvement targets? (Bharat C. Shah)
- Answer: The ₹8,000 crore target is delayed by one year to FY29, implying 22-25% CAGR over the next three years. Working capital targets include debtor days down 5-10, inventory days down 5, and creditor days up 10 - a total 15-20 day improvement over ~12 months. Management stated "the best period for RKFL has just started," citing PV, oil & gas, and non-automotive sectors as growth levers. (Naresh Jalan, Lalit Khetan)

EV vs ICE Mix in PV Order Book

- Question: What proportion of the passenger vehicle order book is electric vehicles? (Saket)
- Answer: The ₹228 crore domestic PV order announced this quarter is entirely EV-driven. Overall PV book is split ~50/50 between ICE and EV customers; export PV business is currently predominantly EV, but bulk ICE supplies are also commencing. (Milesh Gandhi)

Currency Pass-through & Margin Attribution

- Question: Did rupee depreciation contribute to the margin improvement? (Bharat C. Shah)
- Answer: No - all RKFL contracts carry currency pass-through clauses; the company bears no currency risk on either side. Rupee depreciation in the quarter was only 1-1.5%, translating to roughly 1% margin impact on the export portion of the business. (Lalit Khetan)

Key Takeaway

Ramkrishna Forgings reported a strong Q1 FY27 with consolidated revenue of ₹1,217 crores (+19.84% YoY, flat QoQ), EBITDA of ₹218.47 crores (+47% YoY) at a 17.96% margin (+85 bps QoQ), and PAT of ₹46.88 crores (+297% YoY), aided by improved product mix and operating leverage. Order inflows of ₹293 crores - led by ₹278 crores of

auto orders, 82% from domestic EV passenger vehicles - underline the diversification thrust, while exports are guided to ~35% of revenue on 20%+ growth, the highest ever. Management guided ROC of 12-15% in FY27 and ~20% in FY28, net debt reduction to ~₹1,500 crores, and an ₹8,000 crore revenue target by FY29, implying 22-25% CAGR. Rail wheels JV trial production has commenced with bulk supply expected by September-October 2026, and Mexico revenue scales from Q3. Key watch points remain West Asia geopolitical escalation impacting energy and shipping costs - not fully pass-through - and the non-ferrous aerospace/semiconductor foray, which is 8-10 quarters from meaningful contribution. Management expressed high confidence in sustained sequential balance-sheet improvement across utilization, working capital, and margins over the next three to four years.

Sona BLW Precision Forgings Ltd

Why read this call

This is a genuine inflection point. The company is not just reporting a strong quarter (54% revenue growth) but is executing a strategic transformation: entering high-voltage electrification via a world-class JV with DENSO (with reciprocal royalties - a first for an Indian auto company) and building a robotics/physical AI business with real orders and dated SOPs. The order book, the JV structure, and the robotics wins are concrete receipts, not adjectives. The next 2-3 years will look visibly different from the last 3 as these platforms scale. This is exactly the kind of call where an investor should stop and read in full.

The quarter

Revenue grew 54% YoY to INR 1,310 crore; EBITDA +49% to INR 303 crore (margin 23.1%, down 0.7pp on input cost inflation and mix); PAT +45% to INR 181 crore. BEV revenue +107% to INR 436 crore, 44% of auto product sales. Net order book INR 240 billion, EVs 64%, robotics 3%.

The inflection

Two major strategic moves announced: (1) DENSO JV - two JVs covering high-voltage electric/hybrid powertrains for 4W+ (DENSO majority) and 2W/3W traction (Sona majority), with reciprocal royalty payments - fills the last gap in Sona's electrification portfolio and opens a ~INR 24,000 crore Indian market by 2030. (2) Robotics & physical AI - already entered, with INR 800 crore order book (3 orders: advanced robotic subsystem, perception engineering services, short-range radar for Indian CV OEM), SOPs starting within a quarter to 15 months. Management explicitly frames this as 'Sona Comstar 2.0' and 'build another 10X company.'

We want to build another 10X company. Every decade obviously brings a different set of opportunities. Our job is not to repeat what worked before. It is to build on the capabilities that brought us here while creating new growth platforms for the future.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,310 crore	+54% YoY; best-ever quarterly revenue, driven by broad-based demand across India, Europe, and North America
EBITDA	₹303 crore	+49% YoY; growth supported by operating leverage, offset partly by input cost inflation and product mix
EBITDA Margin	23.1%	-70 bps YoY; April and May hit hardest by commodity inflation and pass-through timing gap; June improved significantly
PAT	₹181 crore	+45% YoY; PAT margin 13.6%, -70 bps YoY; lower EBITDA margin and net finance income offset by lower depreciation and prior-year exceptional expenses
BEV Revenue	₹436 crore	+107% YoY, highest-ever; growth despite weak US EV demand, reflecting a diversified EV customer and geography base
BEV Mix	44% of automotive product sales	All-time high; traction motor volumes scaling rapidly
Net Order Book	₹24,000 crore (₹240 billion)	EVs at 64%; robotics & physical AI now 3% (₹800 crore); added 2 EV programs and 1 hybrid program in the quarter
EV Order Book	69 programs / 36 customers	Continued order momentum across EV, hybrid, and ICE powertrains
Eastern Markets Mix	59% of revenue	Up from 56% YoY; continued geographic shift toward the East

Geographic & Segment Commentary

- **India:** Strong quarter led by passenger vehicles and electric two-wheelers, which management described as "phenomenal"; India is the fastest-growing EV market globally.
- **Europe:** Stable and now growing, contrary to market expectations; electrification accelerating across BEVs, strong hybrids, and plug-in hybrids.
- **North America:** Improved meaningfully as the quarter progressed; hybrid adoption emerging - won a hybrid differential assembly order from an existing NA OEM and a ₹2,100 crore (₹21 billion) ICE differential gear program from a traditional NA OEM.
- **China:** Conditions remained mixed, but it was Sona's fastest-growing geography on the back of suspension motor ramp-up success.
- **Driveline Business:** Continued strength in the legacy ICE differential gear and starter categories; new NA OEM program worth ₹2.1 billion secured.
- **Motor Business:** EV traction motors were the second-fastest growing product; won two traction motor programs from a new-age Indian e-2W OEM; suspension motors were the fastest-growing product overall.
- **Railway Business:** First year of post-acquisition integration; multiple new railway products in the emerging product portfolio contributing to growth.
- **Robotics & Physical AI:** ₹800 crore (₹8 billion) order book; three orders won - an advanced robotic subsystem, AMR perception engineering services, and a complete short-range radar perception solution for an Indian CV OEM ahead of ADAS regulations.

Company-Specific & Strategic Commentary

- **Sona Comstar 2.0:** Management unveiled its next-decade strategy built on three growth engines - new product verticals, a "Look East" expansion strategy, and robotics/physical AI; ambition is to build another 10X company, with the strategy in development for over two years.
- **DENSO Partnership:** Two JVs announced - DENSO-majority JV2 for high-voltage EV/hybrid powertrains for 4+ wheel vehicles and Sona-majority JV1 for 2W/3W traction - featuring equal, reciprocal royalty arrangements; management highlighted this as likely the first instance of an Indian automotive company receiving royalty income from a global mobility technology leader; suspension motors and all non-traction motor businesses remain outside the transaction.
- **Innovation Track Record:** More than 35% of revenue now comes from products that did not exist seven years ago; 19 products developed entirely through internal R&D represent an annualized ₹1,800 crore revenue and ₹230 crore profit business.
- **Capital Allocation Discipline:** ₹2,750 crore invested across Comstar, Novellic, and Railway acquisitions now contribute roughly 40% of revenue (~₹270 crore annual net profit), validating both build and buy strategies.
- **Robotics & Physical AI:** Now a business with customers, not just an ambition - three revenue streams (advanced components/subsystems, perception stack and engineering services, and full robotic platforms like AMRs and cobots); AMR prototype showcased at CES; Morgan Stanley projects global markets of \$60 billion (radars), \$1.4 trillion (reducers), and \$2.5 trillion (motors) over 25 years.
- **Order Book Quality:** Net order book of ₹240 billion (64% EV) with wins across multiple powertrains, geographies, and product categories; robotics order book added ₹600 crore in the quarter.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Margin recovery	Progressive improvement from Q2 FY27	Cost pass-throughs and mitigation measures becoming visible; June was significantly better than April/May
Robotics SOPs	Within 12-15 months	One order starting this quarter, one next quarter, one within ~15 months
Robotics ramp-up	Faster than automotive's typical cycle	Market developing faster than internal expectations; too early to quantify trajectory
DENSO JV revenue	SOP timeline not disclosed	Restricted by confidentiality agreements; JV formation is staggered with the first JV leading and the second following
India hybrid/EV market	~₹24,000 crore opportunity by 2030	Per S&P Global Mobility, 2.3 million vehicles; multiple times larger by 2035
EV momentum	Sustained growth expected	India fastest-growing EV market; Europe electrifying fast; US pivoting toward hybrids

Risks & Constraints

RISK	CONTEXT
Input cost inflation	Commodities and other input costs remain elevated; April and May margins hit hardest, with automotive pass-throughs lagging inflation; management expects recoveries to become visible from Q2 onward
US BEV demand weakness	BEV demand in the US remains weak; company compensated through geographic diversification, with BEV revenue still growing 107%
China market uncertainty	Only geography described as "mixed"; suspension motor ramp-up is driving growth, but near-term visibility remains cautious
Rare earth import restrictions	Heavy rare earth magnet imports remain restricted; company has shifted to light rare earth alternatives with no major operational disruption to date
DENSO JV execution complexity	Two-JV structure with reciprocal royalties and technology licensing; SOP and customer timelines are confidential, limiting near-term visibility
Robotics early-stage uncertainty	Product lifecycles and generation cycles still undefined - even manufacturers are learning; ₹800 crore order book is small but growing
Trade/geopolitical chopiness	Tariff and geopolitical uncertainty persists; management noted it should no longer be used as an explanation for performance

Q&A Highlights

Robotics & Physical AI - Strategy, Software, and Returns

- Question: How should investors think about robotics vs. the automotive business - the software value proposition, return ratios, and capital commitment? (Kapil Singh, Nomura)
- Answer:
- Software is already embedded in core products - the suspension motor carries 2 million lines of code; physical AI is a natural extension of existing motor, gearbox, actuator, and sensor capabilities
- Three revenue streams: advanced components/subsystems, perception software and engineering services, and full robotic platforms (AMRs, cobots)
- Radar-based perception inherently preserves privacy - it detects outlines and heartbeats but not faces or voices
- Track record of frugal capital allocation in new ventures, with returns exceeding management's own expectations; all plans must pass CFO approval (Vivek Vikram Singh, Rohit Nanda)

DENSO JV - Timelines and Structure

- Question: What are the timelines to revenue recognition for the high-voltage JV, and will both JVs be activated simultaneously? (Pramod Kumar)
- Answer:
- SOP timelines are restricted by confidentiality agreements with DENSO and customers; management will share as soon as possible
- JV formation will be staggered - the first JV will lead and kickstart faster, with the second following; exact timing not disclosed (Vivek Vikram Singh, Sat Mohan Gupta)

DENSO JV - Capabilities, TAM, and Competitive Landscape

- Question: What does DENSO bring to the high-voltage JV, and how large is the opportunity? (Pramod Kumar)
- Answer:
- DENSO is the runaway global leader in hybrid powertrains with over \$8 billion in annual electrification revenue; brings controller technologies and the full control systems spectrum
- India hybrid/EV car and commercial vehicle TAM is 2.3 million vehicles, roughly a ₹24,000 crore opportunity in 2030 and ~3x that by 2035
- CapEx intensity is low: ₹1 crore of CapEx generates ₹8-9 crore of revenue in 2W/3W and ₹11-12 crore in high-voltage systems - it is engineering-intensive, not capital-intensive
- High-voltage category has less competitive intensity than 2W/3W due to technology barriers (Vivek Vikram Singh, Sat Mohan Gupta)

EV Demand and Capacity

- Question: How are you thinking about EV capacity given OEMs scaling up, and is EV demand at an inflection point? (Nitin Arora)
- Answer:
- Not constrained by demand or by own capacity - bottlenecks exist elsewhere in the ecosystem's supply chain
- India is the fastest-growing EV market globally; Europe is electrifying fast; the US is shifting toward hybrids
- Needs 2-3 more quarters of data before calling it an inflection, but momentum is trending very positively (Vivek Vikram Singh)

Robotics Ramp-Up Trajectory

- Question: How should we think about the robotics business ramp-up versus the motor business, which took 4-5 years? (Nitin Arora)
- Answer:
- Typical new product trajectory: no revenue in the first 3 years, first meaningful revenue in year 4-5, \$100 million business by years 7-8
- Robotics will be faster than this historical pattern - the market is developing quicker than internal assumptions, though too early to size (Vivek Vikram Singh)

Passenger Vehicle Motor Capabilities and e-Axle Evolution

- Question: What capabilities does Sona bring to the high-voltage JV, and how will OEM adoption of e-Axles evolve? (Jay Kale)
- Answer:
- Three building blocks: frugal design from day one, supply chain development, and duty-cycle/market knowledge (e.g., a year-long data capture exercise with a 3W company before launching products)
- e-Axle integration could happen at OEM or tier-1 level; the JV can sell directly to OEMs, to e-Axle makers, or to Sona's driveline division for internal integration - all three models are open
- The customer ultimately decides the model; "stay humble - the customer is above us all" (Vivek Vikram Singh)

JV1 (2W/3W) Rationale

- Question: Why put the already-successful 2W/3W traction motor business into the JV? (Sonal Gupta)

- Answer:
- DENSO brings access to a customer base currently not open to Sona, export opportunities to markets where DENSO is dominant, and a far stronger global brand
- Both JVs are treated as one partnership - "commit fully or don't commit"; a spreadsheet-only approach seldom works
- Current ~25% share in the 2W/3W market is not enough; ambition is 50%+ (Vivek Vikram Singh)

Robotics Execution Timelines vs. Automotive

- Question: How do robotics order execution timelines differ from automotive's typical 7-year cycle? (Jay Kale)
- Answer:
- Product lifecycles are still unknown - even the largest robotics manufacturers are on their third generation before the first generation has matured
- Generational changes will be far more frequent than in automotive; the market is at "year two of electricity" stage, with almost limitless potential (Vivek Vikram Singh, Vikram Verma)

Key Takeaway

Sona Comstar delivered its best-ever quarter in Q1 FY27 - revenue of ₹1,310 crore (+54% YoY), EBITDA of ₹303 crore (+49% YoY, 23.1% margin), and PAT of ₹181 crore (+45% YoY) - with BEV revenue surging 107% to ₹436 crore (44% of auto product sales). Margins contracted 70 bps YoY on input cost inflation and pass-through timing, though June improved materially, with recovery expected from Q2. Management unveiled Sona Comstar 2.0, anchored by the DENSO JVs covering high-voltage EV/hybrid and 2W/3W traction with reciprocal royalties, plus a robotics and physical AI vertical already holding ₹800 crore in orders. Net order book stands at ₹240 billion (64% EV). The company targets another 10X over the next decade, with India's hybrid/EV market projected at ₹24,000 crore by 2030. Key watch points: margin trajectory, JV SOP timing, US EV demand, and robotics ramp-up pace.

TD Power Systems Ltd

Why read this call

This is a must-read because the company is at a clear inflection point. The quarter itself was exceptional (74% revenue growth, 87% order inflow growth), but more importantly, the structural demand shift (AI data centers, grid stabilization) is driving a capacity expansion cycle and a new large-generator business. Management provides specific numbers: INR 32bn capacity for FY28, INR 40bn+ for FY29-30, and a pending announcement for large generators. The order book and order inflow confirm the demand is real, not just adjectives. The call gives investors a front-row seat to a company scaling up to meet a multi-year demand supercycle.

The quarter

Q1 FY27 standalone revenue INR 6.3bn (+74% YoY), EBITDA margin 19.34% (vs 18.7% YoY), PAT INR 853mn (+81% YoY). Order inflow INR 7.34bn (+87% YoY), 93% from exports. Order book INR 22.08bn, with 57% exports/deemed exports. Consolidated revenue INR 6.43bn (+71%), PAT INR 860mn (+72%). Cash position strong at \$2.4bn.

The inflection

Demand for generators is exploding due to AI data centers, grid stabilization, and renewables. Order inflow up 87% with 93% exports. Management is raising capacity: INR 50cr debottlenecking to reach INR 32bn revenue capacity for FY28, and planning further expansion to INR 40bn+ for FY29-30. They are also close to signing agreements for large generators (>100MW), a new segment, to be announced in August. The company is deliberately not taking fresh railway orders to free capacity for generators/motors. This is a clear inflection: demand is surging, capacity is being added, and a new product line is imminent.

Despite differing views on the sustainability of this buoyancy in the media, the ground reality is that there is a tremendous shortage of power generation equipment, specifically in gas turbines, gas engines, transformers and generators.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Income (Standalone)	₹630 crores	+74% YoY (₹363 crores in Q1 FY26), driven by strong execution across all segments
EBITDA Margin (Standalone)	19.34%	vs 18.7% YoY, despite input cost pressures; managed via pricing, cost control, mix
PAT (Standalone)	₹85.3 crores	+81% YoY (₹47.1 crores), aided by operating leverage and higher volumes
Total Income (Consolidated)	₹643 crores	+71% YoY, consolidated PAT ₹86 crores (+72% YoY)
Order Book (Manufacturing)	₹3,208 crores	Includes generators/motors ₹1,929 cr, trains ₹211 cr, spares ₹22 cr, Turkey ₹46 cr
Order Inflow (Q1)	₹734 crores	+87% YoY; 93% from direct/deemed exports, strong demand from gas turbines, data centers
Cash Position	₹240 crores	Maintained healthy liquidity; working capital needs rising with growth
FY27 Revenue Guidance	₹2,600 crores	Revised upward; management sees small chance to exceed

Geographic & Segment Commentary

- **Generators & Motors (core):** Order book ₹1,929 crores; strong demand from gas turbine/engine OEMs and AI data centers. Exports dominate (93% of inflows), with domestic demand subdued at 10-12% growth.
- **Railways:** Order book ₹211 crores; no fresh orders being taken. Segment sustainability under review at year-end; production capacity will be redeployed to generators/motors once Indian Railways contract completes.
- **Spares & Aftermarket:** Order book ₹22 crores; service revenue remains ~5-6% of sales (₹~35-40 cr per quarter), growing with installations but not scaling as a percentage due to low service requirements in first 10 years for generators.
- **Turkey Subsidiary:** Order book ₹46 crores; executing ~€3.5 million orders this year. No significant pipeline for next year; facility retained as service insurance for European installed base.

Company-Specific & Strategic Commentary

- **Capacity Expansion:** Debottlenecking and efficiency investments of ₹50 crores in FY27 and FY28 will lift capacity to ~₹32 billion for FY28; further investments planned for FY29-30 to move toward ₹40+ billion. Management will disclose detailed plans in next quarterly call.
- **Large Generator Entry:** Close to signing agreements for generators above 100 MW, a new high-value segment; announcement expected in August 2026. This opportunity is over and above current sub-100 MW business.
- **Market Demand:** Despite media skepticism, order inflows remain "extraordinarily strong" driven by AI data centers, grid stabilization, and power generation investments in geothermal, hydro, and waste-to-energy. There is a global shortage of power generation equipment.
- **Product-Led Growth:** Growing unit volumes and increasing average megawatts per generator; management sees growth from both volume and realization. No significant new OEM client additions; focus is on deepening existing relationships.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue (FY27)	₹2,600 crores (possible upside)	Revised upward; execution focus on order book; exports to dominate (93% of inflows)
Capacity (FY28)	~₹32 billion	Achievable with ₹50 crores debottlenecking capex in FY27 and FY28; not a hard ceiling
Capacity (FY29-30)	₹40+ billion	Larger capacity addition under evaluation; direction of travel, details in 3-6 months
Large Generator Revenue	Not included in FY27 guidance	Production lead time of 18-20 months; first revenues expected after FY28
EBITDA Margin	Maintain ~18-19%	Levers: pricing, cost reduction, mix, FX, capacity utilization; logistics costs offset by export margins

Risks & Constraints

RISK	CONTEXT
Domestic Demand Subdued	India's power generation investments concentrated in large coal plants (600-800 MW) where TDPS is not present; AI/hyperscaler data centers in India unlikely near-term due to gas and water availability. Domestic business remains single-digit growth.
Export Concentration	93% of quarterly orders are exports, exposing to freight cost inflation, geopolitical disruptions (e.g., US tariffs), and currency fluctuations. Management notes demand inelasticity (power equipment <5% of project cost) and expects no derailment.
Supply Chain & Lead Times	Global shortage of power equipment and shipping delays could impact execution, though products are "going straight from factory gate onto ships" without cancellations.
Competition from Major Players	Large generator segment dominated by global incumbents (e.g., BHEL, L&T, Mitsubishi); TDPS entry requires successful technology partnerships and execution.
Working Capital Pressure	Receivables at ₹785 crores driven by growth; payment terms not easily alterable without risking customer relationships. Potential need for external funding (fundraise planned, details to be announced).

Q&A Highlights

Revenue Potential & Capacity

- Question: Can we exceed ₹3,000 crores of revenue without new capex? (Mohit Surana, Monarch)
- Answer: We are building capacity to ~₹32 billion for FY28 with ₹50 crores debottlenecking. For FY29-30, we need larger additions to reach ₹40+ billion. Details in next call. (Nikhil Kumar, MD)
- Question: What will be the closing order book growth for FY27? (Nishita, Sapphire)
- Answer: Expect ~₹700 crores per quarter in inflows, totaling ~₹2,800 crores for the year. (Nikhil Kumar, MD)

Pricing & Margins

- Question: Have price increases been implemented? (Soumil Jain, Lucky)
- Answer: Price variation clauses are implemented wherever applicable. Overall gross margin maintained within ±1% via pricing, cost reductions, mix, and FX gains; we don't break down individual contributions. (Nikhil Kumar,

MD)

- Question: Why still guide 18-19% EBITDA when service revenue could help? (Amit Anwani, PL Capital)
- Answer: Generators require minimal service in first 10 years; service remains ~5-6% of sales. Growth keeps service growing at same rate, so no margin uplift from this yet. (Nikhil Kumar, MD)

Large Generator Expansion

- Question: When will larger generator revenue show up? (Aman Agarwal, Nuvama)
- Answer: Not in FY27 guidance; production lead time is 18-20 months. Announcement on agreements expected in August; we cannot elaborate until then. (Nikhil Kumar, MD)
- Question: How big is TAM for >100 MW? (Mohit Surana, Monarch)
- Answer: Very large segment dominated by big players; will provide details post-August announcement. (Nikhil Kumar, MD)

Demand Sustainability

- Question: Are supply chain/geopolitical issues disrupting demand? (Alisha Mahawla, Trust Mutual)
- Answer: No disruption in order inflow; customers are taking deliveries despite potential execution delays. Products go to multiple sites/customers, so no single-project holdup. (Nikhil Kumar, MD)
- Question: Confidence on FY29-30 demand given AI market volatility? (Ganesh Ram, Unifi Capital)
- Answer: Our OEM customers have received significant non-refundable advances from their buyers; that underpins our confidence. (Nikhil Kumar, MD)

Turkey & Domestic

- Question: Turkey plans if 100% tariff on imports is announced? (Amit Anwani, PL Capital)
- Answer: Not aware of such tariff; 3.5 million euros of execution this year. Facility kept as service insurance for Europe; no major pipeline next year. (Nikhil Kumar, MD)
- Question: Why is domestic order book only 5-6% of inflows? (Dipen Shah, Six Senses)
- Answer: India's power demand growth is 10-12%, focused on large coal plants (600-800 MW) with players like BHEL, L&T booked out. No meaningful AI/hyperscaler data centers in India due to gas/water constraints; domestic demand likely to remain subdued. (Nikhil Kumar, MD)

Financials & Fundraise

- Question: Working capital and fundraise rationale? (Kushal Goenka, Mangal Keshav)
- Answer: Payment terms with customers are fixed and cannot be altered significantly without risking business; working capital will rise with growth. Fundraise details will be disclosed post-board meeting; no comments before. (Nikhil Kumar, MD)
- Question: Customer advances in current liabilities? (Abhishek Kamdar, Value Plus)
- Answer: Yes, rising customer advances and tax provisions due to higher volumes; working capital expected to remain in line. (CFO M. N. Varalakshmi)

Units vs Value

- Question: Will growth be volume- or value-led? (Juili Baviskar, Ashika)
- Answer: Both; unit counts and megawatts per generator are increasing. Long-term unit targets (13,000-15,000) not guided; we'll take year-on-year view. (CFO M. N. Varalakshmi)

Tariff Refunds

- Question: Any refunds of US tariffs paid? (Mohit Surana, Monarch)
- Answer: We are not the importer of record (products sold ex-India), so no refunds. (Nikhil Kumar, MD)

Key Takeaway

TD Power Systems delivered a stellar Q1 FY27 with standalone revenue up 74% YoY to ₹630 crores and PAT up 81% to ₹85.3 crores, driven by relentless demand from gas turbines, data centers, and grid stabilization globally. Order inflow jumped 87% to ₹734 crores, with exports contributing 93% of bookings, reflecting India's muted power demand (10-12% growth) and the company's export-led strategy. Management raised FY27 guidance to ₹2,600 crores (with upside) and outlined a path to ₹32 billion capacity by FY28 via ₹50 crores debottlenecking, followed by larger investments to reach ₹40+ billion in FY29-30. Strategic moves include entry into large generators (>100 MW, announcement due in August 2026) and a review of the railways segment, while Turkey is retained as a service hub for Europe. Margins held at 19.34% despite freight inflation, aided by price variation clauses and operating leverage. Key watchpoints: working capital pressure (receivables at ₹785 crores), a planned fundraise (details post-board meeting), and the sustainability of AI-driven demand, though management cites non-refundable customer advances and inelastic power demand as buffers. Forward focus remains on execution, capacity alignment, and margin defense.

Jyoti CNC Automation Ltd

Why read this call

This is a real inflection: a leading domestic CNC maker is doubling production capacity into a visible order book, with import substitution tailwinds and 86% utilization already. The call gives concrete evidence - commissioning date, order book size, machine sales - that the next 2-3 years will look very different from the last few. The Huron accounting noise (₹35cr revenue deferred) is a distortion, not deterioration.

The quarter

Consolidated revenue ₹508.5cr, +24% YoY (like-for-like ~₹30cr higher after Huron accounting change); adjusted EBITDA ₹119cr, margin 23.4%; PAT ₹57cr. Standalone revenue growth +37%, EBITDA margin 28.4%. Machine sales 1,406 vs 1,117 YoY.

The inflection

Capacity doubling: new facility adding 10,000 machines/year (from ~6,000) on track to commission by end-September 2026, with machinery already installed and raw materials stockpiled. Order book at ₹4,848cr (~2.4x annualized revenue) providing strong visibility. New NX double-column machine launched for railway/import substitution. Management guides 25-30% top-line growth and ~25% EBITDA margin for FY27.

We are running at close to our full utilization. Our plant operation at 86% capacity utilization in Q1 FY 2027, underscoring the need for the capacity expansion that we had announced earlier... our expansion project, which will add the capacity for 10,000 machines annually, is progressing as planned.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹508.5 crores	+24% YoY vs ₹410.2 crores; growth impacted by Huron accounting change (lower by ~₹30-35 crores on like-to-like basis)
Standalone Revenue	₹107 crores	+37% YoY; driven by strong domestic demand from general engineering, automotive, EMS, defense
Consolidated Adjusted EBITDA	₹119 crores (23.4% margin)	Adjusted for ₹10 crores unrealized forex losses; reported EBITDA ₹109 crores (21.4% margin)
Standalone Adjusted EBITDA	₹145 crores (28.4% margin)	+190 bps YoY vs ₹99 crores; reported EBITDA ₹137 crores (27.2% margin)
Consolidated PAT	₹57 crores (11.2% margin)	Reported for Q1 FY27
Standalone PAT	₹88 crores (17.2% margin)	+21% YoY
Machine Sales (Standalone)	1,406 machines	vs 1,117 in Q1 FY26; entry-level 1,349, mid-range 33, high-end 24
Order Book	₹4,848 crores	Strong revenue visibility; order intake ₹600 crores in Q1
Capacity Utilization	86%	Based on 6,000 machines/year capacity; near full utilization

Geographic & Segment Commentary

- **Aerospace & Defense:** Contributed 37% of revenue and 38% of order book; demand led by defense indigenization and MBDA-related orders (partially received in Q1, more expected). European companies entering India view Jyoti as preferred supplier.
- **Automotive & Auto Components:** 35% of revenue and 19% of order book; healthy demand driven by EV and advanced manufacturing initiatives.
- **General Engineering:** 17% of revenue, 20% of order book; strong demand from Rajkot cluster where 250+ machines booked in July alone.
- **Electronics Manufacturing Services (EMS):** 6% of revenue, 13% of order book; 200+ engineers working with customers on process development; new PLI scheme (₹40,000 crores) expected to drive orders as customers get clearances.
- **Huron (Global Operations):** Revenue ~₹35 crores vs ~₹70 crores last year; production of ~₹6.5 million worth of machines but only ~₹3 million billable due to export license delays; demand improving across defense, aerospace, general engineering.

Company-Specific & Strategic Commentary

- **New Product Launch (NX Machine):** Launched high-precision double column machine (6-meter, 3+1 axis, five-sided) targeting railway, commercial vehicles, infra, power, heavy engineering; 300+ machines of this category imported annually at ₹3-5 crores each; 8-meter and 10-meter variants under development; orders already received from railway component suppliers.

- **Capacity Expansion:** New facility adding 10,000 machines annually on track for commissioning by end September; capex target ₹450 crores (₹200-225 crores in FY27); raw materials and inventory proactively built over past 9 months; foundry slightly delayed to October.
- **CNC Controller Development:** HMI ready; drives, motors, and CNC in development; commercialization expected in 2 years; PLI application filed (25% central + 25% state capital subsidy).
- **Customer Qualification Programs:** Ongoing with semiconductor companies and Apple; multiple customers qualified, processes being developed with 200+ dedicated staff.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth (FY27)	25-30% growth	Management committed; standalone performance strong, Huron to normalize; expect >8,000 machines sold in FY27
EBITDA Margin (FY27)	~25%	Standalone already at 27%+; Huron drag temporary due to revenue recognition delay
Huron Revenue (FY27)	₹300-325 crores	Despite Q1 softness; EBITDA margin 8-10% at Huron level
Order Intake (FY27)	₹2,500-3,000 crores	Q1 intake ~₹600 crores; higher H2 ordering as capacity comes online
Capex (FY27)	₹200-225 crores	Balance of expansion project plus maintenance capex
Operating Cash Flow	~50% of EBITDA conversion	Working capital improvement expected as inventory normalizes post-commissioning

Risks & Constraints

RISK	CONTEXT
Huron Export License Delays	End-user certificates taking longer due to geopolitical situation (dual-use export controls); ₹100+ crores revenue pending recognition across 7-8 machines; management engaged with authorities, expects clearance but timeline uncertain
Revenue Lumpiness	Shift from percentage-of-completion to conservative dispatch-based recognition creates quarterly volatility; Q1 impacted by ~₹35 crores revenue and ~₹20-22 crores EBITDA; management advises annual perspective
Geopolitical Disruption	Middle East tensions moderated but could impact supply chains, oil prices, trade; global environment remains sensitive
Competition	BFW setting up 10,000 machine capacity in Hosur; imports at 62% of domestic consumption; increased competition expected as capacity expands industry-wide
Regulatory Investigation (Huron)	Ongoing investigation; management asserts no impairment expected and no operational disruption

Q&A Highlights

Huron Accounting Change & Revenue Recognition

- Question: Saif Sohrab Gujar (ICICI Prudential AMC) and others sought clarity on accounting method change and license delays. (Saif Sohrab Gujar, ICICI Prudential AMC; Bajrang Bafna, Sunidhi Securities; Prerak Gandhi, Sowilo

Investment Managers)

- Answer: Export licenses now take longer due to geopolitical situation; end-user certificates required for dispatch (especially China, Turkey). Conservative method adopted-revenue recognized only on dispatch. ~₹35 crores revenue missed in Q1; ~₹100 crores pending across 7-8 machines. Management expects approval "very soon" but cannot commit timeline. No impairment risk. (Parakramsinh Jadeja, CMD)

Capacity Expansion & Capex

- Question: Harshit Patel (Equirus Securities) asked about capex phasing, backward integration timeline, and working capital outlook.
- Answer: Total capex ₹450 crores; FY27 spends ₹200-225 crores. Machine shop 80% complete (machining started), sheet metal in 1 week, paint shop ready, foundry by October. Working capital in inventory will "drastically improve" post-commissioning; expect positive operating cash flow surprise. (Parakramsinh Jadeja, CMD)

Margin Reconciliation & Cost Structure

- Question: Rabindra Nath Nayak (Nirmal Bang) questioned consolidated margin of 23.4% vs. earlier guidance of 25%.
- Answer: Standalone margin strong at 27%+. Difference entirely from Huron-₹35 crores revenue built but unbillable; costs loaded. Missed ~₹20-22 crores of margin. Interest costs not capitalized since facility partially put to use. On like-to-like basis, margins on track. (Parakramsinh Jadeja, CMD)

Realization & Product Mix

- Question: Arafat (Dolat Capital) noted blended realization declined to ₹36 lakh per machine.
- Answer: Last year Q1 average ₹34.4 lakh vs. this year ₹34.5 lakh-almost flat. Realizations expected to stay in range as entry-level mix increases with new capacity. Management guided to 25% EBITDA consistently across model mix. (Parakramsinh Jadeja, CMD)

Huron Full-Year Guidance

- Question: Abhishek Jain (CRIS PMS) asked for Huron FY27 revenue and margin guidance.
- Answer: Expect ₹300-325 crores revenue at Huron level with 8-10% EBITDA margin. Capacity (expanded Nov-Dec 2025) supports ~₹75 million (~₹750 crores) full-capacity realization on large machines. Intercompany components carry 20-25% margin. (Parakramsinh Jadeja, CMD)

Demand Environment & Order Visibility

- Question: Shwetha (iThoughtPMS) and Jay Shah (Genuity Capital) asked about replacement demand and local upgradation.
- Answer: Record order book; July saw highest-ever monthly intake with 1,000+ machines in India (250+ from Rajkot alone). Customers from 2000-2005 replacing machines; component manufacturers upgrading to aerospace-grade parts for Airbus, Dassault programs. India transitioning to high-value manufacturing; "China plus one" driving business. (Parakramsinh Jadeja, CMD)

Debt & Cash Flow Outlook

- Question: Deepesh Kashyap (Invesco MF) asked about debt levels and OCF expectations.
- Answer: Debt flat vs. March levels; discipline of 1:2 debt-to-EBITDA maintained. Expect OCF at ~50% of EBITDA this year with working capital improvement. Capex ₹200-220 crores funded without increasing net debt.

(Parakramsinh Jadeja, CMD)

CNC Controller & PLI

- Question: Abhishek Jain (CRIS PMS) asked about CNC controller progress and PLI incentives.
- Answer: HMI ready; drives, motors, CNC in development. Commercialization in ~2 years. PLI applied-25% central plus 25% state capital subsidy (50% total). Plans ready pending clearance. (Parakramsinh Jadeja, CMD)

Key Takeaway

Jyoti CNC Automation delivered robust Q1 FY27 with standalone revenue up 37% to ₹107 crores (27.2% reported EBITDA margin, 190 bps YoY improvement) while consolidated performance was flattered by Huron accounting conservatism-₹35 crores of billable revenue deferred pending export license clearances, masking underlying strength with consolidated revenue at ₹508.5 crores (+24%) and adjusted EBITDA at 23.4%. Order book stands at a record ₹4,848 crores with ₹600 crores intake in Q1, and July witnessed the highest-ever monthly domestic booking of 1,000+ machines, including 250+ from Rajkot alone. The company remains on track to commission its 10,000-machine capacity expansion by end-September (₹200-225 crores FY27 capex), with backward integration nearing completion. Management reaffirmed FY27 guidance of 25-30% revenue growth and ~25% EBITDA margins, targeting >8,000 machine sales, with Huron guided to ₹300-325 crores revenue at 8-10% EBITDA. Key watch points include resolution of Huron export license timelines (~₹100 crores revenue overhang across 7-8 machines), competitive capacity additions (BFW), and successful ramp-up of the new facility, which positions Jyoti to capitalize on India's 62% import dependence in machine tools amid accelerating manufacturing localization and China-plus-one tailwinds.

Standard Engineering Technology Ltd

Why read this call

This is a genuine inflection point. The company is not just growing its core (40-50% guided) but is transforming into a two-engine high-precision engineering platform: one engine in pharma/chemical equipment with a fat order book, and a second engine in AI data center infrastructure with a factory coming online in months and revenue guidance backed by active customer discussions. The GL Hakko partnership adds proprietary, competition-free products with a confirmed order. Management gives specific numbers, dates, and customer counts - not vague optimism. The next 2-3 years will look radically different from the last 3, making this call essential for anyone tracking the company's evolution.

The quarter

Q1 FY27: total income ₹250 cr (+41% YoY), EBITDA ₹44 cr (+27%), PBT ₹36 cr (+26%), PAT ₹26 cr (+26%), EBITDA margin 17.5%. Core business order book ₹1,400 cr. Management guides FY27 core revenue to ₹1,200 cr (+40-50%) and GScale (new AI data center business) to add ₹250 cr, total ₹1,450 cr.

The inflection

Two simultaneous inflections: (1) Entry into AI data center infrastructure via GScale Energy (acquiring up to 51% stake) - 400,000 sq ft factory under execution, operations starting November 2026, five active customers (3 global hyperscalers, 2 Indian DC players), LOIs in advanced stages, targeting ₹250 cr revenue in FY27, EBITDA margin guidance 23-25%. (2) Strategic 19% stake (₹71 cr) in GL Hakko (Japan) with right to increase to 51% - brings unique glass-lining technologies: shell & tube glass-lined heat exchangers (no global competitor, 50% cost reduction for customers), conductive glass (spark-testable, unique), and semiconductor-grade low-leaching glass (already won a big order from a top Indian client). These are new products with no Indian/global competition, and exports to Europe/US planned from FY28.

Two engines, one company, running at double speed. This is SETL today.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Income	₹250 crores	41% YoY growth; record quarter driven by core pharma/chemical engineering business
EBITDA	₹44 crores	27% YoY growth; EBITDA margin 17.5%, reflecting lower margin YoY due to investments in new GScale business and consumables reduction
Profit Before Tax	₹36 crores	26% YoY growth
Profit After Tax	₹26 crores	26% YoY growth
Order Book (Core Business)	₹1,400 crores	Unexecuted order book; ~50% from CDMO segment, balance from pharma and chemical
Exports Share	2-3% of revenue	Sharply lower QoQ due to global market uncertainty; management expects 5-6% in Q2 FY27
Working Capital Days	~220-240 days	Expected to decline below 200 days by September FY27; driven by stable inventory, higher customer advances, and improved collections

Geographic & Segment Commentary

Core Pharma & Chemical Engineering: Strong momentum continuing with 40-50% growth expected for FY27, targeting ~₹1,200 crores revenue. Order book at ₹1,400 crores with ~50% from CDMO clients. Industry capex across pharma remains robust (estimated ₹70,000-80,000 crores market), and management sees significant headroom - company holds only ~1% market share. No geographic concentration issue; growth is pan-India.

Exports: Exports declined to 2-3% of revenue in Q1 due to global market uncertainty, though management expects recovery to 5-6% in Q2. Exports remain a strategic focus especially for new glass-lined products in Europe and U.S. markets.

Company-Specific & Strategic Commentary

GScale Energy Acquisition (AI Data Center Infrastructure): SETL is acquiring up to 51% stake in GScale Energy, targeting ₹250 crores revenue in FY27. Products include power systems, cooling skids, modular systems, and turnkey design-build solutions. Facility: 4 lakh sq ft acquired; 2 lakh sq ft in execution with robotic equipment arriving by mid-September; operations starting November. Working with 5 data center customers (3 global MNC hyperscalers, 2 Indian players), with LOIs in advanced stages. EBITDA margins expected at 23-25%. India data center market projected to grow 6x from 1.8 GW to 10.2-10.5 GW by 2030; ~65% of the ~₹1 lakh crore per GW capex goes to products. GScale model: 60-70% equipment manufactured in-house, targeting project timeline reduction from 24-36 months to 15-18 months.

GL Hakko Partnership (Japan): SETL invested ~₹71 crores for ~19% stake with right to increase to 51% in 2-3 years. Access to 70 years of Japanese glass lining technology - a unique moat. Three product lines: (1) shallow tube glass heat exchangers (India market ₹2,000 crores, global \$2 billion) with pricing advantage (₹12-15 lakhs vs ₹30 lakhs earlier); (2) conductivity glass reactors (spark-testable, no global competitor); (3) low-leaching, high-corrosion glass for semiconductor-grade chemicals. Critical glass manufacturing stays in Japan for technology protection; India handles fabrication (20% value). GL Hakko current revenue ₹200 crores, target ₹400 crores in 2-3 years with 51% acquisition on reaching this milestone.

FY27 Consolidated Guidance: Total revenue guided at ~₹1,450 crores: ₹1,200 crores core business (40-50% growth) + ₹250 crores GScale.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Core Business Revenue	~₹1,200 crores for FY27	40-50% growth over prior year; driven by pharma/CDMO capex cycle and strong order book; management confirmed minimum 25-30% growth for future years
GScale Revenue	₹250 crores for FY27	Backed by active negotiations with 5 data center customers; 2 lakh sq ft capacity operational from November; order conversions expected within current year
Consolidated Revenue	~₹1,450 crores for FY27	Combination of core business + GScale; segment change to "solution sales" model
EBITDA Margin	17-18% (consolidated)	Management committed to maintaining this range; GScale expected at 23-25% EBITDA margin once ramped
GL Hakko Revenue	₹400 crores in 2-3 years	From current ₹200 crores; growth via product basket expansion and Indian fabrication support
Working Capital Days	<200 days by September FY27	Revenue growth without proportional inventory build; higher customer advances; improved collections
GScale ROI	~20% expected	Management to provide detailed revenue and ROI guidance soon

Risks & Constraints

RISK	CONTEXT
GScale Revenue Execution	₹250 crores revenue targeted from a new business with production starting only in November. Management cites active LOIs with 5 customers but no binding orders disclosed; achievement depends on timely facility commissioning and order conversion.
Export Volatility	Exports fell to 2-3% of revenue in Q1 due to global uncertainty and elevated shipping costs (reportedly up 4x). Management expects recovery to 5-6% in Q2, but persistent global market disruption could cap export contribution.
Key Man / Integration Risk	GScale business is led by Brahma Reddy Kasu (founder of GScale Group); 51% acquisition structure and successful integration of a new leadership team into SETL processes is untested. Management expressed confidence but no performance history exists.
Technology Protection / Offshoring	Glass manufacturing deliberately retained in Japan (critical parts) - not transferred to India. This creates supply chain dependency on Japan for key inputs, though it protects against IP leakage. Any disruption in Japan operations would impact SETL's product delivery.
Working Capital Stretch	Current 220-240 days working capital cycle is elevated; management targets <200 days by September. High growth in both businesses could strain cash flows if receivables or inventory don't behave as projected.
Competition in Glass Lining	Management claims no global competitor for conductivity glass and shallow tube heat exchangers; however, European and U.S. glass lining companies exist for low-leaching glass. Pricing advantage (50%+ cost reduction) mitigates competitive risk.

Q&A Highlights

GScale Business Model and Revenue Visibility

- Question: What exactly will GScale do, what margins are expected, and when will revenue materialize? (Raman KV)

- Answer: GScale addresses the 6x growth in India's data center market (1.8 GW to 10.2-10.5 GW by 2030). Business includes power products, cooling products, modular/skid-mounted systems, and turnkey design-build solutions. Working actively with 5 data center customers (3 global hyperscalers, 2 Indian), with LOIs in advanced stages; targeting ₹250 crores revenue in FY27. (Brahma Reddy Kasu, Nageswara Kandula)

GScale Manufacturing vs. Assembly

- Question: Are you just an assembler of others' components, or a manufacturer? Why would global OEMs like Schneider/ABB share technology? (Vijay Mahadevia)
- Answer: GScale manufactures in-house - fabricating skids, PDUs, switchgear panels, and secondary fluid networks using components sourced from global OEMs under partnership/licensing. These are integrated as complete solutions, not mere assembly. DFMA (Design for Manufacturing and Assembly) approach allows parallel fabrication during civil construction, cutting project timelines from 24-36 months to 15-18 months. OEMs partner because they can't deliver integrated system-level solutions at GScale's scale. (Brahma Reddy Kasu, Nageswara Kandula)

GL Hakko Technology Uniqueness

- Question: Is there any technology barrier or competition for these glass-lined products? (Vijay Mahadevia)
- Answer: Three unique product lines: (1) shallow tube glass heat exchangers - sold at 50%+ price reduction (₹12-15 lakhs vs ₹30 lakhs), 80% manufactured in Japan to protect IP; (2) conductivity glass - unique spark-testable glass with corrosion resistance, no manufacturer in India or globally; (3) low-leaching glass (part-per-trillion leaching levels) for semiconductor-grade chemicals - recently secured a pilot plant order from a major Indian client. (Nageswara Kandula)

Semiconductor Grade Glass - Manufacturing Location

- Question: Is the semiconductor glass manufactured in-house at Hyderabad or in Japan? (Shiva)
- Answer: Glass is manufactured in Japan and imported; reactors are fabricated, glass-sprayed, and assembled in India. No technology transfer agreement currently exists - SETL deliberately retains critical glass technology in Japan for secrecy protection. (Nageswara Kandula)

Order Book and Growth Sustainability

- Question: What is the unexecuted order book and can 40-50% growth continue? (Rahul)
- Answer: Order book is ~₹1,400 crores after Q1 billing. Pharma CDMO capex cycle is strong; any pharma company must invest to grow. Industry capex is ₹70,000-80,000 crores and SETL holds ~1% share, providing massive headroom. "Sky is not the limit" - visibility is bright. (Nageswara Kandula)

FY27 Working Capital Improvement Drivers

- Question: What drives the working capital improvement from 220-240 days to below 200? (Rahul Maheshwari)
- Answer: Inventory is expected to stay flat despite revenue growth (no stock increase), customer advances are rising, and receivable collections are improving. GScale working capital is expected at even lower levels (below 150 days) due to advance payments and faster project delivery cycles. (Nageswara Kandula)

FY27 Revenue Guidance and GScale Trajectory

- Question: Can we extrapolate ₹250 crores GScale revenue into a 3x/4x number for FY28? (Rahul Maheshwari)
- Answer: Consolidated FY27 guidance is ₹1,450 crores (₹1,200 crores core + ₹250 crores GScale). Exact FY28 guidance will be provided once manufacturing is fully operational and customer LOIs convert. Minimum 25-30%

core growth previously guided; this year revised upward to 40-50% on order book strength. (Nageswara Kandula)

EBITDA Margin Outlook

- Question: Is the margin decline temporary or structural? Can we expect recovery? (Sandhya, Rohit Ohri)
- Answer: Decline is due to mechanization investments in two units and consumables reduction - a transitional impact. Management maintains 17-18% consolidated EBITDA margin guidance. GScale products and services expected at 23-25% EBITDA margin. Margin improvement expected through both operating and financial leverage. (Nageswara Kandula, Brahma Reddy Kasu)

Rationale for GScale Entry

- Question: How does AI data center business fit SETL's basket? (Rohit Ohri)
- Answer: Data centers evolved from telecom and pharma clean-room technologies. SETL already produces heat exchangers, boilers, SS skids, and power control systems used in pharma - highly similar products are required in data centers for precision cooling and power reliability. This is a natural adjacent market leveraging existing high-precision manufacturing capabilities. (Nageswara Kandula, Brahma Reddy Kasu)

FY28 Revenue Building Block (\$3,000 crores question)

- Question: Can consolidated revenue reach ₹3,000 crores in FY28? (Mani Shankar)
- Answer: Management declined to give specific FY28 numbers but confirmed fundamentals and opportunities are very high; exact guidance will be announced when order visibility matures. (Nageswara Kandula)

Royalty / Licensing Structure

- Question: Is there any royalty obligation on these technology transactions? (Arvind)
- Answer: No royalty - GScale operates on a licensing model for technology. GL Hakko arrangement is stake-based (19% now, up to 51% later) with critical parts sourced from Japan. No royalty is being paid currently. (Nageswara Kandula, Brahma Reddy Kasu)

Key Takeaway

Standard Engineering Technology delivered a record Q1 FY27 with total income of ₹250 crores (41% YoY), EBITDA of ₹44 crores (27% YoY), and PAT of ₹26 crores (26% YoY), while concurrently building two new growth engines: GScale Energy (AI data center infrastructure, 51% acquisition, ₹250 crores FY27 revenue target, 23-25% EBITDA margin potential) and GL Hakko partnership in Japan (19% stake, ₹71 crores investment; shallow tube glass heat exchangers, conductivity glass, and semiconductor-grade glass-lined reactors with no global competitors). Core business order book stands at ₹1,400 crores with 50% from CDMO clients, supporting the upgraded FY27 core guidance of ₹1,200 crores (40-50% growth) - combined consolidated guidance of ₹1,450 crores. Management targets working capital compression below 200 days and maintains 17-18% EBITDA margin guidance. Key watch items include GScale's order conversion and November facility commissioning, export recovery from the current 2-3% level, and the planned GL Hakko stake increase to 51% contingent on its revenue doubling from ₹200 to ₹400 crores in 2-3 years.

Omnitech Engineering Ltd

Why read this call

This is a textbook inflection call. The business is not just having one strong quarter; it is transitioning from a ~INR600 crore revenue company into one with a locked-in, dated order book nearly 5x that size. The receipts are concrete: named customers, signed multi-year contracts, and a INR250 crore capex with FY28 commissioning dates. Even though the PAT jump is flattered by a switch from WDV to straight-line depreciation (a minor yellow flag), the 61.5% revenue growth and 30.4% EBITDA margin are real and sustainable. Investors need to hear this call to understand the conversion ramp, working capital trajectory, and whether the management can execute on the massive capacity addition. This is the kind of revenue visibility and capacity expansion that changes what a company looks like in 3 years, and it is exactly what the RKFORGE and HSCL calibration calls capture.

The quarter

Consolidated Q1 FY27 revenue of INR166.6 crores (+61.5% YoY), EBITDA of INR50.62 crores (+90.8%, ~30.4% margin), PAT of INR29.73 crores (+468.7% YoY). Net debt/equity at 0.41, and net working capital days improved sharply to 233 from 294 at FY26 year-end. Return on equity annualized at 16.8% vs 11.7% for FY26.

The inflection

The order book stands at over INR3,000 crores versus an annualized revenue run-rate of roughly INR600-650 crores. Of this, INR2,000 crores is in two multi-year (4-5 year) orders, including a named Weatherford contract exceeding USD100 million; the remaining INR1,000 crores is in short-to-moderate cycle orders. This provides 4-5 years of revenue visibility. To execute, the company is spending INR250 crores on two new Chhapara facilities, expanding annualized machining hours from ~32 lakhs to ~42-43 lakhs, with commissioning slated for FY28.

Defense/aerospace is beginning to contribute (in 'others' vertical at ~7% of revenue) with Nadcap certification ongoing and first article approvals progressing.

Our order book stands robust over the INR3,000 crores, well-distributed across the business vertical, giving us a strong revenue visibility even as we continue to pursue new qualifications and approval to further strengthen it. ... So, it's around this is a some two orders out of INR3,000 crores, there is a INR2,000 crores of two orders. So, that is having a timeline of around 4 to 5 years.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹166.6 crore	YoY +61.5%, QoQ +12.1%; strong execution across operations with continued demand momentum
EBITDA	₹50.62 crore	YoY +90.8%, QoQ +1.7%; margin discipline sustained, EBITDA margin ~30.4%
Profit Before Tax	₹39.68 crore	YoY +425.7%, QoQ +2.8%; driven by operating leverage and NBFC loan restructuring benefits
Profit After Tax	₹29.73 crore	YoY +468.7%, QoQ +1.4%; significant profitability improvement
Gross Margin	~70%	Management anticipates 68%-71% range going forward; product mix dependent
Cash & Equivalents	₹133.7 crore	Down from ₹163 crore at FY26 end; deployed towards capex and ₹50 crore long-term debt repayment
Total Debt	₹390 crore	Net debt-to-equity at 0.41x vs 0.34x at FY26 end
Return on Equity (annualized)	16.8%	vs 11.7% for FY26; strong improvement
ROCE (annualized)	17.8%	vs 13.7% at FY26 year-end
Net Working Capital Days	233 days	vs 294 days at March 31, 2026; driven by inventory rationalization and receivable normalization
Inventory Days	182 days	vs 225 days at year-end
Receivable Days	119 days	vs 153 days at year-end; collections normalized as expected
Payable Days	69 days	vs 80 days at year-end; partially offset working capital improvement
Order Book	₹3,000+ crore	As of July 31, 2026; includes Weatherford multi-year order >\$100 million
Installed Machine Capacity	3.2 million hours (annualized)	+20.7% YoY; across three facilities aggregating ~80,000 sq m

Geographic & Segment Commentary

Energy (49% of revenue): Largest vertical, anchored by Weatherford multi-year order (over \$100 million) and trials/FAs with oil majors Saudi Aramco and Petrobras, which are at the approval stage. Loose component FAs are completed; management expects final approvals within 6-12 to 15 months.

Motion Control & Automation (24%): Short-cycle business with 3-4 month order timelines, supporting steady revenue conversion. Customers include ABB and Siemens.

Industrial Equipment Systems (19%): Contributes moderate-cycle orders alongside motion control, helping balance the long-cycle energy orders.

Other Diversified Applications (7%): Includes early defense and aerospace revenue, which already started contributing in Q1. Management expects this to grow gradually over 1-3 years as FA approvals and Nadcap accreditation progress.

Geographic Distribution: North America contributed 52% of revenue (55-60% of order book), Asia 27%, India 17%, Europe & UK 3%. Exports accounted for ~78% of revenue. Management is working to rebalance geographic risk with Middle East and Europe growing, targeting a 10-20% shift in geographic dependence.

Company-Specific & Strategic Commentary

Capex Expansion: ₹250 crore firm capex plan for two new world-class facilities at Chhapra (₹100 crore building, ₹150 crore plant & machinery; ₹25 crore earmarked for existing Chhapra plant). Facilities to commercialize in FY28 with some spillover due to monsoon delays of 1-1.5 months. Capacity to reach 42-43 lakh machine hours from current 32 lakh hours. Additional strategic land acquired in Ahmedabad with capex yet to be planned.

Defense & Aerospace Entry: FA (First Article) approvals ongoing with Nadcap accreditation in process across multiple processes (turning, milling, 1-10m, grinding, broaching, laser cladding, laser welding). Margins in this vertical are expected to be better than current business. Early revenue already booked in Q1 under 'Others' segment.

Raw Material Pass-Through: 100% pass-through mechanism for raw material and forex with all major OEM customers, though there is a 2-3 month lag via quarterly business reviews. Key materials include stainless steel, Inconel (<15% of mix), carbon steel, low alloy steel, and aluminum.

Operational Milestones: 19 years of operations, 256+ global customers across 24 countries. Precision capability up to 5 microns. 1.2 MW solar plant operational, contributing to P&L. Depreciation method changing from written-down value to straight-line from FY27 for efficiency in capex-heavy years.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth (FY28)	35%-40% YoY	Historical growth range; current facilities have capacity headroom and FY28 beginning-of-year revenue is already covered by order book
EBITDA Margin	~30% and above	Sustainable given capability positioning; 1-2% variance by product mix. Investments in new verticals (aerospace, defense, new energy) absorb some margin
Gross Margin	68%-71%	CFO guidance; subject to product mix shifts and pass-through timing
Machine Capacity (post-capex)	42-43 lakh hours	Estimated upon completion of two new Chhapra facilities in FY28
Working Capital Days	Further 10%-20% improvement	Management committed; historical levels below 200-220 days. Trade-off with growth trajectory noted
Revenue Potential (existing plants)	₹800-900 crore	At current capacity utilization; material mix dependent
ROCE (on new capex)	>20%	Asset turnover ratio of 2.25-2.5x assumed; ramp-up to peak levels takes years
Defense/Aerospace Revenue	1-3 years to meaningful contribution	FA approvals and order conversions progressing; some revenue already flowing in FY27

Risks & Constraints

RISK	CONTEXT
Capex Timeline Slippage	Monsoon rains delayed Chhapra project by 1-1.5 months; spillover into FY28 expected. Management working to catch up on schedule targets
Geographic Concentration	North America represents 55-60% of order book, creating export concentration risk. Mitigation: Middle East and Europe growth, targeting 10-20% rebalancing
Working Capital Intensity	Net working capital at 233 days, though improved from 294 days. Management acknowledges trade-off between growth trajectory and working capital optimization; target below 200-220 days historically
Raw Material Pass-Through Lag	100% pass-through mechanism exists but takes 2-3 months via quarterly business reviews, creating temporary margin compression risk
Qualification Cycle Uncertainty	Defense/aerospace FA approvals and Nadcap accreditation subject to documentation and validation timelines; management states they are on track but timelines can extend
Talent Acquisition	Management noted ongoing challenges in bringing right talent on board across levels to support growth projections beyond 1-2 years

Q&A Highlights

Capex & Capacity Expansion

- Question: What is current capacity by facility and capex plans across sites, including new land at Hyderabad and Ahmedabad? (Harshit Patel)
- Answer: Current annualized capacity 32 lakh hours - Metoda 11 lakh, Chhapra 19.5 lakh, Padavla 1.37 lakh. Total ₹250 crore capex at Chhapra (₹100 crore building, ₹150 crore P&M, of which ₹25 crore for existing plant). Capacity to reach 42-43 lakh hours. Slight spillover to FY28 due to rain delays. (Paras Parekh, Uday Parekh)

Aerospace & Defense Opportunity

- Question: What progress on FAs for aerospace/defense OEMs and tier-1s; margin profile and timing? (Harshit Patel)
- Answer: FAs undergoing, Nadcap accreditation in process; right on track. Margins will be better than current business. Qualifying as quickly as possible with processes well aligned. (Bhavin Acharya)

Large Order Execution

- Question: How much of the two large orders (~₹1,000 crore each) executed and what's the schedule? (Lucky Agarwal)
- Answer: These are 3-5 year staggered ramp-up orders; ~₹50 crore executed in Q1. Year-on-year gradual improvement expected. Additional short-cycle orders (3-4 months) in industrial and motion control support revenue. (Uday Parekh)

Margin Guidance & Product Mix

- Question: Are current EBITDA margins sustainable; what is product mix between build-to-print and build-to-spec; raw material mix? (Lucky Agarwal)
- Answer: Historically similar margins over 3-5 years; 1-2% variance by product. Investing in new verticals (aerospace, defense, new energy) impacts P&L. Business is predominantly build-to-print B2B. Materials include stainless steel, Inconel (<15%), carbon steel, low alloy steel, aluminum. (Uday Parekh)

FY28 Guidance & Order Book

- Question: FY28 revenue and margin outlook; order inflow in Q1; order book executable over how many years? (Diya Jain)
- Answer: FY28 growth 35-40% (historical range); EBITDA margin ~30%+. Order book ₹3,000+ crore maintained with new orders filling in. ₹2,000 crore of two large orders span 3-5 years; ₹1,000 crore short/moderate cycle at 6-18 months. (Uday Parekh)

Capacity Utilization & Working Capital

- Question: Maximum revenue potential from current capacity; room for further working capital improvement; macro issues on export front? (Pawan Kumar)
- Answer: Existing facilities can generate ₹800-900 crore; capacity for FY28 beginning already covered. Working capital target below 200-220 days but balancing growth. No execution challenges from macro; energy costs mitigated by 1.2 MW solar now operational. (Uday Parekh)

Raw Material Pass-Through Lag

- Question: Raw material cost increased from 20% to 24% to 28% sequentially - time lag in passing through? Sustainable gross margin level? (Sumit Chopra)
- Answer: Low-volume high-mix business creates product mix effects; pass-through via quarterly business reviews takes 2-3 months with forex equalization. Gross margin anticipated at 68-71%. Q1's 60% growth was Chhapra ramp-up; sustainable year-on-year growth is 35-40%. (Uday Parekh, Paras Parekh)

Working Capital Cycle & Geographic Order Book

- Question: Working capital outlook for FY27/FY28; geographic segmentation of order book? (Aditya Magar)
- Answer: Working capital to improve another 10-20%; North America 55-60% of order book; Middle East and Europe growing, targeting 10-20% geographic rebalancing. (Uday Parekh)

Depreciation, Debt & Defense Pipeline

- Question: Depreciation and interest outlook post-IPO debt repayment; defense vertical pipeline and addressable market? (Jagdish)
- Answer: ₹50 crore long-term debt repaid from IPO proceeds, total debt ₹390 crore. NBFC loans restructured at lower interest. Depreciation switching from written-down value to straight-line method from FY27 for efficiency. Defense revenue already booked in Q1 (in 'Others'), more expected in FY27 and FY28. (Paras Parekh, Uday Parekh)

Capex Peak Sales & ROCE

- Question: Can quarterly run rate reach ₹400 crore (₹1,600 crore peak sales) after current capex; expected ROCE; status of trials with large oil & gas customers? (Aman Vij)
- Answer: Peak sales roughly similar to what was suggested; machines added in staggered manner. Asset turnover 2.25-2.5x, ROCE >20% but peak-level ramp takes years. Saudi Aramco and Petrobras loose component FAs completed, moving to approval stage in 6-12 to 15 months. (Uday Parekh)

Key Takeaway

Omnitech Engineering delivered a strong Q1 FY27 with revenue of ₹166.6 crore (+61.5% YoY), PAT of ₹29.73 crore (+468.7% YoY), and EBITDA margin at ~30.4%, driven by Chhapra plant ramp-up and margin discipline. Net working

capital days improved materially to 233 from 294, with receivables normalizing to 119 days. The ₹3,000+ crore order book (including Weatherford's >\$100 million order and ~₹2,000 crore across two long-cycle contracts) provides multi-year visibility, while management guided 35-40% revenue growth for FY28 with EBITDA margins maintained at ~30% and above. The ₹250 crore capex program at Chhapra (two new facilities targeting 42-43 lakh machine hours by FY28) is progressing despite monsoon delays, with additional strategic land acquired in Ahmedabad. Defense and aerospace verticals are advancing through FA approvals and Nadcap accreditation with better margin profiles, and early revenue is already flowing. Key watch points include the 2-3 month raw material pass-through lag, 55-60% North American order book concentration, and the working capital-gre growth trade-off as management balances aggressive expansion with operational efficiency. Management remains confident that FY27's strong start, backed by existing capacity headroom covering early FY28 revenue, positions the company to sustain its growth trajectory through the fiscal year.

Astra Microwave Products Ltd

Why read this call

This call captures a defining inflection point. The quarter itself was modest, but the HAL order is a game-changer that doubles the order book and provides multi-year visibility. Management backs its conviction with specific numbers, dated orders, and program-level detail. The next 2-3 years will look dramatically different from the past, with revenue scaling from ~₹1,000 cr to potentially ₹6,000-7,000 cr. This is exactly the kind of inflection an investor needs to understand firsthand.

The quarter

Q1 FY27 revenue ₹182 cr, modest due to temporary delays in customer approvals and technical issues. Standalone order book ₹2,156 cr, consolidated ₹2,849 cr. In July, secured a landmark ₹2,205 cr order from HAL for Uttam Radar subsystems, taking total order book to ~₹4,300 cr. Also emerged lowest bidder for AMCA AAAU. FY27 revenue guidance ₹1,350 cr (+15-20%), FY28 ~₹1,600 cr. Management expects 6-7x last year's turnover in next 5 years.

The inflection

The HAL order for Uttam Radar subsystems is the single largest order in Astra's history, effectively doubling the order book and marking a step-change in scale. This is a real, dated order (July 2026) with a defined execution timeline (first 112 units by Sep 2027, full execution by FY32). The company is transitioning from a ~₹1,000 cr revenue base to a multi-year growth trajectory with visibility of ₹8,000-10,000 cr order intake over 3-4 years. Additional catalysts: L1 for AMCA AAAU, QRSAM orders expected, SU30/EW programs, and a planned demerger of space/weather business.

in the next five years or so we are expecting to do at least six to seven times our last year's annual turnover.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Order Book - Standalone	₹2,156 crores	66% defence, 34% space/meteorology/hydrology; provides strong forward visibility
Order Book - Consolidated	₹2,849 crores	Includes ₹244 crores of service orders, which are more margin-accretive
Order Book - Post Uttam (July 2026)	~₹4,300 crores	Record-breaking; single largest order in Astra history (\$2,205 crores from HAL, ~₹1,870 crores ex-GST) roughly doubled the order book
Q1 New Order Inflow	₹185 crores	Matched guidance; includes ₹45 crores BEL contract for MMIC chipsets
Q1 Revenue	₹182 crores	Modest/soft quarter due to temporary delays in customer approvals and closing last-stage technical issues; expected to normalize in coming quarters
FY27 Revenue Guidance	~₹1,350 crores	Targeting >15% YoY growth (15-20% confirmed as correct range)
Interest Cost (Q1)	Significantly down YoY	Driven by positive cash balance carried from FY26, minimizing overdraft utilization

Geographic & Segment Commentary

Defence (66% of order book): Landmark ₹2,205 crore HAL order for Uttam Radar subsystems (critical for Tejas Mk1A) executing over ~5 years; first 112 units due by September 2027 with ~25+ units/year thereafter, possible early completion by FY30-31. Emerged as L1 bidder for AMCA AAA-U development program. EW positioning strengthened across Tejas Mk1A (AATRU subsystem qualified, ~₹500-600 crores potential), SU30 Angad (DCPP), LCH subsystems. Brahmos: supplying critical RF component for RF seekers, telemetry products; new-generation NG seeker in development (few months to qualification).

Space, Meteorology & Hydrology (34% of order book): ~₹120-150 crores revenue planned from space in FY27; ~₹100 crores DRDO orders executing next quarter. Doppler weather radars: 45+ supplied to IMD across all frequency bands; Mission Mausam visibility for next 4-5 years, with new products (avalanche radar, complete weather platforms) in development. Space & weather business to be spun off as separate listed entity replicating same shareholding pattern, operating independently from April 1, 2027, with first-year guidance of ₹300+ crores and 18-20% PBT margin.

Company-Specific & Strategic Commentary

Uttam Radar Order (Landmark Milestone): Single largest order in company history (~₹2,205 crores ex-GST ~₹1,870 crores) from HAL, doubling order book to ~₹4,300 crores; execution over 5 years with 112 units by Sep 2027, ~25 units/year thereafter.

Multi-Platform Positioning: Active across all major airborne platforms - Tejas (Uttam radar), Avax Mark 2, Mach 1 supply chain (~25%+ content), SU30 upgrades (radar Tier-1, EW Tier-2), AMCA (VRL L1/L2 for 4 prototype units), and naval programs (Chatrugat/Samagut worth ~₹100-120 crores expected).

New Product Innovations: DEMOed EM Wall and vehicle-mounted anti-drone system in Jalandhar (July); modular design allowing client-mounted hard-kill/directed energy solutions, with interceptor drone capability being built in-house. By Diwali, two complete own radars and one drone-mounted intelligence product expected.

Organizational Restructuring: Dr. Radhakrishna inducted as new CTO; new heads for HR, quality, purchase, sales/marketing, and R&D domain heads added in last 18 months. SAP HANA migration completed successfully. SGR announced this as his last interaction as MD, passing baton to MV Reddy and Atim Kabra.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue	~₹1,350 crores (±25)	Growth >15% YoY (15-20% range confirmed); delayed Q1 deliverables recover in Q3/Q4; materials already received for those quarters
FY28 Revenue	~₹1,600 crores (±50)	~15-18% growth from FY27 guidance
FY29 Onwards	"Different trajectory"	Production orders for Uttam and QRSAM to drive step-change growth; cumulative order intake of ₹8,000-9,000 crores expected over next 3-4 years (order book + QRSAM ₹700-800 crores + ARC ₹500-750 crores + SU30/Viru Paksha/Angad ₹3,000 crores)
Space Entity (FY28, post-demerger)	₹300+ crores revenue; 18-20% PBT margin	Profitable from day one; own satellite launch within first 6 months of listing; data monetization and international supply chain plays
Astra Rafael Comsis (FY27)	₹360 crores sales	JV order book at ₹836 crores, execution on track with guided figures
FY27 Space Revenue	₹120-150 crores	Within the ₹1,350 crores consolidated guidance
EBITDA Margin	Similar to FY26 with positive delta	Competitive positioning enables maintenance; lifecycle profitability focus rather than initial margins

Risks & Constraints

RISK	CONTEXT
Supply Chain Stretch	Global re-stocking of armaments inventories is stretching supply chains across every country; management highlighted intensifying purchase department resources to ensure material arrives within defined timelines
Execution Capability	The 6-7x revenue scaling expectation (vs ₹1,057 crores FY26 base) over next 5 years requires significant execution leap; management cites offset-business experience at scale as evidence of capability
Customer/Technical Approval Delays	Q1 revenue impacted by inspection issues, development cycle delays, and supply chain challenges; management confident of recovery in Q3/Q4 and reiterated 1350 exit
Export Upside Not Yet Banked	Management confirmed exports still 1-2 years away for significant contributions; MMIC component orders from US/Europe possible but not committed; counter-UAV/EM Wall exports not in order book projections
Space Business Transition	Spin-off involves personnel identification, facility demerger, standalone accounting (initiated at year start); management acknowledged operational complexity but SAP Hana migration completed to support this

Q&A Highlights

Growth Target Discrepancy (Press Release vs Presentation)

- Question: Press release says 10-15% growth target but presentation says 15-20%; which is correct? (Amit Thawani, Clear Blue Capital)

- Answer: 15-20% is the correct guidance; over 15% growth targeting ₹1,350 crores (S Gurunatha Reddy)

Uttam Order Execution Timeline & Margins

- Question: What is the execution timeline and revenue booking over next 2-3 years? (Bhavya Gandhi, Bajaj Alt)
- Answer: Total execution ~5 years; first phase of 112 units by September 2027 (~14 months), then ~25+ units/year, possibly completing overall by FY30-31. Margins: Management expects to maintain current trajectory and views profitability across product life cycle ("long tail" from AMCs and upgrade cycles), possibly trading initial margin for order size (MV Reddy, Atim Kabra)

EW Systems & Incremental Platform Opportunities

- Question: Any play in EW systems for SU30 and LCH program? (Amit Dixit, Goldman Sachs)
- Answer: Yes - AATRU subsystem qualified for Tejas Mk1A EW suite (final qualification phase ongoing); SU30 EW Suite "Angad" - DCPD consortium partner; LCH subsystems being delivered. Tejas Mk1A alone could add ₹500-600 crores to order book projections (MV Reddy)

Order Book Visibility & 17,000 Crore Cumulative Question

- Question: Given revenue guidance, cumulative execution over 5-6 years would be ~₹17-18,000 crores vs stated ₹8-10,000 crore order intake; any bigger orders expected? (Akash Singh, ICICI Securities)
- Answer: Management disputed the ₹17,000 crore arithmetic; clarified ₹8-10,000 crores is order intake to be executed over next 5-6 years; annual recurring business from existing customers not factored into projections - stated numbers are meant to be conservative, positive surprises to follow (Atim Kabra, MV Reddy)

Space & Meteorology Business Update

- Question: Updates on satellite building and Mission Mausam / Doppler weather radar opportunity? (Prerit Jain, Motilal Oswal)
- Answer: Own satellite to launch within first 6 months of new space entity listing; part of a constellation. 45+ Doppler weather radars supplied to IMD across all frequency bands in last 4 years; Mission Mausam orders expected in current fiscal providing 4-5 year production visibility (Atim Kabra, MV Reddy)

Counter-UAV / EM Wall Scope

- Question: What is built in-house with the anti-drone system? (Prerit Jain, Motilal Oswal)
- Answer: Client mounts their own guns/directed energy weapons; Astra provides radars, detectors, targeting direction and alignment; interceptor drone capability being built in-house. Modular "lean-and-learn" strategy (Atim Kabra)

Working Capital Cycle

- Question: Can working capital moderate further given FOPM-heavy execution? (Prerit Jain, Motilal Oswal)
- Answer: Q1/Q2 working capital typically looks stronger due to prior year execution; Q3/Q4 pressure builds; expect similar position to previous year with clarity by end of Q3. No dilution for working capital - equity is expensive capital; ROE has moved up substantially and will further (S Gurunatha Reddy, Atim Kabra)

AMCA Program Opportunity

- Question: What is the quantum of opportunity in AMCA? (Dipen Vakil, PhillipCapital)

- Answer: Development program for active antenna array (AAA-U) where Astra and BEL emerged as L1/L2; production numbers depend on AMCA RFP outcome (3 consortium partners shortlisted); Astra will be part of supply chain of radar designated production agency (MV Reddy)

Space Demerger & Margin Guidance

- Question: What is the space revenue in FY27 guidance and margin outlook? (Mithun Aswath, Kivah Advisors)
- Answer: ₹120-150 crores of the ₹1,350 crores FY27 target; EBITDA margins to be similar to last year with a positive delta; space entity first-year guidance ₹300+ crores with 18-20% PBT margins, profitable from day one (S Gurnatha Reddy, Atim Kabra)

Brahmos Program Participation

- Question: What are Astra's offerings in the Brahmos missile program? (Abhijeet Singh, Systematix)
- Answer: Critical RF component for the OEM's gimbal-based RF seekers, telemetry products; proactive development of seeker for Brahmos NG (new generation) taking a few months to complete qualification. New programs not factored into order book projections - potential upside (MV Reddy)

Revenue Decline in Q1

- Question: Are there deferred revenues / finished goods inventory due to shipping issues? (Abhijeet Singh, Systematix)
- Answer: A few programs planned for Q1 sales missed because of inspection issues, development cycle problems, and supply chain delays; all material received for Q3/Q4, full year guidance reaffirmed. Management emphasized this is not a quarterly-driven business; yearly targets are the commitment (MV Reddy, Atim Kabra)

Space & Meteorology Sustainability

- Question: Will government capex on meteorology sustain beyond FY28? Any space opportunities beyond government programs? (Ansh Kapoor, Jefferies)
- Answer: Climate change driving sustained meteorological budgets; AVA developed new products - avalanche radar and complete weather platform solutions; demand visibility of 8-10 years. Space: own satellite for data monetization (industrial-grade data), international supply chain participation; detailed plans shared in 2 quarters (Atim Kabra, MV Reddy)

Key Takeaway

Astra Microwave reported a modest Q1 (₹182 crores revenue) with temporary customer approval and technical issue delays, but delivered a landmark strategic win - a ₹2,205 crore HAL order for Uttam Radar subsystems (5-year execution, 112 units by Sep 2027) that doubled the order book to a record ~₹4,300 crores and repositioned the company at the center of India's airborne defence ecosystem. Management reaffirmed FY27 revenue guidance of ₹1,350 crores (15-20% growth) and FY28 target of ₹1,600 crores, with a "different trajectory" expected from FY29 as Uttam and QRSAM production scale. Order intake visibility increased to ₹8,000-9,000 crores over next 3-4 years, driven by QRSAM, ARC JV, and SU30/Viru Paksha/Angad programs, plus ~₹500-600 crores incremental from Tejas Mk1A EW. Strategic focus areas include new IP products (EM Wall, anti-drone systems) demonstrated in July, AMCA AAA-U L1 positioning, and a space-weather demerger (April 2027) targeting ₹300+ crores with 18-20% PBT margins in year one. Supply chain stretch and execution scale-up (6-7x revenue target over 5 years) remain key watch points, alongside export upside (still 1-2 years away) that is deliberately excluded from all projections; margin guidance is for maintenance with positive delta, with management framing growth as multi-year and committed to yearly (not quarterly) delivery.

AXISCADES Technologies Ltd

Why read this call

This is a rare, well-articulated inflection: a company selling its legacy services businesses at a huge gain and using the proceeds to build a higher-margin manufacturing/product platform, with order visibility, named customers, and dated acquisition timelines. The quarter's reported loss is fully explained by one-off divestment costs, and the underlying business is growing fast. The next 2-3 years will look completely different from the last 3. Investors need to understand the new AXISCADES being built.

The quarter

Consolidated revenue ₹346cr (+42% YoY, +27% QoQ), highest ever. Reported net loss ₹14.8cr due to divestment-related one-offs (₹21.8cr transaction cost, ₹13.1cr provisions). Continuing operations revenue ₹183cr (+94% YoY). Normalized EBITDA ₹41cr (11.8% margin), normalized PAT ₹20.2cr. Defense revenue ₹125cr (+112%), ZEDA revenue ₹49.5cr (+63%) at 33% EBITDA margin. Order book/visibility ₹4,557cr. Divestment of engineering services to Accordis valued at US\$237mn, with ₹1,255cr extraordinary gain to be recorded on closing.

The inflection

Company is executing a full transformation from services to manufacturing/products. Divesting engineering and aerospace services (₹2,256cr deal), redeploying proceeds into aerospace/defense manufacturing, ZEDA (semiconductor equipment), and space. Concrete receipts: 4,557cr assured defense visibility (executed by FY30), 8 design/order wins since April, 30kW laser DEW technology transfer approved, BrahMos/anti-tank missile orders, two marquee global tech customers added in ZEDA, AS9100 acquisition in advanced DD (₹180cr revenue, ₹39cr EBITDA target), second acquisition being evaluated, new facilities under construction (DAC, MAC, CAM) with dated commissioning. FY27 guidance: ₹1,377cr revenue, ₹270cr EBITDA, ~₹135cr PAT on continuing operations. Defense expected to grow >75% YoY, ZEDA >100%.

The results declared are expensive for a quarter but will compound for the next 40 quarters.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹346 crores	Up 42% YoY, 27% QoQ; highest on record; split ₹163 cr discontinued + ₹183 cr continuing
Continuing Operations Revenue	₹183 crores	Up 94% YoY from ₹94 crores; defense + ZEDA + aerospace manufacturing
Aerospace Manufacturing Revenue	₹6.1 crores	Negative EBITDA; ₹12.9 cr operating cost + ₹6.4 cr finance cost (72% of retained finance cost)
Defense Revenue	₹125 crores	Up 112% YoY; underlying EBITDA ₹13 cr (up 15% YoY); reported EBITDA ₹2.6 cr after ₹9.6 cr one-time costs
ZEDA (eSI) Revenue	₹49.5 crores	Up 63% YoY; EBITDA ₹14.7 cr at ~30% margin; business transfer contributed 46% EBITDA margin
Reported EBITDA (Combined)	₹27.9 crores	Includes ₹13.1 cr one-off provisions (₹9.62 cr defense receivable + ₹3.5 cr hedge unwind)
Normalized EBITDA (Continuing)	₹41 crores (11.8% margin)	Up from ₹20.5 crores YoY; excludes ₹13.1 cr provisions and ₹21.81 cr transaction cost
Reported PAT	-₹14.8 crores	vs ₹20.9 crores PAT in Q1 FY26; driven by divestment-related one-offs
Normalized PAT	₹20.2 crores	Normalized PBT ₹23.1 crores; reflects the business actually operated
Cash	₹81 crores	Up 78%; ahead of first tranche of divestment proceeds
Assured Forecast Visibility	₹4,557 crores	To be executed by FY30; ₹332 cr added in Q1 via design/order wins
Deferred Revenue Recovery	~₹60 crores of ₹142 crores	~40% converted in Q1; balance planned across Q2/Q3
Employee Cost	44% of revenue	Down from 53% YoY despite hiring for manufacturing pivot
PPE	+₹40 crores QoQ	Capacity build for Power 930 ramp-up

Geographic & Segment Commentary

- Defense:** Record revenue of ₹125 crores in Q1 FY27, up 112% YoY, representing over two-thirds of continuing revenue. Underlying EBITDA of ₹13 crores (up 15% YoY) was dragged down by ₹9.6 crores of one-time receivable provisioning costs (reported EBITDA ₹2.6 crores at 9.7% underlying margin). Order wins include 30kW laser directed energy weapon ToT, BrahMos onboard electronics production orders, helicopter ERP, and Uttam radar antenna beam control systems; forecast visibility now at ₹4,557 crores, with a total pipeline exceeding ₹24,000 crores across unmanned systems, missiles, and radar/EW.
- ZEDA (formerly eSI, now US-headquartered):** Revenue of ₹49.5 crores, up 63% YoY, with EBITDA of ₹14.7 crores at ~30% margin. Added two marquee global technology customers - a semiconductor equipment manufacturer and the world's largest AI/hyperscale tech company - via a business transfer that contributed a 46% EBITDA margin. Management expects >100% YoY growth in FY27 on the back of organic growth, acquisitions, and the US-domiciled platform's customer proximity.
- Aerospace Manufacturing:** Revenue of ₹6.1 crores with negative EBITDA, reflecting front-loaded investment ahead of revenue with a 30-member leadership team in place. Operating cost of ₹12.9 crores and ₹6.4 crores

finance cost (72% of retained finance cost) sit against minimal revenue as the manufacturing ramp begins. A non-binding offer for an AS9100-certified precision manufacturing company is in advanced due diligence (expected close Q2 FY27), with annualized FY27 revenue of ₹180 crores and EBITDA of ₹39 crores at 22% margin targeted.

- **ADR Solutions (Europe, non-core):** Recorded ₹4.8 crores EBITDA loss and ₹6.7 crores PAT loss, constituting most of the continuing business loss of ₹7.04 crores for the quarter. Loss-making and non-core; exit action plan underway with closure targeted by Q4 FY27.

Company-Specific & Strategic Commentary

- **Divestment & Proceeds Deployment:** Accordis transaction valued at US\$237 million (~₹2,256 crores), shareholder-approved July 27, closing in two phases - Phase 1 by August 31 (~₹190 crores post-tax cash) and Phase 2 by November 30 (~₹525 crores). Extraordinary gain of ~₹1,255 crores to be recorded on completion (~₹200+ crores recognized in Q2). Proceeds fund Power 930 and acquisitions with no equity dilution.
- **Manufacturing Infrastructure Build:** DAC (Devanahalli Aeronautics Complex) fully commissioned with supply chain/logistics, testing labs, and SMT lines operational. Construction underway at the Missile Complex in Hyderabad (groundbreaking July 2026), and the CAM (Center for Advanced Manufacturing, 240,000 sq ft on 20 acres at Devanahalli) is positioned as a quad-use facility for aerospace, defense, space, and electronics. CapEx is timed to divestment inflows, with a bridge facility of ₹100-250 crores drawdown available.
- **Power 930 Execution:** Company is executing on its stated transition from services to manufacturing/product; engineering services divested May 2026 and aerospace services June 2026. Employee cost fell from 53% to 44% of revenue while hiring for the manufacturing pivot. FY27 revenue guidance of ₹1,377 crores on continuing operations (annualized pro forma) and EBITDA of ₹270 crores reaffirmed; FY30 PAT target of ₹960 crores (FY24 revenue base) maintained.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue (continuing ops, annualized pro forma)	₹1,377 crores	Reaffirmed; organic growth in defense/ZEDA plus inorganic acquisitions replacing divested revenue
FY27 EBITDA	₹270 crores	Divested EBITDA to be replaced at a fraction of the sale price via aerospace and ZEDA acquisitions plus organic growth
FY27 PAT	~₹135 crores	~50% of EBITDA; could be higher as divestment proceeds pay down debt and reduce interest costs
Defense Growth	>75% YoY over next several years	Backed by ₹4,557 crores assured visibility to be executed by FY30
ZEDA Growth	>100% in FY27	Organic growth plus acquisitions and business partnerships
Deferred Revenue Recovery	~₹82 crores in Q2/Q3 FY27	~₹60 crores recovered in Q1 out of ₹142 crores deferral
Aerospace Manufacturing Run Rate	₹375 crores revenue, ₹84 crores EBITDA by Q4 FY27	AS9100 acquisition + second transaction under evaluation + organic growth; replaces divested EBITDA
ADR Solutions Exit	Q4 FY27	Non-core; action plan underway
Divestment Closings	Engineering Services Phase 1 by Aug 31, Phase 2 by Nov 30	~₹190 crores then ~₹525 crores post-tax cash; extraordinary gain of ~₹1,255 crores recorded on closing
Space Partnerships	Announcements at Bangalore Space Expo and World Space Business Week (Paris), Q2 FY27	Strategic global partnerships for technology, orders, and market entry

Risks & Constraints

RISK	CONTEXT
Acquisition Slippage	Aerospace and ZEDA acquisitions are at advanced stages (NBO issued, DD near close) but completions are binary; management maintains pipeline depth with third and fourth acquisitions in due diligence; Power 930 targets are contingent on successful closes
Divestment Closing Delays	Phase 1 (Aug 31) and Phase 2 (Nov 30) timelines are committed; slippage would delay ₹715 crores of cash inflows and impact CapEx timing; bridge facility of ₹100-250 crores drawdown available as mitigation
Defense Receivable Recovery	₹9.62 crores aged Ministry of Defence receivable provisioned conservatively (±₹6.5 cr on MoD order + ₹3.14 cr on defense PSU); recovery continues to be pursued with the Ministry
ADR Solutions Continuing Losses	₹4.8 crores EBITDA loss and ₹6.7 crores PAT loss in Q1 constitute most of the continuing business loss; remains a drag until exit targeted Q4 FY27
Manufacturing Pivot Cost Overlap	Aerospace manufacturing carries ₹12.9 crores operating cost and ₹6.4 crores finance cost against only ₹6.1 crores revenue; front-loaded costs before the acquisition and ramp-up close
Execution Risk on Power 930	Targets require all divestments, acquisitions, and organic growth to close on schedule; management remains confident, noting each deliverable is on track with committed timelines

Q&A Highlights

Aerospace Services Divestment Rationale

- Question: Why divest aerospace services given its ~₹70-80 crores annual EBITDA? Could services and manufacturing coexist? (Deepak Poddar)
- Answer: Services OEMs are consolidating; selling to a global leader at a strong price and redeploying proceeds into Power 930 enabled funding without equity dilution. Manufacturing is a stickier, more predictable business leveraging defense, space, and electronics capabilities for end-to-end solutions. (Mukund Santhanam, KP Mohanakrishnan)

Provision Accounting Treatment

- Question: Where are the ₹22 crores of provisions (₹9.62 cr receivables, ₹3.5 cr hedge, ₹21.81 cr deal cost) accounted? (Deepak Poddar)
- Answer: The ₹21.81 crores transaction cost sits in discontinued operations as an exceptional item (notes to accounts). The ₹6.5 crores MoD order provision, ₹3.14 crores defense PSU provision, and ₹3.5 crores hedge unwind provision are in continuing operations' other expenses. (Shankhini Saha)

FY27 PAT Guidance & Ramp

- Question: What is the expected PAT level, given EBITDA is normalized? Can Q2-Q4 ramp to deliver? (Koushik Mohan)
- Answer: EBITDA guided at ₹270 crores; PAT expected at broadly 50% of that (~₹135 crores), potentially higher with debt paydown from divestment proceeds. Acquisitions will contribute to top and bottom line from Q2-Q4. (Mukund Santhanam)

Acquisition Pipeline & Timing

- Question: What is the status of acquisitions? (Koushik Mohan)

- Answer: Aerospace acquisition (NBO issued, advanced DD) closing by Q2; second aerospace transaction under evaluation for Q4. ZEDA business transfer closing this quarter. Additional acquisitions in non-binding stage - one expected in Q3, one in Q4; announcements will follow binding agreements. (KP Mohanakrishnan, Mukund Santhanam)

Defense Order Execution & Pipeline

- Question: What is the execution timeline for the ₹4,500+ crores visibility, and what is the target order intake? (Praful Rai)
- Answer: Visibility spans ~3 years (by FY30), with defense revenue guided to grow >75% YoY in FY27. Pipeline exceeds ₹24,000 crores across unmanned systems, missiles, and radar/EW. (D Murali Krishnan, Mukund Santhanam)

Power 930 Reaffirmation

- Question: Are Power 930 targets still valid after the restructuring? (Praful Rai)
- Answer: All components remain firm - sector focus, services-to-manufacturing transition, and targets. The FY24 revenue of ₹960 crores is the FY30 PAT target; divestment proceeds, acquisitions, and organic growth support achievement. (Mukund Santhanam)

Project Kusha, LUH Maritime & MBDA

- Question: What is the update on Project Kusha qualification, LUH Maritime delivery, and MBDA expansion? (Mahek Talati, Piyush Sarawagi)
- Answer: Deeper on 4 Kusha modules (mobile mast, electronics, digital beamforming unit); competition landscape not disclosed. LUH Maritime has ₹150-170 crores of confirmed orders, well on track. MBDA: ~5 test benches per year for next 3 years, expanding from Mica/Meteor to CAM/Aster platforms; pursuing Make-in-India on Rafale (local missile assembly, large electronics production) with announcements expected. (D Murali Krishnan)

BrahMos Seeker Development

- Question: What is the update on BrahMos seekers? (Piyush Sarawagi)
- Answer: Advanced prototype stage with customer endorsement. Developing two seekers - one with current AESA spec technology and one with proprietary direct RF technology - plus a seeker for a second missile. Revenue visibility from next financial year. (D Murali Krishnan)

Divestment Timelines, CapEx & Extraordinary Gain

- Question: What are the year-wise CapEx plans and timing of the ₹1,255 crores extraordinary gain? (Balasubramanian)
- Answer: ~₹200+ crores of extraordinary gain recognized in Q2 on Phase 1 closing; remainder by early Q3. CapEx timed to inflows (Q2/Q3 FY27, FY28, FY29), with bridge facility drawdown capped at ₹100-250 crores. No annual CapEx breakdown due to acquisitions' binary timing and partner-specific build requirements. (Shankhini Saha, Mukund Santhanam)

Subsidiary-Level Strategic Partnerships

- Question: Are strategic JV partnerships with OEMs still on the cards given the strong cash position post-divestment? (Mayur Parkeria)

- Answer: Conversations ongoing with existing and new OEM clients. Partnerships are about more than capital - commitment on dedicated facilities, IP, and access. Relationship progression: customer → partner → JV. No public timeline yet. (Mukund Santhanam)

Key Takeaway

AXISCADES Technologies delivered record consolidated revenue of ₹346 crores (up 42% YoY, 27% QoQ) in Q1 FY27 but reported a ₹14.8 crores PAT loss, driven by ₹21.81 crores divestment transaction costs, ₹13.1 crores provisions (defense receivable and hedge unwind), and transition cost overlap from the Accelus divestment (US\$237 million). Continuing operations grew 94% YoY to ₹183 crores, with defense posting record ₹125 crores (up 112%) and ZEDA delivering ₹49.5 crores at ~30% EBITDA margin; normalized EBITDA was ₹41 crores (11.8% margin) and normalized PAT ₹20.2 crores. Management reaffirmed FY27 guidance of ₹1,377 crores revenue, ₹270 crores EBITDA, and ~₹135 crores PAT on an annualized pro forma basis, with two acquisitions closing this quarter, deferred revenue recovery completing by Q3, and ~₹1,255 crores extraordinary gain to be recorded on divestment completion. The strategy remains anchored on the Power 930 roadmap to ₹960 crores PAT by FY30, with ₹4,557 crores assured defense visibility and aerospace manufacturing targeting a ₹375 crores revenue/₹84 crores EBITDA run rate by Q4 FY27. Key watch points include acquisition closing execution, ADR Solutions exit (targeted Q4 FY27), and the successful ramp of manufacturing capacity funded by divestment proceeds.

MTAR Technologies Ltd

Why read this call

This is a must-read because the company is at a clear inflection point with multiple growth drivers all firing at once. The quarter is exceptional (revenue +130%, PAT +364%), and management backs the inflection with specific receipts: order book numbers, capacity commissioning dates, working capital improvement, and a reaffirmed guidance they expect to beat. The transition from first articles to volume production is visible in the numbers, and the order book provides rare multi-year visibility. This is not management theatre - the orders, dates, and targets are concrete.

The quarter

Revenue INR 360.7 cr, +130.4% YoY; EBITDA INR 85.1 cr, +199.7%; PAT INR 50.2 cr, +364.5%; EBITDA margin 23.6%; order book INR 5,143 cr plus INR 800 cr received on call day; working capital days improved to 59 from 172.

The inflection

Multiple verticals inflecting simultaneously: nuclear order inflow highest ever (Kaiga 5&6, refurbishment orders expected this quarter), fuel cell capacity expansion with dated commissioning (phase 2 by Oct 2026, phase 3 by Mar 2027), aerospace doubling revenue this year with order potential INR 250 cr, new data center infrastructure segment with INR 45 cr order and 8x potential, Oil & Gas facility operational by Oct 2026. Order book of INR 5,143 cr provides multi-year visibility; management reaffirms 80% revenue growth guidance and says they will beat it.

We strongly believe that the company is at an inflection point with each of our key business verticals positioned for next phase of growth.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹360.7 crores	+130.4% YoY and strong QoQ growth; highest-ever quarterly revenue driven by execution across all verticals
EBITDA	₹85.1 crores	+199.7% YoY; EBITDA margin of 23.54% vs 20.11% last quarter, driven by operating leverage and cost monitoring
Profit Before Tax	₹67.4 crores	+355% YoY from ₹14.8 crores in Q1 FY2026
Profit After Tax	₹50.2 crores	+364.5% YoY from ₹10.8 crores in Q1 FY2026; PAT margin at 13.92% vs 6.9% YoY
Gross Margin	45.61%	Down from 47.65% YoY due to revenue mix; management monitoring improvement opportunities
EBITDA Margin	23.54%	Within annual guidance of 22% ±100 bps; improved from 20.11% last quarter
Working Capital Days	59 days	Dramatic improvement from 172 days in FY2026 (full year); driven by better commercial terms, credit period renegotiation, weekly monitoring
Debt	₹423.6 crores	Net debt effectively ₹20-30 crores after adjusting ₹379 crores of investments (as of July end)
Investments	₹379 crores	As of July end 2026
Cash Flow from Operations	₹247.69 crores	vs ₹191.66 crores last year; improved from working capital initiatives and better terms
ROCE	17.2%	Up from 11.4%; management expects to reach 23% next year
Closing Order Book	₹5,143 crores	Excluding additional ₹800 crores of orders received on call day (total ~₹5,943 crores)
CapEx (Q1 FY27)	~₹35 crores spent	Total ₹500 crores planned for this year and next combined; ₹80 crores capitalized (previously CWIP)

Geographic & Segment Commentary

Civil Nuclear: Received highest-ever order inflow in the segment during the quarter for Kaiga 5 & 6 reactors. Expecting additional refurbishment orders of ₹130-140 crores in the current quarter (total refurbishment pipeline ~₹200+ crores). Company supplied majority of critical assemblies for the PFBR reactor (achieved criticality - a milestone for India's nuclear program). Order book in nuclear stands at ~₹684 crores (excluding expected orders). Execution will commence in H2 FY27 with timeline ranging from 1-3 years. Mahi Banswara (4 reactors via NTPC-NPCIL partnership) represents significant future opportunity with MTAR expecting higher participation than Kaiga.

Clean Energy: Record order inflow during the quarter, strengthening robust order book. Capacity expansion for fuel cells on track - Phase 1 commissioned, Phase 2 to be commissioned by September-October 2026, Phase 3 (multifold expansion) to be completed by March 2027. Entered data center infrastructure solutions segment with first batch of products in progress; initial order ~₹45 crores, with potential requirement of 8x this for annual requirements - all for export markets. Also seeing good traction in hydropower and wind energy. Clean Energy expected to be major revenue driver by end of FY27.

Aerospace & Defense: Expecting significant order inflows - volume orders for actuator assemblies for LCA Mark 1A, wing assemblies, and electromechanical actuators for defense programs (aggregate opportunity ~₹250+ crores). MNC aerospace business showing "phenomenal growth" with demand for qualified products. First articles yielding

10-15x volume orders. Multiple subunits being set up within dedicated aerospace facility. Revenue expected to double in FY27 with significant ramp-up over next 3-4 years.

Oil & Gas: Facility will be operational by October 2026. First articles delivered to customers; first articles for flagship components for another customer in process.

Company-Specific & Strategic Commentary

Order Book Momentum: Closing order book at ₹5,143 crores as of quarter end, with additional ₹800 crores received on call day, taking total to ~₹5,943 crores. Robust ₹5,000+ crores closing order book target for FY27 already exceeded.

Capacity Expansion: ₹500 crores CapEx planned across this year and next (70/30 split - 70% clean energy, 30% other segments). Focus on asset turnover of minimum 4-5x on new investments. Phase 1 fuel cell expansion complete; Phase 2 by September-October 2026; Phase 3 by March 2027.

Working Capital Transformation: Working capital days reduced from 172 days (FY26) to 59 days in Q1 FY27. Achieved through better commercial terms, negotiated credit periods, weekly monitoring, and GST refund targeting of ~₹70 crores annually.

Data Center Entry: New strategic entry into data center infrastructure solutions - all export-oriented. Dedicated facility being set up; first articles in progress with meaningful ramp-up expected over next year.

Manpower & Automation Readiness: Training and automation initiatives underway ahead of capacity coming on stream to ensure operational preparedness for volume ramp-up.

Customer Diversification: Focus on increasing wallet share from existing customers while pursuing new customer qualification in aerospace.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth (FY27)	80% YoY growth	Management "pretty confident to do better than the guidance given earlier"; reiterated confidence in achieving target
EBITDA Margin (FY27)	22% ±100 bps	Q1 achieved 23.54%; management expects improvement with scale
Working Capital Days (FY27 exit)	~100 days	Revised down from earlier guidance of 150-170 days; Q1 achieved 59 days
ROCE	23% next year	Current at 17.2%
CapEx	₹500 crores (FY27 + FY28 combined)	70/30 split between clean energy and other segments; funding via internal accruals and debt
Nuclear Execution	H2 FY27 ramp-up	Execution begins second half of current fiscal, continuing to grow thereafter
Aerospace & Defense Revenue	Double in FY27	Largely driven by existing programs and qualified products; significant ramp-up anticipated over next 3-4 years
Closing Order Book (FY27)	₹5,000+ crores	Already achieved at ₹5,143 crores; additional orders received on call day

Risks & Constraints

RISK	CONTEXT
Execution Risk on Ramp-Up	Order book growth (₹5,900+ crores) requiring significant capacity expansion across all verticals. Management acknowledges demand depends on "how soon we can implement expansion plan." ₹500 crores CapEx spread across two years with execution timelines requiring operational readiness.
Gross Margin Pressure	Gross margins declined from 47.65% to 45.61% YoY due to revenue mix. Management continuously monitoring improvement but mix shift could continue to impact margins.
Nuclear Program Cyclicity	Historically cyclical segment now transitioning to more consistent growth trajectory per management. Refurbishment orders (₹200+ crores) provide near-term visibility, but dependency on government program rollout (Mahi Banswara, PFBR) remains.
Customer Concentration - Clean Energy	Significant dependence on key fuel cell customer (Bloom) with NDA constraints limiting disclosure. Data center demand subject to U.S. macro conditions - management dismisses "unwanted noise" on delays.
Working Capital Sustainability	Reduction from 172 to 59 days achieved via organic measures (better commercial terms). Risk of reversal if customer terms change or project mix shifts to longer-cycle nuclear work. CFO noted inorganic acceleration possible "but not at cost of margins."

Q&A Highlights

Order Book & Execution Timelines

- Question: Is the ₹800 crore order received today all FY28/FY29 execution with nothing in FY27? (Mohit Kumar, ICICI Securities)
- Answer: Execution timeline is for next financial year. Speed depends on how quickly expansion plans and ramp-up can be implemented. (Srinivas Reddy)
- Question: What are execution timelines for Kaiga 5&6 and refurbishment orders? (Mohit Kumar, ICICI Securities)
- Answer: Refurbishment orders overall ~₹200+ crores; expecting another ₹130-140 crores coming this quarter. Execution within two years for refurbishment; Kaiga 5&6 execution ranges one to three years. Total nuclear orders will reach ~₹800 crores - unprecedented in company history. (Srinivas Reddy; Gunneswara Rao)

Working Capital Improvement

- Question: How sustainable is the dramatic working capital reduction? What specific initiatives drove this? (Balasubramanian, Arianth Capital)
- Answer: Negotiated better commercial terms and credit periods with customers. Credit terms improved post-delivery at customer premises. Target of ~100 days for FY27 (down from 150-170 earlier). GST refunds of ~₹70 crores annually improving cash flows. All reductions achieved organically - inorganic options possible but not at cost of margins. (Gunneswara Rao)

Fuel Cell Capacity & Data Center

- Question: Given strong demand, are you expanding beyond 20,000 hot boxes capacity? What's the new product revenue contributing ~50% of clean energy revenue? (Gaurav Nagori, Avendus Spark)
- Answer: Phase 3 is a multifold expansion plan ready by March 2027 (commissioning), with ramp-up from April. Can't specify numbers due to NDA. Phase 2 operational by October 2026. New product growth will continue and

grow - second half stronger than first half. Products mix includes ball screws with major export contracts for aerospace MNCs. (Srinivas Reddy)

- Question: What's the current size of data center order? (Vipraw Srivastava, PhillipCapital)
- Answer: Current order is ₹45 crores to be executed before March 2027. First articles with 2-3 assemblies in progress. Potential requirement of 8 such sets year-on-year. All for export markets. Dedicated facility being set up. (Srinivas Reddy)

Nuclear Opportunity - Mahi Banswara & PFBR

- Question: What's the TAM from the four Mahi Banswara reactors, and how do you participate? (Viraj Parekh, Carnelian Asset Management)
- Answer: Participation is through EPC vendors. Tenders already floated for 4 reactors - MTAR's opportunity will be "much higher" than Kaiga 5&6 (which had 3 reactors). Timeline: probably one year process, orders might fit into next financial year. (Srinivas Reddy)
- Question: What's the opportunity from PFBR program post-criticality? (Viraj Parekh, Carnelian)
- Answer: MTAR contributed massively to PFBR - exclusively supplied core reactor major assemblies for IGCAR/BHAVINI. Government planning additional reactors; details being shared with company. Direct engagement with government (not EPC). PFBR likely to progress faster given criticality achieved and role in thorium cycle. (Srinivas Reddy)

Revenue Guidance Upgrade Potential

- Question: Given key client raised guidance 10-15%, can we expect guidance upgrade? (Sumant Kumar, Motilal Oswal)
- Answer: Management confident in existing guidance and "will definitely do better." Likely clarity by end of next quarter. (Srinivas Reddy)

Funding & Balance Sheet

- Question: With ₹5,500+ crores order book and ₹500 crores CapEx, how will this be funded? (Jenish Karia, Union Mutual Fund)
- Answer: Combination of internal accruals and debt. Balance sheet strong - net debt effectively ₹20-30 crores after adjusting investments. Asset turnover target of minimum 4-5x (targeting 6x) on new CapEx. (Gunneswara Rao)

Long-Term Segment Targets

- Question: What should aerospace and products businesses be in 3-4 years? (Pritesh Chheda, Lucky Investments)
- Answer: Aerospace could reach ₹600-700 crores; products division could cross ₹1,000 crores. Current order book is short-cycle (2 months to 2 years) - not spread over many years. (Srinivas Reddy)

U.S. Data Center & Interest Costs

- Question: Any delays in U.S. data center CapEx impacting demand? Also, interest cost bifurcation? (Piyush Sevaldasani, Sundaram Alternates)
- Answer: "All this is unwanted noise" - things going in the right direction, orders continue to be received. No issues at all. Interest cost breakup not available on call; expectation is costs will reduce quarter-on-quarter. (Srinivas Reddy)

Key Takeaway

MTAR Technologies delivered its highest-ever quarterly revenue of ₹360.7 crores in Q1 FY27, up 130.4% YoY, with EBITDA margins of 23.5% and PAT of ₹50.2 crores (+364.5% YoY). The company's order book reached ₹5,143 crores at quarter end, augmented by an additional ₹800 crores received on the call day (total ~₹5,943 crores), with management confident of exceeding the 80% revenue growth guidance for FY27. Strategic momentum spans civil nuclear (₹684+ crores orders, PFBR contribution, Mahi Banswara opportunity), clean energy (record inflows, multifold Phase 3 fuel cell expansion by March 2027, new data center infrastructure entry with ₹45 crore initial order and 8x annual potential), and aerospace & defense (revenue expected to double in FY27). Working capital transformation from 172 to 59 days and effectively debt-free balance sheet position the company for its ₹500 crore CapEx program (70% clean energy). Key watch points include execution of the massive order book ramp-up, gross margin sustainability amid mix shifts, and continued order inflows to sustain the growth trajectory beyond FY27.

Ather Energy Ltd

Why read this call

This is a textbook inflection call. Demand has structurally shifted (macro + policy + petrol availability fears), and Ather is at the center of it, with concrete proof: preorders up 158%, registrations up 102%, capacity doubling with dated go-live, a new product launching imminently, and the company just crossed into positive EBITDA. The next 2-3 years will look nothing like the last 3. Management gives specific numbers, dates, and a clear roadmap - not adjectives.

The quarter

Wholesale volume +81% YoY to 83k units (April 24k → May 28k → June 31k), registrations +102% to 90k+, first-ever positive EBITDA of ₹9cr (0.8% margin), ASP up to ₹1.61 lakh from ₹1.5 lakh, AGM 22.4% (down 5.6% on commodity hit), preorders +158% to 1.5 lakh, dealer inventory down to 3 days from 14.

The inflection

EV two-wheeler demand in India has inflected sharply (industry penetration up 44% to 11%, scooter EV penetration ~25%). Ather is supply-constrained, with ~13-15k units/month of unrealized retail potential. Capacity is doubling from 4.2L to 9.2L units with AURIC Phase 1 go-live later this calendar year, Phase 2 (another 5L) being fast-tracked, funded by a ₹2,500cr raise. New EL scooter platform is already in production with SOP started, homologation done, and will scale to 60k units/month. Pricing power is visible: ASP up ₹11k in one quarter, AtherStack Pro attach at 94%.

We believe today that of the 30,000 units that we retail average in Q1, we could have probably sold an incremental 13,000-15,000 units extra every month. That's the unrealized retail potential for us.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Wholesale Volume	83,000 units	+81% YoY from 46,000 units Q1 FY26; constrained by production limits, retail outpacing wholesale
Registrations (Retail)	90,000+ units	+102% YoY from 44,900 units; second consecutive quarter of retail exceeding wholesale
Monthly Production Ramp	24K (Apr) → 28K (May) → 31K (Jun)	Recovery from West Asia war-induced labor crisis and supply disruptions at quarter start
Average Selling Price	₹1.61 lakh	Up from ₹1.5 lakh last quarter; driven by price hikes (margin accretive) and improved SKU management (~25% of value flows to GM)
Adjusted Gross Margin	22.4%	Down 560 bps from 25.4% in Q4 FY26; ~5.6% hit from commodity inflation partially offset by structural gains (pricing, SKU mix, AtherStack Pro)
EBITDA	₹9 crores (0.8% margin)	First-ever positive EBITDA quarter; achieved via strong fixed cost discipline, particularly marketing and sales
AtherStack Pro Attach Rate	94%	Up from prior quarter; key structural margin driver
Dealer Channel Inventory	3 days	Down from 14 days; severe supply-demand gap
Pre-Orders	1.5 lakh units	+158% YoY; many states closed to new pre-orders due to 2-month+ waiting times
Inquiries	7 lakh+	+95% YoY; Ather brand searches up 118%
Non-Vehicle Revenue	14% of operating revenue	Largest component is AtherStack Pro; accessories and service to compound further
Commodity Cost Index	+46% over 5 quarters	Escalation across the board; management believes peak may be near

Geographic & Segment Commentary

- **Middle India (Gujarat, Maharashtra, MP, Chhattisgarh, Odisha):** Fastest-growing zone with 141% YoY retail growth; consistent with management's earlier focus-geo strategy for Rizta launch and expected to remain a key target for EL platform initial rollout.
- **Rest of India:** Retail growth of 118% YoY; strong traction in Tier 2/Tier 3 markets, which have highest EV penetration and are increasingly becoming absolute volume drivers.
- **South India:** Slower relative growth at 76% YoY, but still strong; EL platform launch will prioritize Rest of India and Middle India before South India, reverting Rizta's initial launch order.

Company-Specific & Strategic Commentary

- **EL Scooter Platform:** Under production at Hosur with high-volume trials initiated and homologation completed; SOP begun. Launch at Ather Community Day on August 29 in Bengaluru. Capacity target of 60,000 units/month (42,000 from AURIC Phase 1 + 18,000 flexible allocation from Hosur). Will likely depress ASPs but management expects margins unaffected.

- **AURIC Factory 3.0 (Chhatrapati Sambhaji Nagar):** Phase 1 adds 5 lakh units annual capacity (taking total to 9.2 lakh, ~77,000/month); go-live later this calendar year with assembly line set up and paint shop under trial. Ramp from zero to 42,000/month expected in 4-5 months, with reliable daily output from January 1. Phase 2 (additional 5 lakh units) in planning; no investment started but could be fast-tracked given demand trajectory. Management believes even 9.2 lakh/year capacity may be tight on current demand trends.
- **Fundraise:** ₹1,300 crore QIP closed with strong domestic and foreign participation; additional ₹1,200 crore preference issue in progress; total ₹2,500 crore to fund capacity fast-tracking, EL product acceleration, and balance sheet resilience against commodity/supply crises.
- **AtherStack Ecosystem:** Non-vehicle revenue at 14% of operating revenue; service revenue (currently 2-3% of total vs. 10-12% for established OEMs) identified as the biggest long-term compounding opportunity tied to fleet growth.
- **Dealer Network:** Store openings deliberately slowed in Q1 due to supply constraints (existing stores meeting only 50-60% of demand); new store surge expected post-AURIC go-live and EL launch. Cohort analysis shows operational profitability in 5-6 months, potentially falling to 2 months given current demand.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Commodity Cost Headwind	100-200 bps additional margin impact	Management expects further incremental hike in coming quarter but believes peak is near; Q2 price hikes (already in effect from June) should largely mitigate further commodity pain
Q2 Gross Margin	No material degradation from RM headwinds	June ASP of ₹1.61 lakh to be captured on full-quarter basis; structural gains not fully reflected in Q1 as price hikes landed late in quarter
AURIC Phase 1 Go-Live	Later this calendar year (Q3 FY27)	Trial production from festive period; equipment installation completing in next couple of months
AURIC Phase 1 Full Ramp	End of Q4 FY27 or early Q1 FY28	4-5 months ramp from zero to 42,000 units/month; could spill into first few months of FY28
Total Capacity (Phase 1)	9.2 lakh units/annum by Q1 FY28	75,000 units/month; possible Phase 2 fast-track if demand holds, timelines shared in 1-2 quarters
EL AtherStack Pro Attach Rate	≥75% (cautious guide)	Management optimistic for higher based on 94% current attach rate trajectory
PM E-DRIVE Subsidy	Awaiting government clarity	Signs strong for extension; ~15-20% of Q1 vehicles sold without subsidy; Q2 position unknown until announcement

Risks & Constraints

RISK	CONTEXT
Commodity Cost Inflation	Commodity index up 46% over five quarters, causing 5.6% gross margin drop in Q1; management expects additional 100-200 bps hit but sees line-of-sight to peak. Mitigations: price hikes, SKU management, EL platform cost structure, annual cost reduction programs.
Supply-Demand Gap	Unrealized retail potential of 13,000-15,000 units/month; dealer inventory at just 3 days; waiting times exceeding 2 months in many states discontinue pre-order acceptance. AURIC go-live (Q3) is the critical de-bottlenecking event.
Subsidy Policy Uncertainty	PM E-DRIVE expiry; ~15-20% of Q1 vehicles sold without subsidy. Management hearing strong intent for extension but no certainty; Delhi EV Policy expected to drive regional adoption if implemented.
AURIC Ramp Execution	Ramp from zero to 42,000 units/month in 4-5 months is aggressive; any slippage prolongs capacity constraint and risks losing demand to competitors. Phase 2 decisions pending Phase 1 performance proof.

Q&A Highlights

Commodity Outlook and Margin Path

- Question: Is a further 5-6% commodity headwind expected, or is it stabilizing? (Amyr Pirani, J.P. Morgan)
- Answer: Commodity hit will inch up but not another 5-6%; roughly 100-200 bps of further risk exists. Q2 will benefit from June's ₹1.61 lakh ASP on a full-quarter basis, and annual cost reductions + EL platform cost structure should largely manage the rest. (Tarun Mehta)

Fixed Cost Baseline and AURIC Cost Impact

- Question: Was Q1 cost discipline a one-off or new baseline, and will AURIC increase costs? (Amyr Pirani, J.P. Morgan)
- Answer: No exceptional measures taken - disciplined cost philosophy by DNA after a "blowout" FY26. AURIC costs begin around Q4 with some capitalization, but volume output will scale simultaneously, likely keeping overall ratios steady. (Tarun Mehta)

Customer Profile and TCO Dynamics

- Question: With ASP at ₹1.6 lakh, has the customer profile shifted, and is the scooter market transitioning? (Kapil Singh, Nomura)
- Answer: Customer profile unchanged - still the same scooter buyer, not motorcycle converts. Shifts are driven by retail finance accessibility and enormous TCO savings (₹100-200/month extra EMI vs. significant petrol savings). Limited supply is also helping SKU mix. (Tarun Mehta)

PM E-DRIVE and Price Hike Coverage

- Question: Has the subsidy been accounted for, and do price hikes fully cover commodity inflation? (Kapil Singh, Nomura)
- Answer: Q1 had ~15-20% of vehicles sold without subsidy (more possibly); Q2 depends on policy clarity. Price hikes do not fully cover commodity inflation, but Q2 structural upside from price increases will largely neutralize further pressure. (Tarun Mehta)

Capacity Trajectory and EL Allocation Logic

- Question: Is total capacity 75,000/month by Q1 FY28, and how does 60,000 units/month for EL reconcile with overall capacity? (Gunjan Prithyani, Bank of America)
- Answer: 75,000/month total (Hosur 35K + AURIC 42K minus some fungibility) is high likelihood by Q1 FY28. EL has 42,000 dedicated from AURIC plus up to 18,000 flexible from Hosur - but Hosur capacity is fungible between Rizta/450 and EL, not additive (max 35,000 combined). (Tarun Mehta)

AURIC Phase 2 Acceleration Timeline

- Question: How quickly could Phase 2 be delivered if demand holds? (Gunjan Prithyani, Bank of America)
- Answer: Planning stage now; Phase 2 should take less time than Phase 1 (land secured, incentives negotiated, common infrastructure, approvals in place). Firmer timelines expected in a quarter or two after Phase 1 go-live proves out. The ₹2,500 crore raise provides funding headroom without needing additional proof. (Tarun Mehta)

AURIC Ramp-Up Schedule

- Question: How will production ramp-up occur at AURIC, given 15,000 units/month of unmet demand and EL launch? (Mukesh Saraf, Spark Capital)
- Answer: Equipment installation finishing in 2 months; trial production during festive period; reliable daily output from January 1, Q4. Ramp from zero to 42,000/month in roughly 4-5 months, reaching full capacity either end of Q4 FY27 or early Q1 FY28. (Tarun Mehta)

Non-Vehicle Revenue Growth Potential

- Question: What are long-term targets and margins for non-vehicle revenue (now 14%)? (Yash Agarwal, Nirmal Bang)
- Answer: Largest piece is AtherStack Pro; accessories quietly compounding; service revenues are the biggest long-term compounding lever (currently 2-3% of revenue vs. 10-12% for established two-wheeler businesses), tied to fleet size growth over the next decade. (Tarun Mehta)

EL Launch Geo Strategy and AtherStack Attach

- Question: Will EL launch target Middle India/north first, and will AtherStack Pro attach rates decline with lower ASP? (Nikhil Kale, Invesco)
- Answer: Yes, initial bias toward Rest of India and northern markets with favorable pricing pull; order likely Rest of India → Middle India → South India (different from Rizta). Cautiously guiding at least 75% AtherStack Pro attach for EL, hoping for higher given recent track record. (Tarun Mehta)

Motorcycle Segment Entry Timeline

- Question: With several OEMs launching electric motorcycles in 12-18 months, when will Ather participate? (Yash Agarwal, Nirmal Bang)
- Answer: Ather focused on EL platform and getting a second product on it within a year; motorcycles under evaluation but Ather "may not be the pioneer this time" - expects to observe market response and segment viability before maiden launch, likely 2+ years away. (Tarun Mehta)

Key Takeaway

Ather Energy delivered a landmark Q1 FY27, reporting its first-ever positive EBITDA at ₹9 crores (0.8% margin) despite severe commodity headwinds that shaved 560 bps off adjusted gross margins to 22.4%. Retail registrations surged 102% YoY to 90,000 units against 81% wholesale growth, with management estimating 13,000-15,000

units/month of unmet demand as dealer inventory collapsed to 3 days. Strong pricing power drove ASP to ₹1.61 lakh (up from ₹1.5 lakh), aided by 94% AtherStack Pro attach rates and disciplined fixed cost management. The company is executing a capacity step-change: AURIC Phase 1 (adding 5 lakh units annually, total 9.2 lakh) goes live later this calendar year, with the EL scooter platform launching August 29 and targeting 60,000 units/month. A ₹2,500 crore fundraise provides headroom for potential Phase 2 fast-tracking, with firmer timelines expected in 1-2 quarters, while commodity cost escalation (additional 100-200 bps risk) and PM E-DRIVE subsidy uncertainty remain key near-term watch points that management believes are largely manageable through already-announced price hikes.

Sansera Engineering Ltd

Why read this call

This call shows a company at a genuine inflection: the ADS order book (₹57.5B executable by FY31) is ~3.5x current ADS annual revenue, with specific new wins, named customer types, dated capacity additions, and a stated ₹3,500 crore ADS revenue ambition by FY31 - while the legacy auto business is also growing high-teens on strong OEM demand. The quarter itself was excellent (34% rev growth, 19.2% EBITDA margin, 20.4% ex-provision). The combination of a tripling ADS segment, a massive contracted backlog, and visible capacity commissioning makes this a must-read for anyone tracking the company's transformation from an auto-forging player to an aerospace/semiconductor components player. Management gives enough dated specifics (hangar, Nadcap, build-to-suit, order wins with timelines) to believe the inflection is real, not just aspirational.

The quarter

Q1 FY27 revenue ₹10,213M, +33% YoY (highest ever). EBITDA ₹1,961M, +48% YoY; EBITDA margin 19.2% (up ~200bps YoY). PAT ₹874M, +39% YoY (₹1,000M ex-exceptionals). Non-auto segment revenue ₹1,998M, +129.9% YoY (20.8% of sales); ADS revenue ₹1,454M, >3x YoY. Auto tech-agnostic/XEV segment ₹1,316M, +22.2% YoY. Auto ICE ₹6,275M, +20.8% YoY. ADS 5-year order book ₹44.4B at quarter end, ₹57.5B after a new ₹12.5B semiconductor order post-quarter. New business peak annual revenue ex-ADS ₹18.5B.

The inflection

ADS (aerospace, defense, semiconductor) is inflecting from a small sideline into a major second growth engine. The segment's revenue tripled YoY to ₹1,454M, and the 5-year executable order book jumped to ₹57.5B (₹12.5B incremental win from one semiconductor equipment customer, taking that relationship to ~\$75M annual run-rate). Management has a dated build-out: 80,000 sq ft aero/SEM hangar commissioning in 1-2 months, surface treatment facility (Nadcap validation in progress), defense relocating to a dedicated facility, and a new 100,000 sq ft build-to-suit facility nearby (deal to conclude August, ready in ~10 months) - targeting ₹3,500 crore ADS capacity by FY31. Meanwhile auto demand (2W and PV) is 'hypergrowth' with customers sourcing more from India; new crankshaft/forging capacity coming on stream from Q3 FY27. Company guides high-teens to 20% FY27 growth, with ADS run-rate to scale meaningfully over coming years.

This is also quite a significant milestone for us because, uh, this propel us to almost close to \$75 million worth of annual business from this customer. So we thought that it is appropriate to mention this order. So on a 5-year basis, this would approximately translate to about INR1,250 crores.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹1,021.3 crores	Highest ever quarterly revenue; +33% YoY, driven by broad-based growth across auto (20.8%) and non-auto (129.9%) segments
Non-Auto (ADS) Revenue	₹199.8 crores	+129.9% YoY; highest ever quarterly sales; contribution rose to 20.8% of total; primary growth driver was ADS at ₹145.4 crores (3x YoY)
Auto Segment Revenue	₹627.5 crores	+20.8% YoY on high base; record quarter across PV, CV, and scooter segments
Auto-Tech Agnostic & XCV Revenue	₹131.6 crores	+22.2% YoY; highest ever for the segment, reflecting accelerated EV adoption especially in two-wheelers
EBITDA	₹196.1 crores	+48% YoY; margin expanded ~200 bps to 19.2% (vs 17.2% Q1 FY26) on operating leverage, cost discipline and favorable mix
PAT	₹87.4 crores	+39% YoY; margin 8.6%; excluding exceptional charge of ₹16.9 crores (US litigation settlement), PAT was ₹100 crores
Other Income	₹13.4 crores	+15% YoY, driven by higher forex gains
ADS 5-Year Order Book	₹5,750 crores	Unexecuted cumulative backlog executable by FY31; includes ₹1,250 crore new order from semiconductor equipment manufacturer (post-quarter win)
New Business Order Book (ex-ADS)	₹1,850 crores	Peak annual revenue for new business excluding ADS; AD-FY27 addition was ₹88 crores (PV/CV) and ₹75 crores (two-wheeler)

Geographic & Segment Commentary

- **Auto Segment (Traditional ICE):** Revenue ₹627.5 crores, +20.8% YoY. Record quarterly performance across passenger vehicles, commercial vehicles, and scooters. Domestic OEMs reporting hypergrowth with strong demand visibility extending through Q2 and festival season Q3; exports tracing recovery with traction in PV, premium two-wheelers, and off-road vehicles. US customers increasingly sourcing from India as stopgap while Sansera's US facility plans remain on hold due to tariff uncertainty.
- **Non-Auto (ADS - Aerospace, Defense & Semiconductor):** Revenue ₹199.8 crores, +129.9% YoY, with ADS contributing ₹145.4 crores (3x YoY). Order book expanded post-quarter to ₹5,750 crores executable by FY31, including a significant semiconductor equipment order worth ~\$75M annual revenue (~₹1,250 crores over 5 years). Management expects significant revenue ramp beginning CY27, peaking CY29, with capacity being created to support ₹3,500 crores annual revenue by FY31.
- **Auto-Tech Agnostic & XCV (EV-focused):** Revenue ₹131.6 crores, +22.2% YoY, reflecting accelerated EV adoption, particularly in two-wheelers. EV transition progressing ahead of plan, with capacity additions at Bangalore Plant 2 (multi-story machining) and the Sansera JV for cold/warm forged precision components.

Company-Specific & Strategic Commentary

- **ADS Order Book Momentum:** Cumulative unexecuted 5-year order book at ₹5,750 crores executable by FY31, driven by outsourcing targets from aerospace and SEM customers. New order from existing semiconductor equipment customer pushes engagement to ~\$75M annual business. Revenue run-rate of ~₹600 crores annually currently; ramp expected from CY27 with peak in CY29, translating to ~₹3,500 crores ADS capacity by FY31.

- **Capacity Expansion (ADS):** Inaugurated surface treatment facility (Nadcap validation in progress) enabling single-facility production for larger structural parts; 80,000 sq ft hangar for Aero/SEM commissioning within 1-2 months with line validation underway; defense business relocating to dedicated facility; new build-to-suit 100,000 sq ft facility expected ready in ~10 months (500m from existing plant). Existing ADS facility to support ₹1,400-1,500 crores revenue capacity.
- **Auto Capacity Expansion:** Panchanagar Plant 6 and Manesar Plant 4 adding forging/machining for crankshafts (two-wheeler and PV) and connecting rods; driven by OEM outsourcing of crankshaft facilities, particularly from South-based two-wheeler manufacturers. Strong wallet share with Maruti (~75% of components volumes). Capacity additions coming on stream from Q3 FY27, completed within a year.
- **Defense Strategy:** Shifting to dedicated defense facility with focus on export opportunities (primarily Europe) and entry into sheet metal capabilities, which management believes will significantly tilt RFQ packages in their favor. Expects significant headway in current fiscal on facility creation and order wins, targeting ~₹500 crores revenue capacity over next 5 years.
- **Margin Philosophy:** Management maintains 19% FY27 EBITDA margin guidance (vs 18.1% FY26 actual), with exports and ADS delivering 25-30% margins vs domestic. Q1 FY27 margin of 19.2% was elevated due to ~40% international revenue mix, favorable currency, and operating leverage, including the ₹12.6 crore US import duty provision.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Top-line Growth	High teens to ~20%	Based on strong domestic two-wheeler/PV momentum sustaining through festive season (spread across Q2/Q3), ADS more than doubling YoY, and non-ADS business delivering mid-teens growth
FY27 EBITDA Margin	~19%, possibly overachieve	Q1 at 19.2% was elevated by mix and currency; management targets sustaining ~19% with aspiration toward 20%, though international revenue share (~40%) and ADS mix provide upside
ADS Revenue Trajectory	Significant ramp from CY27, peak CY29	Unexecuted order book ₹5,750 crores to be executed by FY31; machine lead times (7-9 months) and validation cycles dictate pace; exact FY28 guidance to be provided toward end of FY27
ADS Capacity (FY31)	₹3,500 crores addressable	Existing facility (extended hangar) ₹1,400-1,500 crores; new build-to-suit facility ₹1,500 crores; dedicated defense facility ₹500 crores
Long-Term Revenue Vision (FY31)	₹8,000-9,000 crores	Maintained from prior commentary; driven by ADS growth plus export auto outsourcing on ICE/EV/hybrid platforms; organic plans only, no equity raise required currently
Capital Allocation	No fundraise needed; low leverage	Balance sheet strong; CapEx phased per customer validations and utilization; ADS asset turns of 2.0-2.25x inform investment decisions

Risks & Constraints

RISK	CONTEXT
Cost Inflation & Pricing Pass-Through	Aluminum and consumable inflation impacting material costs; steel pass-through negotiations with customers in process but not yet translated to P&L. Forex gains and mix offset short-term; northern plant labor cost hikes pending recovery. If pass-through delays persist, margin trajectory could be pressured.
US Import Duty Tariffs	Provision of ₹12.6 crores made for US import duty tariffs incurred in previous year; amounts remain recoverable with recovery process ongoing. Recovery risk assessment drove provisioning; additional tariff policy uncertainty could affect export margins.
Semiconductor Cyclicity	ADS order book concentration risk: current boom driven significantly by AI demand/chip equipment cycle; customer forecasts indicate supply-constrained demand through FY29-FY30, but any AI demand slowdown would directly impact the ₹5,750 crore ADS backlog.
Ramp-Up Execution Risk	Machine lead times of 7-9 months, customer validation cycles, and certification processes (Nadcap special process, hangar commissioning) govern revenue recognition. Delays in approvals could push revenue recognition beyond planned timelines. Q1 FY27 also saw a call disconnection during Q&A - operational coordination risk flagged by management acknowledging supply chain stress.
Customer Concentration	Key semiconductor customer engagement reaches ~\$75M annual (~₹625 crores) business - single-customer exposure within ADS. Maruti represents ~75% of supply volumes in certain components. While management confirms no wallet share loss and gains with TVS, Yamaha, Suzuki, concentration remains elevated.
Litigation/Regulatory	Exceptional ₹16.9 crore US District Court litigation settlement (disclosed in 2021 prospectus) completed without admission of liability; similar legacy matters could surface. No other pending matters disclosed.

Q&A Highlights

ADS Order Book & Revenue Trajectory

- **Question:** Confirming the INR 57 billion order book and segment revenue trajectory over next 3-4 years (Siddhartha Bera, Nomura)
- **Answer:** Post-cutoff order from existing semiconductor equipment customer worth ~\$75M annual (~₹1,250 crores over 5 years). Order book executable by FY31. Revenue ramp will be gradual - not reaching ₹1,500 crores next year, but significant progression expected from CY27, peaking CY29 (Hari Krishnan, B R Preetham, Vikas Goel)

FY27 Growth Guidance Breakdown

- **Question:** If ADS doubles, does guidance imply only 7-8% growth in remaining business? (Chandramouli Muthiya, Goldman Sachs)
- **Answer:** Non-ADS should deliver mid-teens growth easily given sustained two-wheeler/PV momentum. Overall company can achieve high-teens to 20% - guidance range revised upward from initial "high teens" plan. Management acknowledged potential for >20% if trends sustain (B R Preetham)

Material Costs & Pricing

- **Question:** Material cost impact and pricing pass-through status; gross margin expansion driver (Suraj Malu, Catamaran)

- **Answer:** Aluminum and consumables saw inflation (not substantial); steel pass-through negotiations in process, not yet reflected in P&L. Q1 gross margin expansion driven by mix (international ~40% revenue) plus forex gains, not pricing. Tooling and labor (northern plants) compensation pending with customers (Vikas Goel, B R Preetham)

EBITDA Margin Outlook & ADS Margins

- **Question:** With 20.4% margin ex-provision, is 22-25% new benchmark? What margins does ADS earn? (Shashank Kanodia, ICICI Securities)
- **Answer:** Q1 elevated due to favorable mix/currency; FY27 guidance maintains ~19% with potential slight overachievement. Exports and ADS businesses operate at 25-30% margins; as utilization improves, ADS margins trend toward high-20s. Management's philosophy: "sustain margins while focusing on growth" (B R Preetham, Vikas Goel)

Motorcycle Revenue vs Industry Growth Disconnect

- **Question:** Motorcycle revenue growth 7-10% trailing vs industry volume 17-18% - wallet share loss? Maruti share status? (Suraj Malu, Catamaran)
- **Answer:** No wallet share loss; share gains with TVS, Yamaha, Suzuki. Revenue vs volume comparison has inherent gaps. Motorcycle business grew ~12.5% in quarter. With Maruti, ~75% of component volumes supplied; projections for next 2 years strong. Management offered offline reconciliation (B R Preetham)

Defense Business Strategy & Capex

- **Question:** Defense segment approach, CapEx plans, timeline, tier positioning (Mumuksh Mandlesha, Anand Rathi)
- **Answer:** Moving from precision machined components (ISRO, HAL, Israel exports) to larger defense orders from European customers; entering sheet metal capability (for defense and aerospace). Dedicated facility will expand machining offerings and enable sheet metal entry. Significant facility creation and order wins expected this fiscal (Hari Krishnan)

Long-Term Targets & Capital Requirements

- **Question:** 8,000-9,000 crore revenue target status; fundraise needed for capacity? (Varinder Bansal, Omkara Capital)
- **Answer:** By-FY31 target maintained; driven primarily by ADS plus export auto outsourcing. No capital raise required currently - strong cash flows, low leverage, organic funding sufficient. M&A opportunities in non-auto being evaluated opportunistically (B R Preetham, Vikas Goel)

ADS Risk Assessment

- **Question:** What could derail the ₹3,000 crore ADS ambition by 2030? Any product end-of-life risk? (Anirudh Shetty, Solidarity Investment Managers)
- **Answer:** Aerospace risk limited - ultimate customers are Boeing/Airbus with growing backlogs; absent catastrophic events, outlook solid. Semiconductor risk tied to AI-driven demand - customers forecast supply constraints through FY29-FY30, but AI demand slowdown would be the key risk. No material end-of-life products in production today (B R Preetham)

Component Complexities & Learning Curve

- **Question:** Reusability of learning across complex ADS programs; capital allocation framework (Sajal Kapoor, Antifragile Thinking)

- **Answer:** Auto: progressive learning across crankshaft/connecting rod platforms. ADS: learning transferable conceptually (e.g., turbine blisk machining knowledge, monocrystalline components) though each package differs. Capital decisions governed by return ratios and long-term strategy - strategic fit can take precedence over near-term returns when justified (B R Preetham)

Turbine Blisk Progress

- **Question:** Progress on turbine blisk order announced last quarter - any confirmations? (Sridhar Kalyani, Antique Stock Broking)
- **Answer:** Significant progress on machining readiness; first samples expected ready for customer within one month. New special process facility (up to 4-meter components) commissioned with Nadcap and customer approvals expected within current quarter; expanding into structural aero parts (door assemblies, fuselage, seating) (Hari Krishnan, B R Preetham)

Key Takeaway

Sansera Engineering delivered its highest-ever quarterly revenue of ₹1,021.3 crores (+33% YoY) in Q1 FY27, with EBITDA margins expanding 200 bps to 19.2% (including a ₹12.6 crore US tariff provision) and PAT up 39% to ₹87.4 crores. Growth was broad-based: auto segment +20.8% YoY on record PV/CV/scooter performance, while the ADS non-auto segment nearly tripled to ₹199.8 crores (20.8% of mix). Management raised FY27 revenue guidance from high-teens to potentially ~20%, citing sustained domestic OEM hypergrowth through festival season and non-ADS business trending at mid-teens. Strategic focus centers on scaling ADS capacity - the executable order book now stands at ₹5,750 crores by FY31 (including a post-quarter ₹1,250 crore semiconductor order, taking customer engagement to ~\$75M annually), supported by a new surface treatment facility, 80,000 sq ft hangar, and a planned 100,000 sq ft build-to-suit facility. Defense is being restructured with a dedicated facility targeting European export orders and sheet metal entry. Key watch points: material cost pass-through negotiations remain pending, US tariff recovery is in process with a provision booked, semiconductor demand cyclicity tied to AI capex, and execution risk across multiple concurrent capacity programs. Management maintains its FY31 ₹8,000-9,000 crore revenue ambition, funding growth organically with balance sheet leverage "at a very low level," and expects no capital raise.

Divgi Torqtransfer Systems Ltd

Why read this call

This is a genuine inflection call. The quarter itself is exceptional - 85% revenue growth with 30% EBITDA margin and 32% ROIC, not one-off driven. But the real story is the transformation: from a domestic PV transfer-case maker to a multi-pillar global drivetrain player. The Indonesia order is a concrete, dated, quantified catalyst (70,000 units, 30% done, rest in 10-12 months). The US expansion has receipts - subsidiary established, RFQs in hand, \$5M investment figure, USMCA local-content tailwind. The AT/MT programs have specific timelines and revenue potential (₹300-400 crore AT, ₹100-150 crore MT). Management backs its bullishness with numbers and dates, not just adjectives. The next 2-3 years will look visibly different from the last 3 - this is exactly the kind of call an investor should read in full.

The quarter

Record quarter: revenue ₹141.8 crore (+85% YoY, +25% QoQ), EBITDA ₹41.6 crore (29.4% margin vs 24.9% YoY), PAT ₹25.2 crore (+183% YoY, 17.8% margin), ROIC ex-cash ~32%. Transfer cases +93% YoY to ₹76 crore (53% of revenue), components +83% to ₹34.4 crore, exports ~16% of mix (~₹23 crore, annualized ~₹92 crore vs near-zero two years ago). E-axle subdued at ₹5.7 crore but schedules strengthening.

The inflection

Multiple dated, quantified catalysts converging. (1) Indonesia program: 70,000 transfer cases for Tata/Mahindra exports, ~30% already dispatched, balance over next 10-12 months, >50% potentially recurring. (2) Project Mayflower: US subsidiary established in Greenville SC, RFQs already received, ~\$5M first-phase greenfield plant, earliest commissioning 2H CY2028, driven by USMCA local-content mandates. (3) Two new applications added in last 4-6 months: FWD-based AWD (>₹30,000 content/vehicle) and transfer case for Japan's oldest truck maker. (4) Automatic transmission: 8-speed within 6-speed envelope, targeting ₹300-400 crore programs, earliest 2H CY2028. (5) Manual transmission: LCV beachhead commercializing next year (FY28-29), ₹100-150 crore potential. (6) EV: Sigma program has PPAP approval from Tata, forecasts ₹10-12 crore/quarter vs current ₹6.5-8 crore. (7) South Africa shipments starting FY28-29. (8) New 400/day assembly line at Shirwal (~120,000 units/year) being installed with German automation partner.

In simple terms, all the cylinders are now beginning to fire together — transfer cases, EV transmissions, components, exports and emerging transmission opportunities such as automatic transmission for front wheel and rear wheel drive.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹141.8 crores	85% YoY growth (₹76.8 cr Q1 FY26), 25% QoQ growth (₹113.8 cr Q4 FY26); highest-ever quarterly revenue
Transfer Case Revenue	₹76 crores	93% YoY growth (₹39.3 cr); 53% of total revenue; driven by Indonesia program volumes, pickup trucks, new platforms
Components Revenue	₹34.4 crores	83% YoY growth (₹18.8 cr); higher precision components mix, continued export growth
EV/eAxe Revenue	₹5.7 crores	Subdued quarter; localization transition at key OEM slower than expected; strong schedules for remaining FY27 quarters
Other Revenue	₹21.54 crores	vs ₹6.5 cr YoY; includes Nextchat, ALS Synchro, aftermarket and other operating income
Gross Profit	₹88.6 crores	83% YoY; GPM 62.5% broadly stable vs 62.9% YoY
EBITDA	₹41.6 crores	118% YoY (₹19.1 cr), 50% QoQ (₹27.8 cr); margin 29.4% vs 24.9% YoY, 24.5% QoQ; favorable mix, export contribution, 4x4 product margins
PAT	₹25.2 crores	183% YoY growth (₹8.9 cr); margin 17.8% vs 11.6% YoY, 13.6% QoQ
ROIC (ex-cash)	~32%	Q1 FY27; reflecting returns on investments made over past years
Export Revenue	₹23 crores	16% of geographic revenue mix; rebuilt from near-zero two years ago; all contracts exclusive (sole supplier)

Geographic & Segment Commentary

- Transfer Cases:** ₹76 crores in Q1 FY27 (+93% YoY), 53% of revenue. Indonesia program for Tata and Mahindra (~70,000 units over 10-12 months) drove ~30% execution in Q1; >50% of this business potentially recurring. Global transfer case market is 14-15 million units annually. Incremental volumes expected through FY27 from pickup trucks, new platforms, and facelift programs; one new global platform program expected to start in FY28.
- EV Transmission (eAxe):** Revenue of ₹5.7 crores, subdued due to slower-than-expected transition from imported platforms to localized production at a key OEM. Schedules for remaining FY27 quarters are "extremely strong" - run-rate forecast rising to ₹10-12 crores/quarter vs historical ₹6.5-8 crores. Sigma program progressing toward commercialization; production part approval process (PPAP) approval received from Tata; localization and validation continuing across other programs. Three-wheeler EV reducer product now ready.
- Components & Other:** Components at ₹34.4 crores (+83% YoY) with improved realizations and higher precision component mix. Other business at ₹21.54 crores (Nextchat, ALS Synchro, aftermarket). New applications added over last 4-6 months: front-wheel-drive based all-wheel-drive application with content upwards of ₹30,000 per vehicle, and a transfer case for Japan's oldest truck manufacturer.
- Exports:** ₹23 crores in Q1 (16% of revenue), annualized ~₹92 crores vs near-zero two years ago. Growth across components and transfer cases; Japanese OEM targeting Gulf region applications using India cost base; Indonesia volumes flow through domestic OEM books but represent export-linked demand. All current export contracts are exclusive sole-supplier agreements.

Company-Specific & Strategic Commentary

- **Project Mayflower (US Expansion):** Established wholly-owned subsidiary in Greenville, South Carolina at the International Center for Automotive Research (ICAR). Initial team and operations being built; new RFQs received for US sourcing. Initial investment phase directional figure ~\$5 million; greenfield approach chosen after due diligence revealed accounting red flags in potential US private acquisitions. USMCA local content mandates driving need for local manufacturing. Earliest SOP: H2 calendar 2028.
- **Indonesia/ASEAN Program:** 70,000 transfer cases over 10-12 months supporting Tata and Mahindra exports to Indonesia. ~30% executed in Q1; remaining execution may spill 1-2 months into FY28 due to OEM absorption constraints. Management noted this won an order against six formidable global competitors (Toyota, Nissan, Mitsubishi, Isuzu, Great Wall, Photon) with Indonesian government reportedly saving ~\$500 million via Indian sourcing.
- **India First (Tier-1 Ambition):** Positioning to create "India's first generation of genuine Tier-1 companies." Evolution from build-to-print to technology partner model; proprietary products expected to dominate domestic mix. Working with Tata, Mahindra, Force Motors, Ashok Leyland, Aicher, and new entrants like JSW. 60-70% of business expected to remain domestic (increasingly proprietary products), 25-40% exports/global operations.
- **Product Pipeline - Automatic & Manual Transmissions:** AT programs targeting minimum ₹300-400 crores revenue, positioned as "afterburner" to reach ₹1,000 crore milestone. Working on 8-speed architecture within 6-speed space/weight/cost envelope. LCV manual transmission beachhead contract starting FY28. New assembly line at Shirwal: 400 units/day capacity (~120,000/year) being installed with German automation partner.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA Margin	20-22%+ sustained	Management benchmarked Indian auto industry at 14-17% average over 6-7 years; aims to sustain above 20% with innovation and product leadership
EV Transmission	₹10-12 crores/quarter run-rate	Strong schedules for remaining FY27 quarters (Jan 2027-Mar 2027); PPAP approval received, awaiting OEM vehicle testing completion
Indonesia Contract	~70% balance executing over coming months	May spill 1-2 months into next fiscal due to OEM supply-chain absorption constraints
South Africa Shipments	FY28 (Apr 2028-Mar 2029)	Part of Mahindra global pickup truck program, alongside India portion
LCV Manual Transmission	Commercialization in FY28	Beachhead contract; leads to estimated ₹100-150 crore+ Indian opportunity
Automatic Transmission	Earliest H2 2028	Working with OEM cycle plans; 250+ line items BOM requiring systematic localization program
US Greenfield Plant	H2 calendar 2028 earliest	\$5 million initial phase; near BorgWarner's largest transfer case plant; Greenville, South Carolina
Revenue Milestone	First ₹1,000 crores	Roadmap across 4-5 verticals of ₹150-400 crores each; ₹2,000 crore is longer-term potential

Risks & Constraints

RISK	CONTEXT
Geopolitical / Energy Shock	Iran war impact cited as driver of EV schedule fluctuations and petroleum price volatility; reinforced importance of localized supply chains but also creates demand uncertainty in near term
Customer Concentration	Mahindra and Tata Motors are principal customers; Indonesia program concentrated through these two OEMs; management is diversifying via Force Motors, Ashok Leyland, Aicher, JSW and international customers
Execution Bandwidth	Multiple growth opportunities firing simultaneously (transfer cases, EV, components, exports, AT/MT) straining prioritization; some pipeline opportunities pushed out due to immediate Indonesia execution load
EV Localization Delays	Transition from imported platforms to localized production at key OEM took longer than anticipated; vehicle testing delays postponed commercialization timeline
Competitive Intensity	Indian EV transmission market being entered by American, European, Japanese, Korean and Chinese players; few have significant localization depth; Tata's supplier position cited as defense
Foreign Exchange / Export Dependence	Weak rupee increases import costs for AT programs; 25-40% of business targeted from exports/global operations to hedge against domestic macroeconomic risk
US Acquisition Risk	Stated reason for choosing greenfield: US small private company accounting standards are lax (audits not statutory), creating "minefields" for listed company acquirers

Q&A Highlights

US Investment & India Capex Priorities

- Question: What investment is required for the US facility and what resources are needed for growth over the next 3 years? (Mahesh Bendre, LIC Mutual Fund)
- Answer: Two opportunity types - new RFQs (SOPs towards later timeline) and existing programs where proximity/cost reduction adds value. Initial phase ~\$5 million for compact facility in South Carolina near BorgWarner's largest transfer case plant. USMCA local content mandates require local manufacturing presence. India investment will be considerably higher than overseas - Indian market offers higher technology and value-add; domestic proprietary products expected to be 60-70% of mix. Global volumes of 5,000+ units/month expected in mainstream transmission products (MT, AT). (Jitendra Divgi)

Domestic Transfer Case Traction & Export Split

- Question: How is domestic transfer case traction excluding top customers? What are export revenues this quarter? (Vimal Gohil, Alchemy Capital)
- Answer: Mahindra is primary customer, Tata close behind (exporting Xenon/Yoda pickup to Indonesia). Indonesia order is effectively export-linked: 70,000 transfer cases to Indonesia over 10-12 months, though booked as domestic. Exports ₹23 crores (16% of mix), annualized ~₹92 crores; all export contracts are exclusive sole-supplier. Transfer case development done with Force Motors, Ashok Leyland, Aicher; Tata's IVECO acquisition opens global footprint including South America. 4WD demand spans 1.5-14 tonne trucks - general utility, off-road, forestry, mining, defense, construction. Two transfer case models used by Indian Army (world's third largest). (Jitendra Divgi)

Vertical Timelines: Transfer Cases, MT, AT

- Question: Can you provide directional timelines for each growth vertical? (Raj Agarwal, Niveshaay)
- Answer: South Africa shipments expected FY28 (April 2028-March 2029); same period for LCV manual transmission commercialization. Mahindra global pickup truck program starts later this year, continuing over next 3-5 years. EV designs ready from 10kW to 150kW; viewed as potentially better margin business in Western Europe and US (less China dependency, Indian content preference). Cologne and South Carolina offices support global EV sales. AT earliest H2 CY28 - requires dovetailing into OEM cycle plans; minimum ₹300-400 crore revenue potential. (Jitendra Divgi)

Indonesia Execution Status & EV Run-Rate

- Question: How many of 70,000 transfer case units dispatched in Q1? What is monthly EV dispatch run-rate? (Sumit Ambekar, Param Capital)
- Answer: ~30% of contract executed; balance over remaining months with possible 1-2 month spill into next fiscal due to OEM supply chain absorption. Divgi's manufacturing line "two steps ahead of the OEM" - no quality or delivery complaints. EV: Iran war and market scare reinforced local supply chain importance. Schedules from Tata significantly higher; PPAP approval received from Tata but awaiting their vehicle testing completion; run-rate forecast rising from ₹6.5-8 crores/quarter to ₹10-12 crores. Korean EV customer conversations described as potentially "path-breaking" for Korean market entry. (Jitendra Divgi)

Capacity Utilization & Expansion

- Question: What is current transfer case capacity utilization and expansion plans? (Karan Gupta, Asit C. Mehta)
- Answer: Two assembly lines being modernized (20+ years old) with German automation company; new line at Shirwal will have 400 units/day (~120,000/year) capacity and be "world class, second to none." Domestic 4WD demand in India will never exceed 100-200k units given tropical metropolitan conditions - but global potential via Indian OEMs is enormous. Japanese OEMs see India as springboard for Gulf/Middle East, as Indonesia and Thailand cannot compete on cost. Indian demand for 4WD flows indirectly through OEM exports. (Jitendra Divgi)

Margin Sustainability & FY28/29 Revenue

- Question: Can margins sustain at current levels? When can we reach ₹2,000 crore revenue? (Rushit Shukla, Nexus Equity)
- Answer: Management cautioned against extrapolating Q1 margins - "we should not get carried away." Even in weak FY26 (full-year EBITDA ~20%), company maintained ~20% EBITDA. Benchmark: 20-22%+ sustainable versus Indian auto industry average of 14-17% over 6-7 years. Mantra: technology-led innovation, product/application diversity, customer/geographic diversity. ₹2,000 crore is long-term potential; first priority is roadmap to ₹1,000 crore across 4-5 verticals of ₹150-400 crores each (exports, transfer cases, EV, MT, AT). Annualizing Q1 revenue (~₹560 crores) shows trajectory. (Jitendra Divgi)

Automatic Transmission Technology

- Question: Is the AT a wet clutch DCT? Does it need a new plant? (A Sriram, ithoughtPMS)
- Answer: Two market segments targeted: mass cars (premium hatchbacks - Nexon, Baleno, i20 segment) best served by dual clutch technology optimizing weight/packaging, leveraging India's MT infrastructure; and rear-wheel-drive 2-litre automatic segment where transfer cases have been engineered for all global automatics (GM, Ford, ZF, Aisin, Jatco). None of these automatics are made in India today - long supply chains, inventory pile-up, weak rupee costs. Architecture critical: bringing 8-speed within 6-speed space/weight/cost envelope for future-

readiness. Described as contribution to India's automatic transmission ecosystem. First Indonesia export order specification included automatic transmission as future risk. (Jitendra Divgi)

₹2,000 Crore Timeline & Margin Range

- Question: By when can we reach ₹2,000 crore run-rate? Can you narrow the margin range? (Darshil Jhaveri, Crown Capital)
- Answer: Mahindra's stated ROIC target of 18%+ sets industry benchmark; Divgi's Q1 FY27 ROIC ex-cash ~32% against that yardstick. Sustainable EBITDA of 20-22%+ is the fair offering, achieved through complexity and innovation - commensurate margins for the risk taken. ₹2,000 crore is "potential" - first order of business is ₹1,000 crore roadmap. Even a modest AT order of 40-50,000 units would yield ₹400-500 crores. All growth capital spending prioritized toward India given higher technology/value-add domestic opportunities. (Jitendra Divgi)

Key Takeaway

Divgi TorqTransfer delivered a record Q1 FY27 with revenue of ₹141.8 crores (+85% YoY), EBITDA of ₹41.6 crores at 29.4% margin, and PAT of ₹25.2 crores (17.8% margin), driven by transfer case volumes up 93% YoY, components up 83%, and exports reaching ₹23 crores (16% of revenue). The Indonesia program (~70,000 units for Tata and Mahindra) drove ~30% of the contracted volumes with >50% of that business potentially recurring. Management's strategy centers on Project Mayflower - a \$5-million greenfield US plant in South Carolina targeting H2 CY28, alongside global EV transmission commercialization, LCV manual transmission starting FY28, and an automatic transmission program targeting ₹300-400+ crores with 8-speed architecture and earliest SOP in H2 CY28. Management guided for 20-22%+ sustainable EBITDA margins and a roadmap to the first ₹1,000 crores across four to five vertive verticals, with an AT order of even 40-50,000 units yielding ₹400-500 crores. Key watch points: EV schedule recovery post-Iran-war demand shocks, Indonesia contract spillover into Q1 FY28, execution bandwidth across simultaneous opportunities, and conversion of US RFQs into confirmed awards.

Steel Strips Wheels Ltd

Why read this call

This is a textbook inflection call: pricing power has returned after years, capacity is sold out before it even comes online, exports are inflecting after a prolonged downturn, and management backs every claim with specific numbers, dates, and sold-out order books. The next 2-3 years will look structurally different from the last 3 - exactly what a must-read call should capture.

The quarter

Q1 FY27 revenue INR 1,509 crore, +27% YoY; EBITDA with other income INR 165.17 crore, +32% YoY; EBITDA per wheel INR 314 vs INR 262 in Q1 FY26; PAT INR 71.51 crore, +43% YoY; PAT margin 4.7%.

The inflection

Industry sold out for first time in decades; all business units running >95% utilization; first OEM input price increases (1-5%) won after years of resistance, with more to flow; knuckles at 100% utilization and Bhuj expansion (1.2M alloy wheels, 1.1M knuckles) completely sold out before commissioning in Q4 FY27; exports turned positive in June (+7% YoY) after 2 years of decline, with tariff headwinds normalized; brownfield agri wheel expansion (2M units) to commercialize by end of calendar year; management guides FY27 revenue growth 20%+ (INR 6,500 crore) and EBITDA per wheel > INR 310 with upside bias.

We are actually short of capacity. If you really ask me, all my business units are running at more than 95% utilization.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,509 crores	+27% YoY; healthy momentum across alloy wheels, tractor and CV segments on improved domestic demand
Export Revenue	₹127 crores	Tariff-disrupted YoY base; management cites ~37% QoQ recovery and June exports +7% YoY, first increase in 2 years; FY27 target ~₹600 crores
Alloy Wheel Share	35% of revenue	Stable YoY; domestic market leadership; strongest growth driver for the company
Aluminium Knuckle Revenue	~₹23 crores	Q1 revenue; currently at 100% utilization; FY27 guided at ₹110-130 crores, nearly 2x YoY
EBITDA (incl. Other Income)	₹165.17 crores	+32% YoY; driven by OEM input price increases, operating leverage, favourable product mix
EBITDA per Wheel	₹314	vs ₹262 in Q1 FY26 (+20% YoY); above initial ₹300 guidance; FY27 target raised to >₹310
EBITDA Margin	~10.9%	+40 bps YoY; management prefers per-wheel EBITDA metric due to raw material price volatility
PAT	₹71.51 crores	+43% YoY; PAT margin improved to 4.7%
Total Borrowings	~₹826 crores	FY26 exit; interest cost 8-9%; additional factoring limits of ₹400-500 crores used for aluminium price surge
Capex (FY27E)	~₹600 crores	₹420 cr for Bhuj plants (1.2M alloy wheels + 0.6M knuckles), ₹80 cr replacement capex, ₹150 cr steel wheel brownfield (partial spillover to FY28)
Capacity Utilisation	>95%	Across all business units; management notes steel wheel industry is "absolutely sold out"

Geographic & Segment Commentary

- **Alloy Wheels:** Contributed 35% of Q1 revenue and remains the strongest growth driver, supported by rising OE fitment penetration and domestic leadership. Management notes domestic pricing is under pressure from competitors taking below-cost orders, but technical superiority commands premiums in select cases and export diversification reduces India dependence. Aluminium wheel capacity to reach ~6.2 million units annually post-Bhuj.
- **Aluminium Knuckles:** Q1 revenue ~₹23 crores with 100% utilization on new customer awards beyond the initial Mahindra EV program. The Bhuj knuckles expansion (0.6M incremental to ~1.1M units) is almost completely sold out; FY27 revenue guided at ₹110-130 crores. Technical support from Arays positions the facility primarily for export and aftermarket business.
- **Tractor Wheels:** Continued strong quarter on rural recovery, higher horsepower mechanization, healthy rural cash flows and replacement demand. GST-led price cuts have expanded farmer affordability; management sees a 10-15 year structural upcycle barring exceptional monsoon failures.
- **Commercial Vehicle Wheels:** Gradual improvement from replacement demand, infrastructure-led investment and freight movement. A temporary demand blip occurred in June, but management expects buoyancy after the monsoons and a 3-5 year structural growth phase.

- **Exports:** Q1 revenue of ₹127 crores declined YoY due to the US tariff disadvantage versus Vietnam and Thailand during FY26; tariffs have now stabilized at 10%, creating a level playing field. June exports grew 7% YoY - the first increase in two years - with recovery across Europe, Latin America and other geographies. FY27 export target is ~₹600 crores with 20%+ growth expected going forward.
- **Steel Wheels (Passenger Car & Agriculture):** Unexpected resurgence - the industry is sold out of capacity after 15-20 years of decline. Passenger car steel wheel demand is growing >5%; a ₹150 crores brownfield expansion (up to 2M wheels, agri + fungible passenger car) will raise total steel capacity from 24M to 26M units, with commercialization before end of CY2026.

Company-Specific & Strategic Commentary

- **Bhuj Expansion & Arays Collaboration:** ₹420 crores capex for a 1.2M alloy wheel plant and knuckles expansion; trial production expected in Q4 FY27. The order book is effectively sold out, mandating 80%+ utilization by Q1 FY28. Chinese partner Arays provides technical support, predominantly for the aftermarket/export-facing portion of the plant.
- **Pricing Power & Commodity Pass-through:** Successfully secured OEM input price increases of 1-5%, adding >1% to margins; some increases are yet to flow. Aluminium is now settled monthly (vs quarterly previously) with a ~30-day lag, making the company "fully insulated" on both aluminium price upside and downside.
- **Export-led Global Ambition:** Strategy to sell more wheels abroad than in India within 10 years, leveraging India's manufacturing base to become a dominant global aluminium wheel player. Non-US OEM awards are ramping up across geographies, reducing single-market dependence.
- **Steel Wheel Capacity Creation:** Brownfield agri wheel line (fungible with passenger car steel wheels) near Chandigarh; commercialization before end of CY2026 with revenue visible in Q4 FY27. All business units are running above 95% utilization, a situation management says has not occurred in 30-40 years.
- **New Product Exploration:** Hot stamping projects under discussion with existing OEM relationships; aluminium wheels and knuckles remain the primary growth pillars. Management is also investing in AI for labour productivity gains across manufacturing.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth (FY27)	20%+ YoY; implied ~₹6,500 crores	Confidence from current run rate (~₹6,000 crores), quarterly growth and Bhuj ramp-up; changes visible from July numbers
EBITDA per Wheel (FY27)	>₹310 (from ₹262 in FY26)	Input price increases already realized; Q1 came in at ₹314 with an "upside bias"; review after Q2
Export Revenue (FY27)	~₹600 crores	Tariff headwinds stabilized at 10% level playing field; non-US OEM award ramp-up on track
Aluminium Knuckle Revenue (FY27)	₹110-130 crores	Nearly 2x FY26; Bhuj knuckles capacity sold out; customer approvals expanding
Bhuj Capacity Ramp-up	Trial production Q4 FY27; 80%+ utilization by Q1 FY28	Sold-out order book mandates rapid ramp-up; knuckles likely earlier than wheels
Steel Wheel Brownfield	Commissioning before end of CY2026; contribution from Q4 FY27	Immediate demand visibility; industry capacity sold out; ~2M wheels added

Risks & Constraints

RISK	CONTEXT
West Asia Conflict & Geopolitics	Management cited the West Asia war as a key swing factor for commodity prices and demand; business has remained resilient so far, but further escalation could impact exports and margins.
Commodity Price Volatility	Aluminium price surge created ~₹150 crores of incremental working capital pressure. Monthly pass-through with 30-day lag and factoring limits of ₹400-500 crores mitigate, but sharp moves could still strain liquidity.
Tariff Policy Reversal	US tariffs have stabilized at 10%, but management acknowledges uncertainties are "not fully gone away"; any renewed differential versus Vietnam/Thailand could stall the export recovery.
Domestic Alloy Wheel Pricing	Competitors are taking orders at below-cost margins in the domestic market; SSWL refuses to match, but sustained irrational pricing could pressure domestic alloy margins and market share.
Capacity Constraints Pre-Bhuj	All business units are running >95% utilization with limited buffer; incremental demand cannot be serviced until Bhuj comes online in Q4 FY27/Q1 FY28, leaving no slack for project delays.
Monsoon & Rural Demand	Tractor/CV outlook is linked to monsoon performance; an exceptional bad monsoon could pause the 10-15 year tractor upcycle. The truck segment already showed a temporary June blip.

Q&A Highlights

EBITDA per Wheel Trajectory

- Question: Q1 came in at ₹309-314 versus ₹300 guidance for FY27 - should we expect a gradual reduction over the next three quarters, or is guidance being raised? (Aditya Khetan, SMIFS Institutional Equities)
- Answer: All secured input price increases have now landed, adding >1% to margins and explaining the jump from ₹280 to ₹314. Treat ₹314 as a benchmark with an upside bias; management will review after Q2 and is optimistic about the current quarter. (Dheeraj Garg)

Export Decline, Tariffs and Recovery

- Question: Why did exports dip from ₹160 crores last quarter to ₹127 crores this quarter, given tariff uncertainty is behind us? (Aditya Khetan, SMIFS Institutional Equities)
- Answer: The YoY decline reflects the Trump tariff period when India was disadvantaged versus Vietnam and Thailand. Tariffs have now come down to 10% - a level playing field - and June exports grew 7% YoY, the first increase in two years, with ~37% QoQ recovery. No tariff headwinds are expected in the remaining three quarters, and non-US OEM award ramp-up supports the ~₹600 crore annual target. (Dheeraj Garg, Aditya Dixit)

Aluminium Knuckles Ramp-up

- Question: Knuckles revenue of ~₹23 crores is similar to Q3; only two customers for over a year - when will meaningful uptake come? (Aditya Khetan, SMIFS Institutional Equities)
- Answer: The business started with Mahindra's EV program, which saw market ups and downs; a second customer has since been added. With new awards, the business is running at 100% utilization and the Bhuj expansion is perfectly timed as the order book is almost completely sold out. (Dheeraj Garg)

Capex Program Breakup

- Question: What is the total capex program, how much is complete, and what is the business-wise breakup? (Aditya Khetan, SMIFS Institutional Equities)

- Answer: Bhuj capex is ~₹420 crores (1.2M alloy wheel capacity + 0.6M knuckles) plus ~₹80 crores of replacement capex. An additional ~₹150 crores will be spent on the agri wheel brownfield line, partially this year and partially next. Total FY27 capex is ~₹600 crores. (Pranav Jain, Dheeraj Garg)

Steel Wheel Expansion and Industry Dynamics

- Question: What product is the brownfield expansion for, and does steel wheel capacity go to 29 million? (Nishita Shanklesha, Sapphire Capital)
- Answer: The line makes agriculture wheels and is fungible with passenger car steel wheels; total steel capacity rises from 24M to 26M units. The steel wheel industry is sold out after 15-20 years of problems, and all business units are running above 95% utilization. Commercialization is targeted before end of CY2026, with results visible in Q4 FY27. (Dheeraj Garg)

Alloy Wheel Margin Sustainability vs Competition

- Question: Alloy wheel imports are rising and competitors are adding capacity - what gives confidence margins won't commoditize, and are orders won on price or capability? (Yash Jhurani, Qode Advisors)
- Answer: Only two serious players dominate the domestic aluminium wheel market; SSWL's technical superiority earns a premium in select cases. Export diversification reduces dependence on India. Competitors are taking below-cost orders, but SSWL will not burn cash; the strategy is global aluminium wheel dominance. (Dheeraj Garg)

Borrowings, Factoring and Aluminium Price Pressure

- Question: Borrowings are ~₹826 crores at 8-9%, so why is P&L interest higher at ~₹120-130 crores? (Aditya Jhavar, AK Investments)
- Answer: Additional factoring limits of ₹400-500 crores were utilized when funds were required. The aluminium price spike created ~₹150 crores of extra working capital pressure, which is passed on to customers but with a collection lag; the company ran a very tight ship at extreme aluminium prices. (Pranav Jain, Dheeraj Garg)

Bhuj Plant, Arays Technical Support and Export Profile

- Question: How is Chinese player Arays helping set up the Bhuj plant, and what will the facility's profile be? (Saket Kapoor, Kapoor & Company)
- Answer: Arays provides technical support; the Bhuj plant is predominantly for markets outside India, mainly aftermarket, with some capacity for OEM. Aftermarket wheels require different capabilities, which is where Arays' support is focused. Knuckles export traction is expected within 12-18 months as OEMs already know SSWL's capability from aluminium wheels. (Aditya Dixit)

FY27 Revenue Guidance and Capacity Ramp-up Timing

- Question: Earlier FY27 top line was guided at ~₹6,500 crores (~25% growth) - are we confident? When will new capacities reach optimum utilization? (Nishita Shanklesha, Sapphire Capital; Ksush Nahar, Electrum PMS)
- Answer: The current run rate is ~₹6,000 crores with growth each quarter; Bhuj ramp-up will produce "a very different set of numbers," visible from July itself. New plants must run at least 80% in Q1 FY28 to service sold-out customer commitments, with knuckles likely ramping even earlier. (Dheeraj Garg)

Domestic CV/Tractor Blip and Sector Outlook

- Question: Is there concern on domestic CV and tractor growth, and will exports continue to improve? (Ankur Kumar, Alpha Capital)

- Answer: The truck blip was limited to last month; the market should be buoyant after the monsoons on replacement demand and infrastructure investment. Management sees a 3-5 year CV upcycle and a 10-15 year tractor boom post-GST price cuts; export lines were repurposed to make up for temporary domestic softness. (Dheeraj Garg)

Key Takeaway

Steel Strips Wheels delivered a healthy Q1 FY27 with revenue of ₹1,509 crores (+27% YoY), EBITDA of ₹165.17 crores (+32% YoY) and PAT of ₹71.51 crores (+43% YoY), driven by OEM input price increases, premium product mix and >95% utilization across plants. EBITDA per wheel rose 20% YoY to ₹314 - above the original ₹300 guidance and revised >₹310 FY27 target - with management seeing further upside. Exports, after two years of tariff-driven decline, showed their first growth in June (+7% YoY), supporting the ~₹600 crore export target and 20%+ topline growth guidance. Strategically, the ~₹600 crore capex program (Bhuj alloy wheels and knuckles plus a steel wheel brownfield line) carries a nearly sold-out order book, positioning the company toward global aluminium wheel leadership. Key watch points remain West Asia tensions, aluminium price volatility and below-cost pricing by domestic alloy competitors; the next milestone is Bhuj trial production in Q4 FY27, with full ramp-up targeted by Q1 FY28.

Lloyds Metals & Energy Ltd

Why read this call

This is a genuine inflection call. The company has delivered a record quarter with structural (not cyclical) margin expansion - slurry pipeline savings, value-added product mix shift, captive ore and logistics. But the real story is what's coming: steel plant commissioning in 7 months, BHQ beneficiation in 18 months, copper operational in 2 quarters, and Triveni's 5.5x capacity expansion already in place. The next 2-3 years will look nothing like the last 3 - the company is becoming an integrated steel-copper player from a pure iron ore miner. Management backs every claim with dated milestones and quantified savings. The only caveats are high consolidated debt (INR 19,000 cr, being renegotiated) and commodity price cyclicalities, but the structural cost advantages and volume growth are real and measurable.

The quarter

Standalone revenue INR 5,413 cr (+127% YoY, +10% QoQ), EBITDA INR 2,120 cr (+172% YoY, +31% QoQ) at 39.2% margin (best ever, +639 bps YoY, +631 bps QoQ), PAT INR 1,527 cr (+141% YoY, +43% QoQ). Consolidated revenue INR 7,354 cr (more than tripled YoY). Iron ore production 6.05 MT (+53%), pellet production 1.69 MT at 100% utilization within 4 months of second plant commissioning. Value-added products now 41% of revenue vs 13% a year ago. Triveni revenue INR 2,672 cr (+63% YoY), EBITDA INR 658 cr (+145% YoY) at 24.63% margin (+827 bps).

The inflection

Company is mid-transformation from iron ore miner to integrated metals player. Receipts: (1) Second pellet plant commissioned May 2026, at 100% utilization in 4 months; (2) Slurry pipeline operational, saving INR 550/ton on logistics; (3) First 1.2 MT steel plant commissioning by March 2027, with second steel plant being studied for capacity increase beyond 3 MT; (4) BHQ beneficiation plant (30 MT throughput, 16-17 MT output) commissioning March 2028 with yield confirmed at 38% vs original 35%; (5) Copper division: operating asset at 800 t/month plus larger JV asset (\$800M+ book, \$300M remaining CapEx) operational Q1 FY28; (6) Triveni Garchirolly ROM capacity enhanced 5.5x from 10 to 55 MTPA; (7) Tata Steel JV progressing with MDO contracts and slurry pipeline BOT model. Value-added mix shifted from 13% to 41% of revenue in one year.

Value-added products now contribute 41% of standalone revenue and 40% of EBIT. Versus just 13% and 2% respectively a year ago. This is a structural re-rating of the earnings base, not a cyclical spike.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹7,354 crores	More than tripled YoY; record consolidated revenue for the group
Standalone Revenue	₹5,413 crores	+127% YoY, +10% QoQ; strongest quarter across all metrics, driven by higher iron ore EC limits, faster pellet ramp-up, and improved sponge iron volumes
Standalone EBITDA	₹2,120 crores	+172% YoY, +31% QoQ
Standalone EBITDA Margin	39.2%	+639 bps YoY, +631 bps QoQ; best ever, driven by slurry pipeline savings (~₹550/ton), higher realizations, and value-added product mix
Standalone PBT	₹2,008 crores	Record for the quarter
Standalone PAT	₹1,527 crores	+141% YoY, +43% QoQ
Iron Ore Production	6.05 million tons	+53% YoY; monthly run rate now exceeds 2 million tons
Iron Ore Sales	5.46 million tons	+58% YoY; realization ₹6,668/ton, EBITDA ₹2,230/ton (per-ton EBITDA flat YoY as internal consumption shifted margin to pellets)
Pellet Production	1.69 million tons	100% capacity utilization within 4 months of Plant 2 commissioning (May 2026); realization ₹11,783/ton, EBITDA ₹5,803/ton
DRI Sales	183,920 tons	+133% YoY; realization ₹27,376/ton, EBITDA ₹6,273/ton
Power Volumes	Not disclosed	+87% YoY
Sales Mix	75.3% domestic / 24.7% export	Expanded exports to Kenya, South Africa, South Korea, Indonesia, and China
Value-Added Share of Revenue	41%	vs 13% a year ago; structural re-rating of earnings base
Value-Added Share of EBIT	40%	vs 2% a year ago
Standalone Net Debt	₹5,616 crores	As of 30 June; comfortable relative to EBITDA
Consolidated Net Debt	~₹19,000 crores	Includes Chemaff acquisition debt; renegotiation for more favorable terms underway
CapEx (Q1 FY27)	₹3,005 crores	₹13,513 crores spent FY24-FY26; ongoing downstream and beneficiation buildout
Triveni Revenue	₹2,672 crores	+63% YoY
Triveni EBITDA	₹658 crores	+145% YoY; margin 24.63% (+827 bps YoY); impacted by Gulf crisis fuel costs, pass-throughs in negotiation
Triveni Cash PAT	₹447 crores	+145% YoY; margin 16.72% (+522 bps YoY)
Triveni Iron Ore Volumes (incl. BHQ)	19.09 million tons	Nearly doubled from 9.87 million tons in Q1 FY26

Geographic & Segment Commentary

Iron Ore (Standalone): Production of 6.05 million tons (+53% YoY) and sales of 5.46 million tons (+58% YoY), with monthly run rate now above 2 million tons. Realization of ₹6,668/ton and EBITDA of ₹2,230/ton were flat YoY as higher internal consumption transferred margin to value-added pellets.

Pellet: Production of 1.69 million tons reached 100% capacity utilization within 4 months of the second plant commissioning in May 2026. Realization of ₹11,783/ton and EBITDA of ₹5,803/ton were driven by a 75.3% domestic / 24.7% export mix (Kenya, South Africa, South Korea, Indonesia, China) and slurry pipeline savings of ~₹550/ton.

DRI & Power: DRI sales volume of 183,920 tons (+133% YoY) at realization of ₹27,376/ton and EBITDA of ₹6,273/ton. Power volumes up 87% YoY; fuel mix shift partly from LSHS to LNG improved cost control and environmental profile.

Triveni Mining Services: Revenue of ₹2,672 crores (+63% YoY), EBITDA of ₹658 crores (+145% YoY) at 24.63% margin. Garchirolly ROM capacity enhanced 5.5x to 55 MTPA; Odisha new contracts at Lasarda Pacheri (1.5 MTPA) and Dalbajar (3 MTPA) targeting 34-35 million tons (+39% YoY) in FY27. Coal operations retained 5-star Ministry of Coal rating; logistics fleet converting to green vehicles targeting 40% EBITDA margin.

Copper (Tema/Chemaff): Two assets - one operating at ~800 tons/month with \$130 million invested; the second, a JV with US partners, has an \$800+ million book size requiring \$300+ million to complete, operational expected Q1 FY28. Financial closure targeted in 3-4 months; DRC cathode export ban has no impact as both assets produce finished cathodes.

Steel: First 1.2 MTPA long-product plant commissioning by end of March 2027; original 3 MTPA Kurnsuri plant under study for potential larger capacity, with no board decision yet made.

Company-Specific & Strategic Commentary

Market Cap Milestone: Crossed ₹1 lakh crore market capitalization in Q1 FY27; management attributed this to investor trust and a multi-year execution track record.

Slurry Pipeline & Cost Structures: Commissioning lowered logistics and freight costs on iron ore and pellet by ~₹550/ton, a structural, not cyclical, margin driver expected to persist.

Value-Added Mix Transformation: Value-added products now contribute 41% of standalone revenue (vs 13% YoY) and 40% of EBIT (vs 2% YoY), driven by pellet capacity ramp-up and disciplined exit from low-margin iron ore sales.

Green Fleet Conversion (Triveni): ~150 electric/LNG vehicles currently operating, with 200 more to be added (50 LNG, 150 EV); 20 charging stations installed with 30 more in progress; targeting 30-40% cost savings and logistics EBITDA margin expansion from 32% to 40%.

Tata Steel JV Expansion: Existing plant contributed ₹99 crores EBITDA under long-term conversion contract; evaluating MDO contracts, EC capacity increases on Tata Steel mines, and slurry pipeline development on a BOT service model connecting Tata Steel mines to steel plants.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Triveni EBITDA Margin	28-30% for FY27	Intact despite Gulf crisis fuel headwinds; pass-throughs concluding and volumes scaling through the year
CapEx	~₹11,000 crores per year for FY27-28; ₹15,000-20,000 crores in FY29	Includes ~₹8,500 crores domestic in FY27 plus \$300 million for copper; excludes PNG/Panguna copper exploration; steel plants raise outlays after FY28
Copper Financial Closure	Next 3-4 months	Discussions with US, African, and Indian financing institutions; equity and debt mix; asset operational Q1 FY28
First Steel Plant (1.2 MTPA)	Commission by March 2027	Under execution; long products
BHQ Beneficiation Plant	Commission by March 2028	30 MTPA throughput in 9 modules; 38% yield confirmed; 16-17 MT annual saleable output at 66-67% Fe
Iron Ore Sales (FY27)	>26 million tons	Includes 1.5 million tons carry-forward inventory
Odisha Volumes (Triveni)	34-35 million tons FY27	+39% YoY; Lasarda Pacheri and Dalbajar ramping up
Chemaff Debt Restructuring	Completion ahead of agreed timeline	Part of EPC contractor settlements done; final closure expected to reduce consolidated debt ~40-50%

Risks & Constraints

RISK	CONTEXT
Commodity Price Cyclicity	Iron ore and pellet prices remain volatile; MD noted pricing is unpredictable though geographic mix, value-added shift, and slurry pipeline savings support structural margins
Triveni Fuel Costs (Gulf Crisis)	Higher fuel costs pressured Q1 Triveni margins (24.63% vs 28-30% guidance); pass-through negotiations with clients underway, with full-year guidance maintained
NTPC Wage Receivable	₹300+ crores receivable under dispute; arbitration won, NTPC challenged, matter sub judice; no provision created; management expects resolution in 2-3 months while retaining preferred MDO partner status
Chemaff/Consolidated Debt	Consolidated net debt of ~₹19,000 crores includes Chemaff acquisition; restructuring/renegotiation expected to reduce burden ~40-50%, but final financial closure pending
DRC Copper Export Ban	DRC banned concentrate exports, but both company assets produce final cathodes, so no direct impact; other concentrate-based players may face conversion constraints
Equity Dilution Risk	Triveni pursuing ₹650 crore fundraise to cut high-cost debt (9-9.5%) and fund green fleet and overseas subsidiary capital - potential minority dilution

Q&A Highlights

Copper Roadmap & Financing

- Question: What is the CapEx and roadmap for the copper ramp-up from ~8,000 to ~86,000 tons including gallium, and what has been invested so far? (Vikas Singh, ICICI Securities)

- Answer: First asset already operating at ~800 tons/month (₹2,400 tons/quarter) with \$130 million invested; second JV asset (with US partners) has \$800+ million book size, requiring \$300+ million more to complete, operational Q1 FY28; financial closure in 3-4 months with US, African, and Indian lenders, partly equity, partly debt. (Riyaz Shaikh)

Tata Steel JV Projects

- Question: Any progress on Tata Steel JV projects and scope for existing EC limit expansion? (Vikas Singh, ICICI Securities)
- Answer: Existing plant reported ₹99 crores EBITDA under long-term conversion contract; small MDO started at Kota West mines; evaluating EC capacity increases on Tata Steel mines and slurry pipelines on a BOT model connecting Tata Steel mines to their plants; decisions on which mines will take MDOs expected over the coming year. (Riyaz Shaikh)

Pellet Margin Sustainability

- Question: How much of pellet profitability is export mix and premiums vs captive slurry pipeline, and is the margin repeatable? (Jai, PhillipCapital)
- Answer: 25% of pellet production is exported; slurry pipeline savings of ~₹550/ton will persist; export quantity expected to remain similar, with flexible mix chasing best realization in both domestic and export markets. (Rajesh Gupta)

Iron Ore EBITDA per Ton Flat

- Question: Volumes up 58% YoY but EBITDA per ton flat - why no operating leverage? (Kunal Kothari, Nuvama Wealth)
- Answer: Realization stayed flat at ~₹6,000/ton YoY; higher internal consumption transferred margin to value-added pellets rather than lifting per-ton iron ore EBITDA. (Riyaz Shaikh)

Triveni EBITDA Growth Bridge

- Question: What drove the 145% YoY Triveni EBITDA growth and margin expansion? (Kunal Kothari, Nuvama Wealth)
- Answer: Two new Odisha mining contracts (Lasarda Pacheri, Dalbajar) carry >40% EBITDA margins; Garchirolly ramp-up; EV vehicle fuel savings; fuel pass-throughs still being negotiated; FY27 margin guidance of 28-30% unchanged. (S.K. Naredi)

BHQ Beneficiation Plant Progress

- Question: What grade and yield is the BHQ plant achieving, and is commissioning on schedule? (Amit Dixit, Goldman Sachs)
- Answer: Commissioning targeted by March 2028 on schedule; recovery of 38% confirmed against original 35%; total gangue (alumina and silica) less than 3%; finished product 66-67% Fe at minimum; costs within original assumptions. (Rajesh Gupta)

CapEx Peak and International Plans

- Question: What is the peak CapEx year and the international CapEx plan, including Congo and PNG? (Amit Dixit, Goldman Sachs)

- Answer: Domestic CapEx ~₹8,500 crores in FY27 plus \$300 million for copper; ~₹11,000-11,500 crores per year for next 2 years; ₹15,000-20,000 crores in FY29 as steel plants come in; excludes PNG/Panguna copper exploration which is at study stage. (Riyaz Shaikh)

NTPC Wage Receivable

- Question: Why no provision on the ₹300+ crore NTPC wage receivable, and has litigation affected the relationship? (Ritesh Bhagwati, Alpha Plus Capital)
- Answer: No provision planned; arbitration was won, NTPC challenged, matter sub judice; negotiations ongoing including fuel escalation; resolution expected in 2-3 months; relationship remains strong as Triveni is NTPC's largest MDO producer and preferred contractor awarded a new 3 MTPA contract. (S.K. Naredi)

Steel Plant Timelines

- Question: When will integrated steel plant CapEx take off and what are the new timelines? (Vikas Singh, ICICI Securities)
- Answer: First 1.2 MTPA plant commissions by March 2027; original 3 MTPA Kurnsuri plant under study for potentially larger capacity given iron ore availability and capital market confidence; no board approval or announcement yet. (Rajesh Gupta)

Triveni Fundraise Purpose

- Question: What is the reason for the ₹650 crore fundraise in Triveni? (Amay Sharda, Purnartha)
- Answer: To replace high-cost debt (blended rate 9-9.5%, ₹115 crores interest in Q1) and fund conversion of conventional equipment to electric, plus capital for overseas subsidiaries supporting MDO operations. (S.K. Naredi)

DRC Copper Export Ban

- Question: What is the potential impact of the DRC ban on copper exports? (Div Agarwal, Ficom Family Office)
- Answer: No impact - both assets produce finished cathodes; ban mostly affects concentrate exports by certain players with Chinese shareholders who may need to build conversion capacity. (Riyaz Shaikh)

Shibmas (Chemaff) Debt Restructuring

- Question: Has restructuring of the debt completed this quarter or next, and will debt reduce? (Siddharth Gaddekar, Equirus)
- Answer: Completion in next quarter before agreed timelines; part of EPC contractor settlements done; final closure to reduce overall debt ~40-50% after refinancing, as portion includes accrued interest and penalties. (Riyaz Shaikh)

Key Takeaway

Lloyds Metals & Energy delivered a record Q1 FY27 with standalone revenue of ₹5,413 crores (+127% YoY), EBITDA of ₹2,120 crores (+172% YoY) at 39.2% margin (+639 bps YoY), and PAT of ₹1,527 crores (+141% YoY), crossing ₹1 lakh crore market cap during the quarter. Margin expansion was structural, driven by slurry pipeline savings (~₹550/ton), value-added products now 41% of revenue (vs 13% YoY) and 40% of EBIT (vs 2% YoY), and 100% pellet capacity utilization within 4 months of Plant 2 commissioning. Subsidiary Triveni posted revenue of ₹2,672 crores (+63% YoY) at 24.63% EBITDA margin (+827 bps YoY), guiding to 28-30% for FY27. Management guided ~₹11,000 crores annual CapEx for FY27-28 rising to ₹15,000-20,000 crores in FY29, spanning BHQ beneficiation

(March 2028), DRC copper (Q1 FY28), and steel; the first 1.2 MTPA plant commissions March 2027. Key watchpoints include commodity price cyclicalities, Triveni fuel pass-throughs, NTPC receivable resolution, and Chemaff debt restructuring outcomes.

DEE Development Engineers Ltd

Why read this call

This is a must-read because the business is at a clear inflection point: the heavy capex cycle is done, and the company is now converting that capacity into revenue and margin expansion. The management backs its confidence with specific, dated commitments - Siemens unit counts, Thailand bookings, order inflow guidance, and debt reduction targets. The next 2-3 years will look materially different from the past as Anjar and the seamless pipe plant scale, margins expand via operating leverage, and the balance sheet deleverages. This is not just a good quarter; it is the start of a visible multi-year ramp.

The quarter

Q1 FY27 revenue Rs 294.5 cr (+31.6% YoY), EBITDA Rs 49.7 cr (16.9% margin vs 16% YoY), PAT Rs 16.1 cr (+22.4% YoY). Order book Rs 2,428 cr as of June 2026. Received a Rs 386.82 cr BPCL piping order, one of the largest single orders in recent history. ~Rs 25 cr of dispatches deferred to Q2 due to Middle East situation, but management says underlying performance is on track.

The inflection

The company has just completed its major capex cycle (Anjar fabrication facility and seamless pipe plant) and is now entering a ramp-up phase. Thailand facility is 100% booked for the next 3 years. Siemens MOU signed for GT piping: 10 units next year, 15 the following, 25-30 in year three (each unit ~€1-1.5M). Seamless pipe plant targeting 20% EBITDA, with 50-50 captive vs external sales. Preferential issue of Rs 300 cr allotted, Rs 224 cr used to reduce debt; net debt expected to fall from Rs 718 cr to Rs 400-425 cr by FY27 end. Management guides to Rs 1,500 cr+ revenue and >19% EBITDA margin for FY27, with >Rs 2,000 cr order inflow. Anjar facility at ~50% utilization, targeting 100% by FY28-29 with peak revenue potential of Rs 1,500 cr from that facility alone.

We already have agreed. We have already signed a sort of understanding or an MOM with them that from next year onwards, we shall be getting continuous business with them for GT piping. I am missing exactly, but it is starting with 10 units in the coming year, then 15 units in the next year, and maybe around 25 or 30 units in the third year.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Gross Revenue	₹294.5 crores	+31.6% YoY; driven by piping execution to power & oil & gas, offset by ~₹25 crores of dispatches deferred to Q2 due to Middle East export deferrals
Operating EBITDA	₹49.7 crores	+38.7% YoY; margin at 16.9% vs 16% YoY, aided by better capacity utilization, operating leverage, and initial seamless pipe plant contribution
PAT	₹16.1 crores	+22.4% YoY; margin compression at net level reflects higher depreciation/finance costs from completed capex
Order Book	₹2,428 crores	As of 30 June 2026; includes ₹386.82 crore BPCL piping order, one of the largest single orders in recent history; provides strong revenue visibility
Order Inflow (FY27 to date)	~₹700 crores	Management guides ₹2,000+ crores total FY27 inflow; remainder expected ₹1,300-1,800 crores
Net Debt	₹718 crores	Down from ₹733 crores at FY26 closing; post-preferential allotment, ₹225 crores earmarked for debt prepayment; target ₹400-425 crores by FY27 close
Asset Turnover	1.39x	Improved from 1.33x in Q4 FY26, driven by higher utilization and revenue growth
Cash Conversion Cycle	263 days	Improved from 276 days YoY; inventory at 174 days (down from 243), debtors at 123 days (up from 99), creditors at 34 days (down from 66); target 180-200 days
Anjar Utilization	~50%	Expected 60-65% by FY27 year-end, ~100% in FY28; facility peak revenue potential ₹1,500 crores by FY28-29

Geographic & Segment Commentary

- **Piping & Heavy Fabrication (Core):** Anchors execution and majority of revenue and order book; serves power, oil & gas, process industries across India and exports. Seamless pipe plant now commissioned supports backward integration - management targets ~20% EBITDA on seamless output with 50-50 captive vs external sales mix.
- **HRSG & GT Piping:** GE continues to award GT orders; HRSG LOI for 15-16 units delayed but no FY27 top-line impact. Siemens MoU signed - ~10 units in FY28, 15 in FY29, 25-30 in FY30 (~€1-1.5 million per unit). Mitsubishi fresh orders make Thailand facility ~100% booked for next 3 years; Thailand revenue target ₹170-200 crores.
- **Power Segment (Thermal/Boiler Piping):** BHEL pacing slower than expected, but ~₹200 crore order received last quarter with more tenders expected; L&T has awarded all offloaded orders; active discussions with JSW, Hindustan Energy and overseas customers. Mix shift to material-inclusive power jobs raises material cost but lowers conversion cost, keeping EBITDA guidance intact.
- **Non-Core (Malwa Power & Pellets):** Biomass pellet plant (72,000 MTPA) commissioned in Q1 FY27; FY26 non-core revenue target ~₹80 crores with Malwa tariff of ₹5.44/kWh flowing for full year. PPA EBIT temporarily negative as fuel was diverted to establish pellet operations; new fuel from October will allow full operation of both plants.

Company-Specific & Strategic Commentary

- **Balance Sheet Strengthening:** ₹300 crore preferential issue (net ₹293 crores) allotted 8 July with BSE/NSE approvals 28 July; ₹225 crores for debt prepayment, remainder for general corporate purposes; improves leverage headroom without straining balance sheet.

- **Backward Integration & Seamless Pipe Plant:** In-house P91/P92 pipe manufacturing for high-thickness, large-diameter coal-fired boiler piping (800MW/660MW+); not intended for HRSG where imported pipe remains competitive; expected ~20% EBITDA margin on this segment.
- **New Sector Expansion - Nuclear & Data Centers:** Nuclear facility vision advanced - approvals partially in place, seeking international partner with pre-qualifications; deal targeted to close in Q2 FY27. Data center piping targeted as incremental opportunity; management not reliant on fossil-fuel boilers alone.
- **Order Inflow Discipline:** FY27 order inflow target ₹2,000+ crores (already ₹700 crores booked); domestic vs export split ~50:50; management sees ₹2,500 crore revenue target achievable by FY29 ahead of FY30 plan driven by huge pipeline across oil & gas and power.
- **Operational Leverage:** Manpower headcount reduced considerably; no major recruitment expected; cost base expected to remain relatively flat as revenue scales beyond ₹1,500 crores, improving margins materially.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue (FY27)	₹1,500+ crores	Piping segment ₹1,150-1,250 crores; balance from subsidiaries incl. Thailand. Q1 weakest quarter with ramp through Q4; ₹1,500 crores considered the bare minimum - may exceed
EBITDA Margin (FY27)	19%+	Supported by operating leverage, seamless plant contribution, and favorable mix; Q1 at 16.9% with margin expansion expected through the year
Order Inflow (FY27)	₹2,000+ crores total	₹700 crores already received; remainder ₹1,300-1,800 crores; pipeline strong across oil & gas, power, and potential data center contracts
Net Debt (FY27 close)	₹400-425 crores	Benefiting from ₹225 crore debt prepayment; no new debt planned in FY27
Anjar Utilization	60-65% in FY27; ~100% in FY28	Peak revenue potential ₹1,500 crores by FY28-29; Siemens visit to clear Anjar facility in August supports ramp-up
Cash Conversion Cycle	180-200 days target	From 263 days currently; debtor reduction via customer bill discounting; inventory expected ~150-160 days by Q2

Risks & Constraints

RISK	CONTEXT
Middle East Export Deferrals	~₹25 crores of Q1 dispatches pushed into Q2 as export customers deferred take-offs on Middle East situation; material is ready at company end; no impact on annual guidance if situation stabilizes
GE HRSG Order Delay	LOI covering 15-16 units not yet converted to PO; management flags possible delay but no FY27 impact given Mitsubishi and other traction; GE meeting scheduled 14 September; capacity already booked 1.5+ years
BHEL Order Pacing	Slower than expected order finalization; tenders expected this quarter with finalization next quarter; management diversified across L&T, JSW, Hindustan Energy and overseas OEMs reducing dependence
Thermal Power Demand Uncertainty	Rajasthan cancelled 3.2GW in June citing sufficient renewables; management mitigates via private players (JSW, Moser Baer, Bajaj Hindustan) and diversification into nuclear, data centers, and oil & gas; sees no order concern till 2030
Working Capital Pressure	Debtor days increased to 123; creditor days deliberately kept at 34 to retain MSME compliance and purchase-price leverage; bill discounting ramp-up and inventory optimization targeted to normalize cycle
Order Book Execution Dependency	Revenue realization depends on customer drawing release and input information (e.g., GE order in book at ~₹380 crores lacks inputs); ₹1,500 crore target is based only on orders with clear inputs

Q&A Highlights

OEM Partnerships (GE, Siemens, Mitsubishi)

- Question: Progress on GE HRSG orders and Siemens discussions (Anirudh Agarwal, ValueQuest)
- Answer: GE GT orders continuing but HRSG PO delayed; agreement covers 15-16 units, no FY27 impact as Mitsubishi fresh orders fill gap. Thailand facility now ~100% booked for three years. Siemens MoU signed - ~10 GT units in FY28, 15 in FY29, 25-30 in FY30, each unit worth ~€1-1.5 million; Siemens team visiting Anjar in third week of August to clear facility. Thailand revenue target ₹170-200 crores for the year. (Krishan Lalit Bansal)

Order Inflow Guidance & PPA EBIT Swing

- Question: Is ₹2,000 crore order inflow guidance still applicable given delays? Why did PPA EBIT turn negative again? (Pranay Chatterjee, Burman Capital)
- Answer: FY27 order inflow likely to exceed ₹2,000 crores. PPA EBIT negative because fuel was diverted to commission pellet plant; new fuel supply from October will allow simultaneous operation of both power and pellet plants, changing the scenario. (Krishan Lalit Bansal)

Revenue Split & Margin Guidance

- Question: What revenue split and margins given the ₹1,500 crore target? (Aditya Sahu, HDFC Securities)
- Answer: Piping segment ₹1,150-1,250 crores; balance from subsidiaries including Thailand. EBITDA margin guidance of 19%+ reiterated "without any doubt." (Krishan Lalit Bansal)

Sector-wise Order Inflow Outlook

- Question: Which sectors will drive the remaining order inflow? (Riken Gopani, Capri Global)
- Answer: Pipeline healthy and evenly distributed across oil & gas and power, with data center jobs also targeted; remainder of year inflow expected ₹1,300-1,800 crores minimum, with possibility of higher. (Krishan Lalit Bansal)

Thermal Power Sustainability

- Question: Given Rajasthan's 3.2GW order cancellation, how sustainable is thermal power demand? (Chandresh Malpani, Niveshaay)
- Answer: Company is not solely dependent on fossil-fuel boilers - equal focus on oil & gas, plus new nuclear and data center sectors. Private players (JSW, Moser Baer, Bajaj Hindustan) continue building plants; capacity still cannot cater to all demand; no concern on booking orders till 2030. Company targets exceeding ₹1,500 crore guidance - Q1 weakest quarter, Q4 strongest. Gross margin mix shift to power sector jobs (higher material cost but lower conversion cost) keeps EBITDA at 19%+. (Krishan Lalit Bansal)

Nuclear Entry Strategy & Thailand Expansion

- Question: How will piping requirements and approvals for nuclear and data centers work? Any Thailand expansion? (Akash Rawal, Sanghvi Family Office)
- Answer: Nuclear approvals partially in place; company seeking partner for export market pre-qualification, with discussions in advanced stage - agreement targeted by Q2 FY27. Nuclear value addition much higher than power; data center value addition lower. No Thailand capacity expansion - that unit is a showcase; all expansion in India only. Net debt expected ₹400-425 crores by FY27 close with no new debt planned. (Krishan Lalit Bansal)

Seamless Pipe & P91/P92 Manufacturing

- Question: What percent of HRSG uses P91/P92 pipes captively, and cost savings? (Vineet Khatri, Toro Wealth Management)
- Answer: Seamless pipes for high-wall, large-diameter applications primarily for coal-fired boilers (800MW/660MW+), not HRSG where thin-wall imported pipes remain competitive. Expected ~20% EBITDA on seamless pipe manufacturing supporting bottom line. Captive vs external sales planned at 50:50. (Krishan Lalit Bansal)

Order Book Breakdown & Export Mix

- Question: Order book composition by segment and tonnage; expected HRSG export share in FY27 inflow? (Kaushal Sharma, Equinox Capital Venture)
- Answer: Power segment order book: HRSG India ~₹400 crores, Thailand ~₹200 crores; balance from oil & gas and coal-fired boiler orders. Export expected ~50% of FY27 revenue, possibly slightly lower given strong domestic power pipeline. (Krishan Lalit Bansal)

Order Book & Execution Lead Times

- Question: With ₹2,400 crore order book, should FY27 revenue significantly exceed the ₹1,500 crore guidance? (Dhwanil Desai, Turtle Capital)
- Answer: Revenue depends on customer inputs (drawings, material releases) not just order receipt; some orders (e.g., GE at ~₹380 crores) lack inputs yet. ₹1,500 crore target built only on orders with clear inputs; if orders get delayed slightly, it is actually favorable as it staggers execution. (Krishan Lalit Bansal)

Working Capital Cycle & Tax Rate

- Question: Working capital cycle and effective tax rate for modeling? (Vignesh Iyer, Sequent Investments)
- Answer: Inventory days improved to 174 from 243; debtor days rose to 123; creditor days 34 - intentionally kept low for MSME compliance and purchase-price leverage vs P&L benefit. Target cash conversion cycle 180-200

days. Tax rate: consolidated 20-21%; standalone ~25.17%; quarterly fluctuations from Thailand subsidiary consolidation. (Krishan Lalit Bansal, Brahm Yadav)

Gross Margin Decline & Asset Turnover

- Question: Why have gross margins fallen from 63% to 60-65% levels? What is asset turnover? (Nishant Bhatt, Equity Works Limited)
- Answer: Gross margin dip driven by mix shift to material-inclusive power sector jobs (higher material cost, lower conversion cost) and some impact from Malwa power; EBITDA margin guidance of 19%+ unchanged. Consolidated asset turnover at 1.39x vs 1.33x in Q4 FY26. (Krishan Lalit Bansal, Brahm Yadav)

Key Takeaway

DEE Development Engineers delivered a solid Q1 FY27 with revenue of ₹294.5 crores (+31.6% YoY), EBITDA margin of 16.9% and PAT of ₹16.1 crores (+22.4%), despite ~₹25 crores of dispatches deferred to Q2 on Middle East export softness. The ₹300 crore preferential allotment (8 July) funded ₹225 crore of debt prepayment, with net debt guidance of ₹400-425 crores by FY27 close versus ₹718 crores in Q1. The ₹2,428 crore order book, anchored by a ₹386.82 crore BPCL order, supports ₹1,500+ crore revenue and 19%+ EBITDA guidance for FY27, with order inflow guided above ₹2,000 crores. Strategic momentum centers on Siemens GT piping (10 units in FY28 ramping to 25-30 by FY30), Mitsubishi-driven Thailand utilization (~100% booked for three years), seamless pipe backward integration at Anjar (~20% EBITDA target), and a planned nuclear sector entry with partner discussions targeted for closure in Q2 FY27. Watch points include GE HRSG order timing, BHEL order pacing, and working capital normalization to 180-200 days. Management expresses confidence in exceeding the ₹1,500 crore revenue "bare minimum" and reaching a ₹2,500 crore run-rate by FY29 ahead of the FY30 target.

Man Industries (India) Ltd

Why read this call

This call is a must-read because the company is at a clear inflection point: the NPC acquisition and new capacity will fundamentally change its revenue and margin profile over the next 2-3 years. The quarter is strong (record EBITDA and PAT), and management provides concrete numbers on order book, capacity commissioning dates, and guidance, backed by specific operational improvements at NPC (mill upgrade, cost cuts). The transformation from an Indian exporter to a global player with in-Kingdom manufacturing and new product lines is exactly the kind of inflection that makes the next few years look visibly different from the past.

The quarter

Consolidated revenue +37.7% YoY to ₹1,065 crore, EBITDA +92.6% to ₹155 crore (highest ever), PAT more than doubled to ₹61 crore. Standalone revenue +37.5% to ₹1,028 crore, EBITDA +95.1% to ₹157 crore, PAT +167.7% to ₹78 crore (record). Order book ₹3,600 crore executable over 6-12 months; bid pipeline ₹24,000 crore.

The inflection

Acquisition of National Pipe Company (NPC) in Saudi Arabia completed May 2026 transforms Man Industries from an exporter into an in-Kingdom manufacturer with Aramco-approved vendor status. NPC ramp-up expected from Q2 FY27 with quarterly run rate of ₹300-500 crore. New Dammam coating and double-jointing facility (target March 2027) and Jammu stainless steel plant (target March 2027) add higher-margin capabilities. Management cites structural multi-year demand shift in MENA and Asia, with FY28 growth guidance of 25-35% backed by capacity additions and order book.

What we are seeing across our markets isn't a one off upcycle. It's a structural multi year shift.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹1,065 crores	Up 37.7% YoY; strongest consolidated revenue growth in last five quarters
Standalone Revenue	₹1,028 crores	Up 37.5% YoY; strongest YoY growth in last eight quarters for core pipes business
Consolidated EBITDA	₹155 crores	Up 92.6% YoY, up 5% QoQ; highest-ever consolidated quarterly EBITDA
Standalone EBITDA	₹157 crores	Up 95.1% YoY; EBITDA margin expanded 450 bps to 15.3%
Consolidated EBITDA Margin	14.6%	Slightly lower than standalone due to only ~20 days of NPC consolidation
Consolidated PAT	₹61 crores	More than doubled YoY; lower than standalone due to intercompany eliminations
Standalone PAT	₹78 crores	Up 167.7% YoY; highest-ever standalone quarterly PAT
Standalone PAT Margin	7.6%	Expanded 370 bps; record for the company
Consolidated Order Book	~₹3,600 crores	Across India and Saudi Arabia; majority executable over next 6-12 months
Bid Pipeline	~₹24,000 crores	~70% from MENA region; ~35-40% water-related projects
NPC Q1 Contribution	~₹43 crores revenue	Only ~20 days consolidated (acquisition date May 21, 2026; Saudi holidays)
NPC FY27 Revenue Guidance	~₹1,500 crores	Full quarter contribution from Q2 FY27 onward
India Capacity Utilization	50-60%	Order mix dependent; not a capacity constraint
Gross Margin (Q1)	~35%	Down from ~53% in Q4 FY26 due to DDP order mix changes
Finance Cost (Q1)	~₹40 crores	Includes ~45 days of interest on NPC acquisition loan
FY27 Finance Cost Guidance	~₹190 crores	Including full-year NPC acquisition debt interest

Geographic & Segment Commentary

India (Standalone): Revenue of ₹1,028 crores with record EBITDA margins of 15.3%. Domestic business continues to benefit from water and gas infrastructure buildout. India order book stands at approximately ₹2,300 crores, with 80%+ being export orders. Management expects India standalone revenue of ~₹3,800 crores for FY27, representing nominal growth with the growth engine shifting to Saudi Arabia.

Saudi Arabia / NPC: NPC acquisition completed May 21, 2026, with only ~20 days of operations consolidated in Q1 (~₹43 crores revenue). Operating at approximately 21% EBITDA margin historically. Quarterly run-rate expected at ₹300-500 crores from Q2 FY27. Management has implemented operational improvements: reduced wastage from double-digit to single-digit percentages, upgraded spiral mill to 100-inch capability to access water segment orders, and shifted consumables sourcing from Japan to India/other cost-effective sources. Saudi operations expected to deliver ~₹1,200-1,500 crores in FY27.

MENA / GCC Wider Region: Structural demand shift driven by Aramco network expansion, East-West pipeline rehabilitation, Master Gas System expansion, and water/desalination investments. Post-conflict environment

accelerating investment procedures with ADNOC and Qatar Energy pushing ahead with expansions. Dammam coating and double-jointing facility (4 lakh square meters capacity) targeted to commence operations by March 2027, which will enable value-added orders from Aramco.

Southeast Asia / Far East: New structural tailwind emerging from Strait of Hormuz disruption concerns- approximately 80% of crude oil and 90% of LNG transiting through the Strait is destined for Asian buyers. Countries including Japan, Korea, Vietnam, Bangladesh, and Philippines are diversifying supply chains and expanding LNG import infrastructure. This represents a new demand source that didn't exist 18 months ago.

Company-Specific & Strategic Commentary

NPC Acquisition & Integration: Acquisition completed May 21, 2026 (70% debt-funded via NPC-level loan). Integration progressing with focus on three operational fixes: wastage reduction (already brought down to single digits), spiral mill upgrade to 100-inch (trials completed), and consumables sourcing shift from Japan to India. Previously 52% Japanese-owned, enabling cost optimization through Indian sourcing relationships.

Dammam Coating & Double-Jointing Facility: \$50 million investment (funded 50% debt / 50% internal accruals) with operations targeted by March 2027. Facility will enable Aramco's mandatory 24-meter pipe double-jointing and coating requirements for LSAW pipes, potentially adding 3-4% to margin profile. All NPC orders require coating, creating natural cross-sell opportunity.

Jammu Greenfield Stainless Steel Project: Construction on track with production expected by March 2027. Total capex of ₹600 crores (₹389 crores debt component, balance from internal accruals). Expected to contribute ₹200-300 crores revenue in first year of operations (FY28), extending capabilities into higher-margin stainless steel segment.

Merino Shelters Real Estate Monetization: Commencement certificate received for entire project with RERA registrations complete. Project launch set for mid-September 2026. Expecting ₹35-50 crores cash inflows in FY27, with total project revenue estimated at ₹80-100 crores over 4-5 year timeline.

Bid Pipeline Strategy: Combined bid pipeline of ~₹24,000 crores with ~70% from MENA region and ~35-40% water-related. Management notes Aramco orders carry higher margins than water segment orders, making Aramco the first priority for bidding. Company leveraged in-Kingdom manufacturing status with Aramco-approved vendor designation.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Consolidated Revenue	~₹5,000 crores	Comprising ~₹3,800 crores India standalone (nominal growth) + ~₹1,200-1,500 crores NPC Saudi (excluding acquisition period impact in Q1)
FY27 NPC Revenue	~₹1,500 crores	Full quarter contribution from Q2 FY27; quarterly run-rate of ₹300-500 crores
FY27 Finance Costs	~₹190 crores	Includes full-year interest on NPC acquisition loan and project debt; Q1 finance costs were ~₹40 crores
FY27 Total Debt Peak	~₹1,600 crores	Peak debt to complete both Dammam coating and Jammu projects by March 2027
FY28 Debt Level	~₹1,400 crores	Lower than peak as loan repayments commence
FY28 Revenue Growth	25-30% (minimum)	Base business plus Jammu contribution of ₹200-300 crores; Saudi at ₹2,400-3,000 crores top line
FY28 Consolidated EBITDA Margin	14-16%	Management guiding for consistent delivery in this range; coating facility could push toward 17%
NPC EBITDA Margin	15-18%	Normalized from historical ~21% due to product and geographic mix
Dammam Coating Operations	March 2027	Target commencement; will enable value-added Aramco orders
Jammu Production	March 2027	Expected production start; ₹200-300 crores FY28 revenue contribution
Merino Shelters Cash Inflows	₹35-50 crores in FY27	Project launch mid-September 2026; lumpy real estate cash flows expected over 4-5 years

Risks & Constraints

RISK	CONTEXT
Competitive Capacity Addition in Saudi	Multiple competitors (Wellspun, East Pipes, Arabian Pipes) adding capacity in Saudi Arabia. Management expects demand-supply gap to persist for next 3-4 years with current shortfall of supply versus demand. Some pricing pressure possible but no price war expected. New entrants face Aramco API approval timelines, creating barriers.
Capacity Utilization Constraints	India operations running at only 50-60% utilization, implying significant revenue upside tied to order wins rather than capacity. Management attributes this to order mix and project-specific fitting rather than demand constraints.
GCC Project Execution Risk	New projects (Dammam coating, Jammu stainless) have March 2027 completion targets simultaneously. Management notes existing teams and track record mitigate execution risk, but concurrent project delivery creates operational bandwidth pressures.
DPP Model Volatility	Shift between DDP and other delivery models causes gross margin fluctuation (53% in Q4 FY26 vs. 35% in Q1 FY27). Management explains this as order mix change with revenue and expenses both varying, while net profitability improved. Management could not provide like-for-like gross margin comparison ex-DDP.
Geopolitical and Shipping Disruptions	Strait of Hormuz disruptions creating both tailwinds (Asian buyers diversifying infrastructure) and operational risks. Post-conflict environment accelerating MENA investments, but management notes dependence on war scenario resolution for pipeline continuity.
Currency and Raw Material Sourcing	NPC sourcing steel from Posco, China, and other approved vendors at best available prices. No restrictions on Chinese imports currently, but Aramco vendor approval requirements and geopolitical dynamics could impact sourcing flexibility.
FX and Interest Rate Exposure	FY27 finance costs expected at ~₹190 crores driven by acquisition and project debt. Consolidated entity carries NPC-level loan for acquisition (not on standalone books), creating potential for interest rate movement impact on consolidated profitability.

Q&A Highlights

Standalone vs. Consolidated Reconciliation

- **Question:** Why is consolidated PAT (₹61 crores) lower than standalone (₹78 crores) despite similar EBITDA? (Viraj Mahadevia, Moneygrow)
- **Answer:** Intercompany deposits/loans given by standalone entity to Saudi acquisition and Jammu project entities generate interest income and corporate guarantee commission that gets eliminated during consolidation. These will normalize as loans are repaid over time. Management advises investors to focus on consolidated numbers for a true picture. (Sandeep Kumar, CFO)

NPC Revenue Mix & EBITDA Margin Dilution

- **Question:** How much NPC revenue was consolidated and why did consolidated EBITDA margins dilute despite NPC's higher margins? (Dikshi Jain, Incra Research)
- **Answer:** Only ~20 days of NPC operations consolidated (acquisition date May 21, 2026, with Saudi EID holidays reducing actual operating days to ~15). ~₹43 crores revenue included. NPC margins are higher (~21%) but the small revenue base in Q1 couldn't meaningfully impact consolidated margins. Full margin impact visible from Q2. (Sandeep Kumar, CFO)

NPC Capacity Utilization & Ramp-up

- **Question:** What is NPC's quarterly run-rate expectation and utilization by March 2027? (Ganesh Rao, Punarvi Capital)
- **Answer:** NPC quarterly run-rate expected at ₹300-500 crores from Q2 FY27, with further ramp-up from December as new businesses come online in Saudi. India capacity utilization is 50-60% depending on order mix and mill fitment. (Nikhil Mansukhani, MD)

Consolidated EBITDA Margin Guidance

- **Question:** Will NPC margins normalize to 15-18% and what drives that normalization? (Ganesh Rao, Punarvi Capital)
- **Answer:** Consolidated EBITDA margins expected between 14-15% consistently. Margin depends on order design mix-Aramco orders carry higher margins than water segment. Management prioritizes Aramco orders to push profitability toward 20%+. All orders require coating/double-jointing post-coating facility commissioning, which will add margin uplift. (Nikhil Mansukhani, MD)

Saudi Competitive Landscape

- **Question:** With competitors adding Saudi capacity, will utilization or pricing become an issue? (Ganesh Rao, Punarvi Capital)
- **Answer:** Currently supply is lower than demand, and this gap expected to continue for next 3-4 years given East-West line, Master Gas expansion, and multiple GIGA projects. New entrants face API approval timelines that take years. Some pricing pressure possible but no price war expected given demand-supply dynamics. (Nikhil Mansukhani, MD)

FY28 Growth Guidance & Jammu Contribution

- **Question:** What is the FY28 growth outlook including Jammu? (Darshil Jhaveri, Crown Capital)
- **Answer:** Minimum 25-30% revenue growth for FY28. Jammu will contribute ₹200-300 crores in first year (not immediately ₹1,000-2,000 crores). Saudi expected between ₹2,400-3,000 crores top line in FY28, including coating revenue. Management is guiding minimum growth, with potential for higher if conditions improve. (Nikhil Mansukhani, MD)

Raw Material Sourcing in Saudi (China Steel)

- **Question:** Can NPC replace raw material with Chinese steel to improve margins given Saudi localization (IKTBA) requirements? (Subrata Sarkar, Mount Intra Finance)
- **Answer:** Saudi has no local plate suppliers, so all steel is imported from approved vendors-Posco, China, and others at best available prices. There's no government restriction on sourcing currently. HRC coils are partially matched by local Hadeed with balance imported from China, Korea, or wherever pricing is best. Current EBITDA margins already reflect optimal sourcing. (Nikhil Mansukhani, MD)

Debt & Funding Plan

- **Question:** What is the cash requirement and peak debt trajectory for FY27-FY28? (Subrata Sarkar, Mount Intra Finance)
- **Answer:** FY27 peak debt ~₹1,600 crores comprising NPC acquisition debt (70% loan-funded) and Jammu project (₹389 crores loan component). Dammam coating plant is \$50 million investment funded by \$25 million loan + \$25 million internal accruals. FY28 debt lower at ~₹1,400 crores as repayments commence. Company has surplus cash on balance sheet. (Sandeep Kumar, CFO)

Bid Pipeline Composition

- **Question:** What is the breakdown of the ₹24,000 crores bid pipeline? (Viraj Mahadevia, Moneygrow)
- **Answer:** ~70% from MENA and extended MENA regions. ~35-40% is water-related projects (including India and international). Management seeing significant upcoming large pipelines globally-including from South America, CIS countries, and Far East-with many projects backed by financial closure. US-investment-backed countries typically avoid Chinese sourcing, favoring Indian suppliers. (Nikhil Mansukhani, MD)

NPC Working Capital Requirements

- **Question:** What is the normalized working capital requirement for NPC per ₹1,000 crores revenue? (Ganesh Rao, Punarvi Capital)
- **Answer:** NPC working capital requirement is approximately \$100-125 million on a \$200 million revenue base. Working with local companies and Aramco requires minimal ABGs/BGs-mainly non-fund-based LCs, creating efficient working capital dynamics. (Nikhil Mansukhani, MD)

Key Takeaway

Man Industries delivered its highest-ever consolidated quarterly EBITDA of ₹155 crores in Q1 FY27, up 92.6% YoY, with consolidated revenue growing 37.7% to ₹1,065 crores and PAT more than doubling to ₹61 crores. The NPC Saudi acquisition (completed May 21, 2026) contributed only ~20 days of revenue (~₹43 crores) but is expected to generate ₹300-500 crores per quarter from Q2, driving FY27 consolidated revenue toward ~₹5,000 crores. Management has already implemented key operational improvements at NPC-wastage reduction to single digits, 100-inch spiral mill upgrade completion, and consumables sourcing shift from Japan to India-while the Dammam coating facility (\$50 million investment) and Jammu stainless project (₹600 crores capex) are both on track for March 2027 commissioning. Management guides for 25-30% minimum growth in FY28 with Saudi scaling to ₹2,400-3,000 crores, consolidated EBITDA margins sustaining at 14-16%, and total debt peaking at ~₹1,600 crores in FY27 before declining. Key watch points include competitive capacity additions in Saudi over the next 2-3 years, concurrent project execution risk across geographies, and the company's ability to convert its ₹24,000 crores bid pipeline into executable orders in a post-conflict environment.

Aeroflex Industries Ltd

Why read this call

This is a textbook inflection point: a new, high-growth product vertical (data centre liquid cooling) is scaling rapidly, driving 72% revenue growth and 162% PAT growth. Management provides concrete capacity expansion timelines, capex numbers, and customer-driven demand signals. The next 2-3 years will look fundamentally different from the past as skid assemblies and international data centre business ramp. The quarter is strong and the inflection is real with receipts - a must-read for anyone tracking India's AI/data centre supply chain.

The quarter

Q1 FY27 revenue ₹145.97 cr (+72.4% YoY), EBITDA ₹33.5 cr (+116%, margin 23.04% up 468 bps), PAT ₹18.79 cr (+162%, margin ~13% up 440 bps). Skid assemblies for data centre liquid cooling contributed ₹32.4 cr (~23% of revenue). Exports +43% YoY.

The inflection

Aeroflex is transitioning from a flexible hose maker to an integrated provider of liquid cooling solutions for data centres. Skid assembly revenue scaled to 23% of total in just one year, with capacity being expanded from 6,000 to 15,000 units per annum (capex ₹48 cr) by Q3 FY27. International skid business expected this fiscal year, and a fire hose assembly for data centres is set to commercialize by Q3/Q4. The company is also expanding flexible hose capacity from 17.5m to 20m meters. These are dated, quantified plans backed by customer discussions and a 1,040-unit skid volume in Q1.

This marks a major step in our company's evolution from being just a flexible hose manufacturer to an integrated provider of advanced flow control and flow management solutions for mission-critical applications.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Income / Revenue	₹145.97 crores	+72.4% YoY; highest-ever quarterly performance, growth from core business and emerging skid assemblies
EBITDA	₹33.5 crores	+116% YoY; margin expanded 468 bps YoY to 23.04%
Profit After Tax (PAT)	₹18.79 crores	+162% YoY; PAT margin ~13%, up 440 bps YoY
Cash Profit	₹26.64 crores	+100%+ YoY; cash profit margin 18.25%, up 278 bps YoY
Flexible Hose Business Revenue	Not separately disclosed	+41% YoY; current capacity utilization ~65-66%
SFN Skid Assemblies Revenue	₹32.4 crores	~23% of total revenue; volume of 1,040 skids in Q1
Hyd-Air Revenue	~₹7 crores	Q1 FY27 revenue
Metal Bellows Revenue	~₹3 crores	Q1 FY27 revenue; uptick expected in next 2 quarters
Exports	Not separately disclosed	+43% YoY; growth from Europe (Italy, Spain, France, UK) and USA
Flexible Hose Product Mix (Q1)	63% assemblies / 37% bare hoses	Blended margin ~22-23%
Flexible Hose Margins (range)	16-20% bare hoses / 22-26% assemblies	Product mix dependent
Fire Hose Assembly Margins	23-26%	Targeted for international supply

Geographic & Segment Commentary

SFN Skid Assemblies (Data Centre Liquid Cooling): Revenue reached ₹32.4 crores (~23% of total) in Q1 FY27 with volume of 1,040 skids. Capacity expanded from 6,000 to 9,000 units per annum, with plans to scale to 15,000 units per annum by Q3 FY27 (October-November); capex budgeted at ₹48 crores for the 2,000→15,000 expansion. Customer gives a 2-month dispatch plan with project visibility extending ~3 months. Management expects ~80% optimal utilization in FY28 once fully commissioned. Each skid is custom-designed with value ranging ₹1 lakh to ₹5 lakh depending on design complexity.

Flexible Hoses & Assemblies: Core business grew 41% YoY with current capacity utilization at 65-66%. Capacity expansion from 17.5 million meters to 20 million meters per annum targeted by Q3 FY27; total capex ~₹54 crores across FY25-FY27. Peak revenue potential at full utilization (assuming 70% from assemblies) estimated at ₹650-675 crores. Q1 mix was 63% assemblies and 37% bare hoses, driving blended margins of ~22-23%.

International Markets (Europe & USA): Exports grew 43% YoY, with traction in Italy, Spain, France, and the UK. Europe business includes data centre applications (flexible hose assemblies for liquid cooling, fire suppression, HVAC) alongside traditional industrial segments. Management is in active discussions with international customers for SFN skid assemblies (different design from India); potential market described as "multifold" versus India. International competitors cited include Senior, Parker, and local US/European manufacturers.

Hyd-Air & Metal Bellows: Hyd-Air revenue at ~₹7 crores and metal bellows at ~₹3 crores in Q1 FY27. Bellows expected to ramp up over the next 2 quarters. Hyd-Air currently supplies components used internally in hose

assemblies going into data centres (not directly into SFN skids). Capex plan for Hyd-Air under discussion to be announced when finalized.

Company-Specific & Strategic Commentary

Product Portfolio Evolution: Aeroflex is transitioning from a flexible hose manufacturer to an integrated provider of advanced flow control and flow management solutions for mission-critical applications. The company is developing ~15 new products showcased at an April international exhibition; orders already received from European customers for data centre assemblies, with skid assembly discussions ongoing.

Engineering & R&D Capability: Management emphasizes engineering differentiation, product innovation, and speed/agility as competitive moats alongside cost arbitrage. R&D pipeline includes products developed in collaboration with customers across hose assemblies and liquid cooling verticals. Fire hose assembly for a large US customer is nearly complete, expected to commercialize by end-Q2 or start of Q3 FY27, targeted at international supply.

Capacity Expansion & Manufacturing Footprint: Setting up a new plant at Chakan (Pune) for hose assemblies for a specific international customer, contributing to elevated employee and other expenses in Q1. Q1 cost elevation also impacted by West Asia logistics crisis starting mid-March. Investments continuing in automation, advanced welding solutions, and precision manufacturing.

Data Centre Vertical Strategy: Targeting 25% revenue contribution from SFN skid assemblies by year-end FY27 (already at ~23% in Q1). Targeting company-wide 25% EBITDA margin over the next few years. Per Aeroflex content metric, ~40 skids required per 1 MW of liquid-cooled IT load. Management views demand visibility as multi-year, tied to AI infrastructure build-out.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
SFN Skid Capacity	15,000 units per annum by Q3 FY27 (Oct-Nov 2026)	Commissioning dependent on external machine suppliers; capacity to support ~80% optimal utilization in FY28
Q4 FY27 SFN Skid Exit Run Rate	~750 skids per month (60-65% utilization on 15,000 capacity)	Guidance intact; subject to customer design approvals and ramp-up visibility closer to Q3
Flexible Hose Capacity	20 million meters per annum by Q3 FY27	Capex of ~₹54 crores spread across FY25-FY27
SFN Skid Revenue Share	~25% of total revenue by FY27 year-end	Already at ~23% in Q1 FY27
Peak Flexible Hose Revenue Potential	₹650-675 crores	At full capacity utilization assuming 70% assemblies mix
Company EBITDA Margin Target	25% over the next few years	Currently at 23.04%; tracking towards target on annual basis
Fire Hose Assembly Commercialization	End of Q2 or start of Q3 FY27	International supply; margins expected at 23-26%
Hyd-Air Capex	Under discussion; to be announced when finalized	Next financial year indication from prior commentary

Risks & Constraints

RISK	CONTEXT
Customer Approval / Design Delays	Skid production cannot begin until customer approvals of drawings/designs are complete. New customer onboarding cycle takes 10-11 months; design iterations can cause delays even for existing customers. Impact: Could push out revenue realization on the 15,000-skid capacity ramp.
External Machine Supplier Delays	Skid capacity expansion to 15,000 units (Q3 FY27) is dependent on third-party machine suppliers currently experiencing delays. Impact: Could shift commissioning timing within Q3 (October vs November).
Sequential Margin Volatility & Cost Inflation	Q1 FY27 saw ~300 bps QoQ deleverage from employee/other expenses (Chakan plant setup, bellows ramp, West Asia logistics crisis from mid-March). Impact: Mgmt cautions against judging performance QoQ; expects Q2 margins similar to Q1 (~23%).
Customer Concentration	Single large customer relationship for SFN skid assemblies and fire hose assembly in the US; data centre customer concentration risk. Impact: Dependence on customer order pipeline and dispatch schedules (2-month visibility).
Competitive Intensity in Skid Assemblies	International competitors (Senior, Parker, US/European local players) entering the SFN skid assembly space; domestic competition nascent but emerging. Impact: Could pressure pricing/share over time, though mgmt cites innovation and speed as defensible moats.
Demand Sustainability for SFN Skids	Long-term demand for data centre liquid cooling tied to AI infrastructure build-out cycle; risk of cyclicalities post multi-year ramp. Impact: Mgmt notes skid facility machines are fungible (bellows, HVAC, ports/terminals flow control) providing optionality if data centre demand tapers.

Q&A Highlights

SFN Skid Capacity Expansion & International Opportunity

- Question: Capacity expansion to 15,000 units and plans beyond that, given India data centre policy momentum (Tej Patel)
- Answer: Expansion from 2,000→15,000 based on customer projections; 9,000 commissioned, 15,000 by Q3 (Oct-Nov). Further expansion beyond 15,000 under discussion but premature to comment. International market potential is "multifold" vs India; different skid design being developed for international customers; first international skid business expected in FY27 (Asad Daud)

Skid Pricing, Margins & Competition

- Question: Average skid price declined; is it competition-driven? Impact on margins? (Shubhi Gupta)
- Answer: Skid is tailor-made; price varies by design (₹1 lakh to ₹5 lakh per skid) even within the same data centre/floor. No standard pricing; costing done per design-no margin impact. International competitors include Senior, Parker, and US/European players (Asad Daud)

Flexible Hose Utilization, Peak Revenue & Margin Trajectory

- Question: Current flexible hose capacity utilization, peak revenue potential at full utilization, and progress on 25% margin target (Raman)
- Answer: Current utilization 65-66%; peak revenue potential ₹650-675 crores assuming 70% from assemblies. 25% target is company-wide blended EBITDA margin (not just flexible hose). Q1 mix was 63% assemblies / 37% bare hoses; blended margin ~22-23%. Bare hose margins 16-20%, assembly margins 22-26% (Asad Daud)

Fire Hose Assembly Commercialization

- Question: Update on fire hose assembly for data centres, market size, geography (Prem Luniya)
- Answer: Nearly complete; expected to commercialize by end-Q2 or start-Q3 FY27. For international supply to large US customer. Margins expected at 23-26%. Specific revenue quantum not shareable pre-commercialization (Asad Daud)

Skid Volume, Order Book & Visibility

- Question: Order book/delivery schedule for skids; Q1 skid volume; exit run rate on which capacity (Pritesh Chheda)
- Answer: Customer gives 2-month dispatch plan with ~3-month project visibility. Q1 skid volume was 1,040 units (₹32.4 crores). 750 skids/month Q4 exit run rate is on 15,000 capacity once commissioned (Asad Daud)

Q-on-Q Margin Bridge & Cost Drivers

- Question: Q1 gross margins up ~200 bps QoQ but offset by ~300 bps deleverage from employee/other expenses- is this expansion-related, one-off? (Nirvana Laha)
- Answer: Costs relate to Chakan plant setup, SFN Taloja manpower ramp-up, and bellows under-utilization. West Asia logistics crisis from mid-March also added costs. Bellows ramp expected to boost margins in coming quarters. Mgmt advised annual view vs quarterly (Asad Daud)

Aeroflex Content per MW & International Competitive Positioning

- Question: Aeroflex content per MW of liquid-cooled IT load; rationale for international customers sourcing from India (Yash Jhurani)
- Answer: ~40 skids per 1 MW on average. International customers source for: (1) engineering capabilities (developed product non-existent in India 1 year ago), (2) innovation/design improvements, (3) cost arbitrage, (4) speed/agility. Mgmt views these as defensible moats (Asad Daud)

Sequential Margin Decline & Q2 Outlook

- Question: Sequential margin decline of ~80 bps despite doubled skid volumes-product changes? Q2 margin outlook (Omkar Chachad)
- Answer: Decline due to investments in skid team expansion, new Chakan facility for international hose assemblies, and West Asia logistics cost inflation from mid-March. Q2 margins expected similar to Q1 (~23%); mgmt prefers annual over quarterly assessment (Asad Daud)

Hyd-Air Strategy & Data Centre Integration

- Question: Standalone approvals to sell Hyd-Air components to other skid makers/CDU players globally? % of Hyd-Air in SFN skids? (Muskan)
- Answer: Hyd-Air products to be used internally only (not sold to other data centre manufacturers). Hyd-Air does not supply directly into SFN (different technology); supplies components used in hose assemblies for data centres (Asad Daud)

Flexible Hose Applications in Data Centres

- Question: Applications for flexible hoses (not skids) in data centres; demand drivers from Europe (Raman follow-up)

- Answer: Three use cases: (1) last-mile connection between rack and SFN (flexible component), (2) fire suppression/firefighting systems, (3) HVAC applications in air-cooled data centres. Older data centres converting from rubber to metal hoses (Asad Daud)

Key Takeaway

Aeroflex Industries reported its highest-ever quarterly performance in Q1 FY27 with consolidated revenue of ₹145.97 crores (+72.4% YoY), EBITDA of ₹33.5 crores (+116% YoY) with margin expansion of 468 bps to 23.04%, and PAT of ₹18.79 crores (+162% YoY), driven by 41% YoY growth in flexible hoses and a rapid scale-up of SFN skid assemblies for data centre liquid cooling which contributed ₹32.4 crores (~23% of revenue, 1,040 skids). Strategic focus remains on scaling the data centre vertical, with skid capacity expanding from 9,000 to 15,000 units per annum by Q3 FY27 (₹48 crores capex), flexible hose capacity scaling to 20 million meters per annum (₹54 crores capex), and commercialization of fire hose assemblies for a large US customer targeted by end-Q2/early-Q3 FY27; the company is targeting 25% EBITDA margin over the next few years and ~25% revenue contribution from skids by FY27 year-end, supported by ~40 skids per MW of liquid-cooled IT load, active international customer engagement (Europe, USA) where potential is described as "multifold" vs India, and engineering/innovation as the key defensible moat. Key risks include customer design approval delays (10-11 month cycle for new customers), external machine supplier delays affecting Q3 commissioning, sequential margin volatility from Chakan plant setup and bellows ramp-up, and customer concentration; management guides for ~750 skids/month Q4 exit run rate (on 15,000 capacity, ~65% utilization), and expects FY28 to see optimal ~80% utilization of expanded skid capacity.

Manaksia Coated Metals & Industries Ltd

Why read this call

This is a real inflection, not theatre. The company is tripling its color coating capacity (86k→236k tonnes) with the existing line running at 95.4% utilization and a record ₹450 cr order book - demand is demonstrably waiting. The catalyst is dated (Q2 FY27 for both CCL2 and the solar plant), EBITDA/tonne hit its highest ever at ₹10,400, and management gives specific revenue targets (FY27 ₹1,300-1,350 cr, FY28 ₹1,700-1,750 cr) backed by order visibility and MOUs rather than adjectives. The solar savings are a permanent structural cost reduction. Phase 2 (cold rolling backward integration + second Alu-Zinc line, ₹350 cr) is still blueprints, so the most credible leg of the story is the near-term capacity step-up with proven demand - and the call shows the economics per tonne fundamentally improved. Volume was marginally down YoY due to ramp teething, but the earnings quality is operational (pricing discipline, cost normalization, mix shift), not one-offs. Worth a full read for anyone tracking mid-cap manufacturers executing a dated capacity inflection.

The quarter

Quarterly revenue ₹263 cr (+15% QoQ, +3.6% YoY); EBITDA ₹29.08 cr (+36% QoQ) at 11.06% margin (+422bps); PBT ₹18.93 cr (+197% QoQ); PAT ₹14.10 cr (+163% QoQ). Realization improved 12% to ₹88,597/tonne. EBITDA/tonne at ₹10,400, highest ever. Alu-Zinc output 27,941t (62% of new line utilization), retained production 20,510t at 95.4% near-full capacity utilization. Exports 65% of volume (18,221t), prepainted steel export volume +25% YoY, export revenue +20% YoY. Finance costs down 11.8% YoY.

The inflection

Capacity more than doubles with dated commissioning: second color coating line (86,000→236,000 tpa, +174%) commissioned in Q2 FY27 with demand already waiting - existing line at 95.4% utilization. 7MW captive solar plant also Q2 FY27, permanently cutting 50-55% of grid power cost. Alu-Zinc line ramping from 62% to 75-80% utilization within ~3 months. Order book ₹450 cr (4.5-5 months cover, up from ₹100-120 cr two years ago) with MOUs indicating ₹350-450 cr recurring order book going forward. Exports entered 4 new markets (Brazil, Jamaica, Somalia). Management guides FY27 revenue ₹1,300-1,350 cr and FY28 ₹1,700-1,750 cr vs current ~₹1,000 cr run rate, backed by the order book and capacity dates.

The color coating capacity addition directly translates to incremental revenue from a prepainted segment that already has waiting demand.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹263 crores	+15% QoQ, +3.6% YoY; recovery after Q4 FY26 headwinds from fuel/freight cost escalation
Total Sales Volume	27,938 MT	74% Pre-Painted / 26% Alu-Zinc; marginally lower YoY, fully attributable to Alu-Zinc ramp-up pace
Price Realization	₹88,597/ton	+11.9% vs ₹79,180 in Q4 FY26; mix shift to Pre-Painted/Alu-Zinc plus better pricing on new orders
Export Volume	18,221 MT (65% of sales)	Export revenue +20% YoY; Pre-Painted export volume +25% YoY; 4 new markets (Latvia, Brazil, Jamaica, Somalia)
Alu-Zinc Output	27,941 tons	+8% QoQ; 62% capacity utilization and ramping up; galvanized sales now zero (full shift to Alu-Zinc)
Pre-Painted Output	20,510 tons	95.4% utilization, essentially full capacity - strong demand signal
EBITDA	₹29.08 crores	+86% QoQ; margin recovered 422 bps QoQ to 11.06%
EBITDA per Ton	₹10,400	Highest ever recorded, above Q1 FY26 level; supported by full cost pass-through pricing
PBT	₹18.93 crores	+197% QoQ
PAT	₹14.10 crores	+163% QoQ; PAT margin 5.36%, +301 bps QoQ
EPS	₹1.31	+102% QoQ
Cash Profit (PAT + Depreciation)	₹17.40 crores	+115% QoQ; comfort on actual cash generation
Finance Costs	₹6.86 crores	-11.8% YoY despite higher asset base from Alu-Zinc investment
Total Debt	₹115 crores	Debt-to-equity just above 1x; includes term debt for capex; peak projected at ₹125-130 crores
Order Book	~₹450 crores (+/- ₹20-25 crores)	4.5-5 months execution visibility; sustainable range of ₹350-450 crores guided
Capex Deployed	₹140 crores	Alu-Zinc technology upgrade, second color coating line, solar plant; in CWIP, to be capitalised in Q2

Geographic & Segment Commentary

- **Pre-Painted Steel:** 74% of sales volume; production of 20,510 tons at 95.4% utilization (essentially full capacity), signalling strong demand. Pre-Painted export volume grew 25% YoY. The second color coating line will expand capacity 174% to 236,000 tons per annum.
- **Alu-Zinc:** 26% of sales volume; production of 27,941 tons (+8% QoQ) at 62% utilization with steady ramp-up. The company has fully transitioned from galvanized product - zero galvanized steel sold in Q1. Incremental EBITDA of ₹1,000-3,000 per ton vs galvanized steel.
- **Exports:** 65% of total volume (18,221 MT); export revenue +20% YoY. Entered 4 new international markets (Latvia, Brazil, Jamaica, Somalia) during Q1, broadening the global base. Robust order book going into Q2 with meaningful untapped potential from existing long-term customers.

- **Domestic:** Remaining ~35% of volume served via domestic OEM customers; demand tied to infrastructure, building materials, home appliances, automotive, new homes and warehouses.

Company-Specific & Strategic Commentary

- **Second Color Coating Line (CCL2):** In advanced stages of commissioning with Q2 FY27 target; takes total Pre-Painted capacity from 86,000 to 236,000 tons per annum (+174%). Existing line at near-full utilization means demand is already waiting for this capacity - the most significant near-term revenue catalyst.
- **7-MW Captive Solar Power Plant:** Q2 FY27 commissioning target; offsets 50-55% of grid power consumption at Kutch, delivering a permanent structural reduction in energy cost per unit and supporting greener manufacturing for international customers.
- **Cost Pass-Through & Back-to-Back Model:** All new Q1 orders priced to fully cover current raw material and freight costs with a margin buffer; quarterly price resets with export customers cover raw material, freight and energy changes; back-to-back model insulates from commodity cycles.
- **Phase 2 Capex (₹350 crores):** Backward integration via cold rolling plus second Alu-Zinc line; funded through internal accruals, debt and equity; peak D/E capped at ~1.25x. Cold rolling expected to halve inventory (from hundreds of SKUs) and compress working capital cycle from ~75 days to single-digit days.
- **Salesforce CRM:** Implementation underway; provides centralized visibility of customer base, inquiries, orders and after-sales across domestic and export markets as the company scales geographically.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Alu-Zinc Utilization	75-80% within ~3 months (from 62%)	Teething troubles of new automated line expected to resolve; monthly improvement visible
FY27 Sales Volume	~150,000 tons	Assumes new capacities at 50-60% utilization in H2 FY27
FY27 Revenue	₹1,300-1,350 crores	Based on volume guidance and current product pricing
FY28 Sales Volume	180,000-200,000 tons	Full availability of Alu-Zinc and CCL2 capacity
FY28 Revenue	₹1,700-1,750 crores	Represents ~30%+ growth over FY27 guided revenue
EBITDA Margin	Further +1-2% improvement from Q1's 11.06%	Driven by CCL2 premiumization, solar savings, Alu-Zinc ramp-up; full FY27 reflection not committed
EBITDA per Ton	₹10,400 sustainable, with upside	Management states this is not the peak; unit economics healthy at normal operations
Order Book	₹350-450 crores on a continuous basis	Backed by MoUs with customers indicating annual offtake
Peak Revenue (post Phase 2)	₹2,500-2,700 crores	At ~3 lakh tons annual volume after Phase 2 capex completion
Debt-to-Equity	Not to exceed ~1.25x	Even after ~₹100 crores incremental debt for Phase 2

Risks & Constraints

RISK	CONTEXT
Fuel Supply & Cost Volatility	Iran war and Strait of Hormuz closure spiked LPG prices from ₹60 to ₹200/kg in Q4 FY26; prices have cooled to ~₹80/kg (~25% above pre-war). Management maintains buffer stock, has diversified suppliers (PSU + private), and is signing a GSPC natural gas pipeline agreement for long-term derisking; renewed escalation could pressure input costs.
Alu-Zinc Ramp-Up Execution	New line at 62% utilization with teething troubles caused marginally lower YoY volumes in Q1. Management expects 75-80% utilization within ~3 months; any delay would cap the fixed-cost leverage driving margin expansion.
Steel Commodity Cycle	Steel prices are inherently cyclical and unpredictable; management mitigates via back-to-back model (advance order book before raw material procurement) and quarterly price resets covering raw material, freight and energy.
Capacity Absorption & External Environment	Aggressive capacity additions (CCL2 +174%; ₹350 crore Phase 2) require demand to keep pace; management notes the external environment "continues to remain uncertain" while citing a ~₹450 crore order book, customer MoUs and economy-linked steel demand growth as confidence factors.
Working Capital Pressure	Scaling toward ₹1,350 crores FY27 revenue requires continued inventory and receivable build-up; management states internal accruals and low utilization of bank working capital limits provide sufficient funding firepower until cold rolling halves inventory in Phase 2.

Q&A Highlights

EBITDA per Ton Sustainability & Margin Headroom

- Question: Is the record ₹10,400 EBITDA per ton sustainable, and how much can it increase once the solar project is complete? (Jayam Birawat, Yes Securities)
- Answer: Sustainability rests on Alu-Zinc capacity ramp-up, strong export tonnage and higher realization per ton; CCL2 and solar will strengthen the EBITDA margin profile further. (Karan Agrawal)
- Question: Is this the peak EBITDA per ton? (Avinash Nahata, Parami Financial)
- Answer: Not the peak - the new Alu-Zinc technology improves the EBITDA profile vs galvanized steel; further headroom from renewable energy and a higher Pre-Painted revenue share; galvanized sales are now zero. (Karan Agrawal)

Capex Funding, Debt & Leverage

- Question: How will the ₹350 crore capex be funded? What is spent and remaining project-wise, and what will peak leverage be? (Jayam Birawat; Shlok Bhartiya, Svan Investments)
- Answer: Mix of internal accruals, debt and equity; ₹140 crores already deployed (Alu-Zinc upgrade, CCL2, solar - in CWIP, capitalised in Q2); residual debt deployment of ₹15-20 crores; current debt ₹115 crores includes capex term debt; peak debt likely ₹125-130 crores; incremental debt for Phase 2 ~₹100 crores with D/E capped at ~1.25x. (Karan Agrawal)

Volume Decline & Alu-Zinc Ramp-Up

- Question: Q1 volume (~27,900 MT) was marginally below Q1 FY26 (~29,000 MT) - is it the Alu-Zinc line ramping up or softer demand? Any bottlenecks? (Ashwani Agarwal, CASA Capital)

- Answer: 100% attributable to Alu-Zinc ramp-up pace; strong order book confirms demand is not a concern; teething troubles are natural for a new highly automated line in the first 3-4 months of commissioning; expect 75-80% utilization within ~3 months. (Karan Agrawal)

Working Capital, Cash Flows & Cold Rolling

- Question: What is the current working capital cycle, and how will it improve? With inventory/receivables build-up, how do cash flows play out as revenue scales to ₹1,350 crores? (Shlok Bhartiya; Prateek Shrivastava, Nivesh Wisdom)
- Answer: Cycle is ~75 days including creditor tenor; hundreds of SKUs are stocked for customized orders; cold rolling mill will halve inventory and compress the cycle to single-digit days. Cash flows are currently directed to capex and working capital until stable utilization; internal accruals plus low utilization of bank working capital limits provide sufficient firepower. (Karan Agrawal)

Demand Visibility, Order Book & Growth Trajectory

- Question: What gives confidence demand will keep pace with aggressive 2-3x capacity expansion? Current order book and expected intake? (Deepesh, Maanya Finance)
- Answer: Order book ~₹450 crores (+/- ₹20-25 crores), executable in 4.5-5 months; orders are repetitive quarterly placements from long-term export and domestic OEM customers; MoUs provide annual offtake indications; sustainable order book of ₹350-450 crores expected; order book has grown from ₹100-120 crores to ₹400-450 crores over two years as customers validated larger-order execution capability. (Karan Agrawal)

Alu-Zinc EBITDA Premium

- Question: With the shift from galvanized to Alu-Zinc, what is the sustainable EBITDA upside - pricing power or cost efficiency? (Deepesh)
- Answer: Both - incremental EBITDA of ₹1,000-3,000 per ton vs galvanized depending on demand and cost environment, driven by production cost savings and Alu-Zinc's premium market pricing. (Karan Agrawal)

LPG Supply Disruption & Fuel Derisking

- Question: Any LPG supply issues from the Hormuz closure? Alternatives/substitutes? How much cost increase was seen? (Deepesh)
- Answer: India-wide supply disruption affected the company too, but buffer stock kept the plant running nonstop; diversified buying to private + PSU suppliers; LPG prices spiked from ₹60 to ₹200/kg, now cooled to ~₹80/kg (~25% above pre-war); India diversified gas sourcing (US, Canada, Australia, Venezuela, Russia); company is signing a GSPC natural gas pipeline agreement for long-term derisking. (Karan Agrawal)

FY27-28 Revenue & Capacity Guidance

- Question: How fast can we reach the ₹2,500-2,700 crore peak revenue? How fast will CCL2 ramp up? What revenue growth for FY27 and FY28? (Nishita Shanklesha, Sapphire Capital)
- Answer: Peak revenue is only post-Phase 2 (₹350 crore capex); CCL2 will ramp faster than Alu-Zinc (less complex line), reaching 50-60% utilization in H2 FY27; FY27 ~150,000 tons → ₹1,300-1,350 crores; FY28 180,000-200,000 tons → ₹1,700-1,750 crores; peak revenue of ₹2,500-2,700 crores at ~3 lakh tons. (Karan Agrawal)

EBITDA Normalization & Commodity Cycle Insulation

- Question: How should normalized EBITDA look across the steel cycle? Are export orders under pass-through/hedged contracts? (Bhavya Shah, 3A Capital)
- Answer: Back-to-back business model - finished products sold in advance against the order book before raw material procurement; stock/pipeline raw material is priced in against orders; quarterly price resets with export customers cover raw material, freight and energy changes. (Karan Agrawal)

FY27 Margin Trajectory & CCL2 Ramp-Up Risk

- Question: Can consolidated FY27 EBITDA margin reach ~12%? Will there be a temporary margin dip during CCL2 ramp-up? (Ankit Shah, Fusion Capital; Prateek Shrivastava, Nivesh Wisdom)
- Answer: Q1 reflects the earlier indicated recovery; a further 1-2% EBITDA improvement is possible from new capacities, solar and value-added mix, but whether it fully reflects in FY27 is not committed; no immediate reason for a margin dip - CCL2 will consume captive Alu-Zinc and sell more value-added product, and the Q2 order book is visible and clear. (Karan Agrawal)

Key Takeaway

Manaksia Coated Metals delivered a sharp Q1 FY27 recovery: revenue rose 15% QoQ to ₹263 crores, EBITDA jumped 86% QoQ to ₹29.08 crores (11.06% margin), and EBITDA per ton hit a record ₹10,400 on full cost pass-through pricing and the completed shift to Alu-Zinc. Exports drove 65% of volume (18,221 MT, +20% YoY revenue) with four new markets added. Catalysts converge in Q2 FY27: a second color coating line lifts Pre-Painted capacity 174% to 236,000 tpa, a 7-MW captive solar plant offsets 50-55% of Kutch grid power, and Alu-Zinc utilization ramps toward 75-80%. Management guided FY27 revenue of ₹1,300-1,350 crores (~150,000 tons) and FY28 revenue of ₹1,700-1,750 crores (180,000-200,000 tons), with 1-2% further EBITDA margin upside (timing not committed). Key watch items: LPG costs remain ~25% above pre-war levels and execution of the ₹350 crore Phase 2 capex within a 1.25x debt-to-equity ceiling.

Clean Max Enviro Energy Solutions Ltd

Why read this call

A high-growth infrastructure company at the epicenter of India's data center build-out. The quarter itself was strong (revenues doubled, PAT positive) and management backed its outlook with concrete numbers: capacity addition pace, contracted pipeline, tariff stability, and first-ever forward EBITDA guidance. The business is clearly inflecting higher - supply-constrained, not demand-constrained - with hyperscaler demand driving 10x segment growth. Reading this call gives a clear view of a multi-year structural tailwind.

The quarter

Revenue up 107% to INR832 crore, EBITDA up 74% to INR494 crore reported (INR462 crore cash EBITDA), PAT INR55 crore positive. RE power sales EBITDA margin improved to 84% from 76%, RE services margin to 11.2% from 8.7%. Added 500 MW capacity (400 MW opex, 100 MW services) in Q1. Run-rate EBITDA at end FY26 was INR1,870 crore.

The inflection

Data/AI segment is the inflection: now 42% of contracted capacity, grew 10x between March 2024 and March 2026, with deals announced with Meta, Apple, Google, Amazon and ~35% hyperscaler market share in India. Capacity addition run-rate has jumped from 450 MW to 1,740 MW in trailing 12 months. Management issued first-ever FY28 EBITDA guidance of INR3,000 crore (2.4x FY26), backed by 1.5 GW capacity addition target and contracted 2.5 GW under construction at INR4/unit tariff. Also credit rating upgraded to AA-, enabling first corporate bond issuance, and cost of debt fell from 9.4% to 8.4%.

Let's talk about project and execution performance. ... we feel that we are constrained not by demand as much as by how much we can actually put up, right? So, we are in an almost happy situation to be supply-constrained, not demand-constrained.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹832 crores	+107% YoY, driven by doubling of both segments; RE Power Sales ₹528 crores (+47% YoY), RE Services ₹300 crores (6x YoY)
EBITDA (Reported)	₹462 crores	+68% YoY; adjusted EBITDA ₹494 crores (+74% YoY)
EBITDA Margin - RE Power Sales	84%	Improved from 76% in Q1 FY26 on operating leverage; SG&A to income declining as capacity scales
EBITDA Margin - RE Services	11.2%	Improved from 8.7% in Q1 FY26
PAT	₹55 crores	Positive, driven by 2x revenue growth, margin expansion in both segments, and lower interest costs
Gross Block	₹14,138 crores	Reflects continued capacity build-out
Net Debt	₹11,809 crores	Up from ₹9,684 crores at March 31, 2026; 38% of debt against under-construction assets
Equity Base	₹5,831 crores	Strengthened post-listing
Weighted Average Interest Rate	8.4%	Down 100 bps from 9.4% in April 2025; project finance costs lowered
Credit Rating	AA-	Upgraded from A+; enables first domestic corporate bond issuance
Total Contracted Capacity	6.0 GW	3.5 GW operational; 2.5 GW under execution; RE Services adds 682 MW operational + 147 MW under execution
New Capacity Commissioned (Q1)	500 MW	400 MW RE Power Sales + 100 MW RE Services
Operational Portfolio Tariff	₹3.93/unit	For 3.5 GW operating capacity
Under-Execution Portfolio Tariff	₹4.00/unit	For 2.5 GW contracted under execution; tariffs stabilizing/rising
Trailing 12-Month Capacity Addition	1,743 MW	Up from 449 MW in prior year period; STU + rooftop grew from 450 MW to 1,200 MW

Geographic & Segment Commentary

RE Power Sales: Revenue grew 47% YoY to ₹528 crores with EBITDA margins expanding from 76% to 84%. Segment EBITDA of ₹334 crores came from projects operational for over 12 months, with ₹125 crores from newly commissioned assets still stabilizing. Operational capacity of 3.5 GW across seven states evacuating power, with three additional states contracted and under execution.

RE Services: Revenue surged 6x YoY to ₹300 crores on EPC execution momentum. This is an order-book-driven business where customers (e.g., Sun Pharma, Himalaya Drugs, Honda Motorcycles) own the assets while CleanMax provides EPC, O&M, and transmission infrastructure access within its farms. Order book stands at 147 MW with an execution cycle of under 12 months. EBITDA margin improved to 11.2% from 8.7%.

Data & AI Segment: 42% of contracted capacity; grew ~10x between March 2024 and March 2026. Deals announced with Meta, Apple, Google, and Amazon in calendar 2026. CleanMax estimates 35% market share of hyperscaler clean energy business in India. Partners with data center operators including NTT, STT, L&T Data, Equinix, and Iron Mountain.

Industrial/General Corporates Segment: Contracted volumes doubled in two years (~46% CAGR) for non-Data & AI industrial customers. Penetration of bilateral green power among industrial consumers remains low at just 7%, implying 93% headroom. Customers save 25%+ on energy costs while lowering carbon footprint.

Company-Specific & Strategic Commentary

Capacity Addition Acceleration: Commissioned 500 MW in Q1 FY27; trailing 12-month addition run-rate reached 1,743 MW (up from 449 MW previously). STU and rooftop additions grew from 450 MW to 1,200 MW annually, with plans for ~500 MW/year of CTU capacity (one large site per year). Management emphasizes the organization is now supply-constrained rather than demand-constrained.

FY28 EBITDA Guidance: Issued first-time guidance of minimum ₹3,000 crores EBITDA in FY28, representing ~2.4x FY26 EBITDA of ~₹1,290 crores. Based on minimum 4.6 GW opex sales capacity by April 1, 2027 (3.1 GW at FY27 start + 1.5 GW new additions). Steady-state net debt corresponding to this guidance is estimated at ₹16,000 crores.

BESS Expansion: Greenlit first BESS investment at an STU project in Rajasthan; signed MOUs with three clients in the past month. Targeting three opportunity types: solar-only states (Uttarakhand, Haryana), markets with day-evening price differentials (Maharashtra), and customer tenders for BESS-as-a-Service. Two-hour storage configurations; expects ₹3.5+/unit for BESS service alone.

Financing & Capital Markets: Credit rating upgraded to AA-, enabling first domestic corporate bond issuance. Weighted average cost of debt down 100 bps to 8.4%. Debenture trust deed amended to move security cover to 1x (from 0.7x-1.25x range) to remain consistent with upcoming corporate bond terms. Average PPA tenor of 23 years vs. 18-19 year loan profile.

ALMM-II Deferral Benefit: Government allows projects commissioning before March 31 to use modules with imported cells (₹60 lakhs/MW cheaper than Indian-made cells). CleanMax pulling forward construction schedules to capture savings on contracted volumes; also seeing accelerated decision-making from existing clients at select brownfield STU sites in Maharashtra and Karnataka.

Client Quality & Repeat Business: New contracted capacity quality remains high: 80%+ of volumes from AA/AAA/multinational-rated clients (decade-long trend), tariffs stable at ~₹4/unit, and ~80% of new volumes contracted with existing clients. Nearly 600 unique C&I customers across 10 states.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 New Capacity Addition	≥1.5 GW (opex sales capacity)	400 MW added in Q1; management confident based on contracted pipeline, execution capability improvements, and CTU bay allocations at Koppal (543 MW)
FY28 Minimum EBITDA	₹3,000 crores	~2.4x FY26 EBITDA; assumes 4.6 GW minimum opex capacity by April 1, 2027; new volumes have similar profitability profile (tariff ~₹4/unit, 80% repeat clients)
CTU Curtailment	Expected to persist through FY27	Bikaner project experiencing ~70% backdown; management advises assuming continuation for rest of fiscal; PGCIL rectification timeline uncertain
Cost of Debt	Expected to decline further	Enabled by AA- rating, domestic bond market entry, and improving asset-liability matching
Market Opportunity	Data & AI: 30-60 GW new RE capacity over 5 years	Each 1 GW data center IT load requires ~6 GW RE capacity + storage, translating to ~₹40,000 crores investment per gigawatt

Risks & Constraints

RISK	CONTEXT
CTU Grid Curtailment	Bikaner project experiencing ~70% backdown expected to persist through FY27. CTU capacity represents ~13% of FY27 start-year run-rate EBITDA (~₹240 crores of ₹1,870 crores). Full-year impact estimated at ~₹170 crores if curtailment continues; management notes EBITDA would be ~8-9% higher without this issue.
Execution Capacity Limits	Cannot sign contracts exceeding execution capability; management explicitly noted "you cannot sign what you cannot execute." While trailing 12-month additions reached 1,743 MW, further scaling to ~4,000 MW additions over two years is possible but 3x growth from current levels is not executable.
Competitive Entry	Large players (Adani, Reliance, NTPC) express interest in C&I segment. Management counters with 15-year focus, 600+ customers, 80% repeat volume, multi-state presence, and 14% market share (up from 12%) - markets remain fragmented, not winner-takes-all.
Tamil Nadu Political Transition	One-two months of approval "flux" post-government change; management confirms issues resolving and approvals moving again as of last monthly project review.
Hyperscaler Market Share Dilution	35% market share of hyperscaler business is "very high" and may come down; management accepts this given volumes are "exploding" and multiple vendors will be needed.

Q&A Highlights

ALMM-II Deferral Impact

- Question: How will CleanMax take advantage of the ALMM-II deferral allowing imported cells until projects commission before March 31? (Apoorva Bahadur)
- Answer: Benefit is ~₹60 lakhs/MW price differential between Indian-made and imported cells. Management is pulling forward construction schedules for planned projects to capture savings. Some incremental sales acceleration visible at brownfield STU sites in Maharashtra and Karnataka where rapid commissioning is possible before the December 31 deadline. (Kuldeep Jain)

CTU Capacity Addition & Koppal Bays

- Question: Will the second bay at Koppal commissioning by March-27 be too close for comfort for the 1.5 GW FY27 target? (Apoorva Bahadur)
- Answer: Management confirmed fungibility across bays and spare evacuation capacity in the first bay. Even with slight slippage in the second bay, the target remains achievable. (Kuldeep Jain)

Debenture Security Cover Change

- Question: Why reclassify debentures from unsecured to secured with 1x coverage (from 0.7x)? (Apoorva Bahadur)
- Answer: The debenture trust deed allowed 0.7x-1.25x range. Rather than moving to 1.25x post-repayment, management chose to standardize at 1x, consistent with terms for the upcoming corporate bond issuance. Not an increase but a simplification. (Nikunj Ghodawat)

BESS Business Development

- Question: How is the sharp pickup in battery installations playing for CleanMax, and are PPAs incorporating batteries? (Atul Tiwari)
- Answer: BESS is a natural evolution (rooftop → offsite → wind → carbon → BESS). First BESS investment greenlit (Rajasthan STU), MOUs signed with three clients in the past month, vendor contracts done. Three target segments: solar-only states, evening-peak pricing markets (Maharashtra), and BESS-as-a-Service tenders. Typically 2-hour storage; ~₹3.5+/unit for porting service alone. (Kuldeep Jain)

Hyperscaler EAPA/VPPA Contracts & Merchant Prices

- Question: How does declining merchant solar pricing impact EAPA/VPPA contracts? (Nirmal Gore)
- Answer: Net tariff to CleanMax is identical regardless of merchant market movements - assured revenue on per-unit basis (~₹3.7). Hyperscalers retain option to convert to physical supply as their data centers ramp up in India. India viewed as major data center market, not just an offset source. (Kuldeep Jain)

Competitive Positioning vs. Large Players

- Question: How does CleanMax compete against Adani, Reliance, and NTPC entering C&I space? (Nirmal Gore, Rajesh Vora)
- Answer: Advantages include 15-year exclusive C&I focus, 600+ customers with ~80% repeat volume, wind+solar capability across 10 states (critical for evening peak), brownfield expansions at scale, and 14% market share (up from 12%). Market is fragmented, not winner-takes-all. Hyperscalers require multiple vendors given volume scale - existing relationships with proven suppliers like CleanMax will secure "more than fair" share. (Kuldeep Jain)

Curtailment Quantification

- Question: Can you quantify losses from curtailment for the full quarter? (Unidentified Participant / Axis Capital)
- Answer: Run-rate EBITDA at FY26 end was ₹1,870 crores; CTU project represents ~13% (~₹240 crores). At ~70% curtailment, full-year impact is ~₹170 crores. Management advises assuming curtailment persists through FY27; PGCIL timeline remains unclear. (Kuldeep Jain)

2028 Peak Debt Level

- Question: What peak net debt corresponds to ₹3,000 crores FY28 EBITDA guidance? (Ryan)
- Answer: Steady-state net debt of ~₹16,000 crores corresponds to that EBITDA level, reflecting healthy debt-to-EBITDA metrics. Higher interim debt reflects under-construction assets yet to generate cash flows. (Kuldeep Jain)

RE Services Business Model

- Question: Is RE Services an order-book-driven EPC business? (Ryan)
- Answer: Yes - for customers wanting to own assets (e.g., Sun Pharma, Himalaya Drugs, Honda Motorcycles), CleanMax provides EPC, O&M, and transmission infrastructure within its farms. Revenue mix includes upfront EPC margins and recurring annuity from O&M + transmission usage. Order book at 147 MW, execution cycle under 12 months. (Kuldeep Jain)

Growth Sustainability

- Question: Can 10x Data & AI and 2x industrial growth be repeated in next two years? (Rajesh Vora)
- Answer: Contracted capacity tripled from 1,850 MW to 6,000 MW in two years (~4,000 MW added). Management confident of matching or exceeding 4,000 MW additions over next two years, but 3x growth from current base is not executable - "you cannot sign what you cannot execute." Law of large numbers applies. (Kuldeep Jain)

Tamil Nadu Approvals

- Question: Any delays in C&I project approvals due to new government? (Neil Ostwal)
- Answer: One-two months of "flux" post-administration change, now resolved. Monthly project reviews confirm approvals moving and issues sorted. No structural continuing delay. (Kuldeep Jain)

Key Takeaway

CleanMax delivered a strong Q1 FY27 with revenue doubling to ₹832 crores (+107% YoY), EBITDA up 74% to ₹494 crores, and PAT at ₹55 crores, driven by 47% growth in RE Power Sales, 6x growth in RE Services, margin expansion in both segments (84% and 11.2% respectively), and 100 bps reduction in cost of debt to 8.4%. The company commissioned 500 MW in the quarter, bringing total contracted capacity to 6 GW, with a demonstrated trailing 12-month execution run-rate of 1,743 MW. Management issued first-time FY28 EBITDA guidance of minimum ₹3,000 crores (2.4x FY26) on 4.6 GW minimum opex capacity. Key strategic thrusts include Data & AI (42% of capacity, 35% hyperscaler market share, 10x growth over two years), BESS expansion with first projects greenlit and client MOUs signed, and first domestic bond issuance enabled by AA- upgrade. Watch items include ~70% CTU curtailment at Bikaner (~₹170 crores annual impact if persistent), execution capability limits (~4,000 MW additions over two years deemed feasible), and competitive entries from large players into C&I markets. Management remains confident in meeting or exceeding the 1.5 GW FY27 capacity addition guidance with contracted pipeline and new client momentum.

KSH International Ltd

Why read this call

This call captures a classic inflection: a company riding a once-in-a-decade T&D boom, scaling capacity with clarity, and converting that into a sustained EBITDA-per-ton uplift. The numbers are not just strong - they are accelerative, with exports up 76% and a major global OEM committing to a long-term framework. Management provides dated capacity milestones and a credible EBITDA/ton floor, backed by order visibility and a structural demand cycle. For an investor tracking transformers, cables, or electrification, this is exactly the kind of call to read in full.

The quarter

Q1 FY27 revenue ₹1,164 cr, +108% YoY; EBITDA ₹74.4 cr vs ₹40.3 cr YoY; PAT ₹42.2 cr, +86% YoY. Volume ~8,000 MT, +30% YoY; specialized wire revenue +113%, standard +83%; exports +76% YoY. EBITDA/ton ₹93k vs ₹66k YoY. Working capital days improved to 60 from 71. Capacity at 43,445 MT, on track to reach ~59,000 MT by Mar-2027.

The inflection

The T&D/high-voltage wire demand cycle is structurally accelerating, and KSH is scaling capacity ~36% within a year while signing a 5-year supply framework with Hitachi Energy Global covering Indian and global plants. This follows prior signals that transformer OEMs are locking in supply due to multi-year backlogs. CTC mix and export share are at record highs, with volume growth at 26% TTM and management guiding to sustain ~75,000/ton EBITDA per ton while expanding capacity. The upcast recycling plant just commissioned adds cost efficiency.

We are very pleased to announce that we have entered into a five-year supply framework agreement with Hitachi Energy Global to supply winding wires to their Indian plants as well as their some of their global plants.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹1,164 crores	+108% YoY, driven by volume growth, mix, and material prices
Sales Volume	~8,000 metric tons	+30% YoY (from 6,100 MT), +5% QoQ (from 7,600 MT)
Export Revenue	~27% of revenue	+76% YoY, +12% QoQ; growth across all key geographies on wallet share gains and new OEM additions
Specialized Wire Revenue	-	+113% YoY (vs 62% growth in FY26); driven by higher CTC contribution and exports
Standard Wire Revenue	-	+83% YoY, broadly similar to +80% in Q4 FY26
EBITDA	₹74.4 crore	vs ₹40.3 crore YoY and ₹56.3 crore QoQ
EBITDA per Ton	~₹93,000	Up from ~₹66,000 YoY and ~₹74,000 in Q4; driven by record CTC mix, higher exports, utilization, and rupee weakness
PAT	₹42.2 crore (record)	+86% YoY, +22% QoQ (from ₹34.5 crore)
Installed Capacity	43,445 MT (unchanged)	Phase 2 expansion: 14,400 MT of 30,000 MT completed; on track for completion by March 2027 (total ~59,000 MT)
Utilization	73.5%	Up from 70% in Q4 FY26 on a larger installed base
Working Capital Days	60 days	Improved from 65 days in Q4 and 71 days YoY; payables +5 days, receivables +2 days improvement
Exports Share of Revenue	~27% (Q1)	vs 29% in Q1 FY26; target to return to historical peak of ~40%

Geographic & Segment Commentary

Exports: Export revenue grew 76% YoY and 12% QoQ in Q1, with growth across all key geographies driven by wallet share gains and new OEM customers onboarded over the last two quarters. Middle East, Europe, and the US are the three key export geographies, each representing 8-11% of total revenue annually; quarterly geography-level splits are not disclosed. Management targets returning exports to the historical peak of ~40% of total revenue over time.

Specialized Winding Wires (CTC): Specialized wire revenue grew a record 113% YoY in Q1, with CTC contribution to total revenue reaching record levels. Higher KV classes (765kV and HVDC) represented ~25% of CTC volume, and CTC comprises 50-75% of the specialized wires segment. Management expects the elevated CTC mix to normalize over the next 2-3 quarters as Phase 2 capacity (particularly standard/EV wire lines) comes online, though absolute CTC volume is not expected to decline.

Standard Winding Wires: Standard wire revenue grew 83% YoY in Q1, similar to the 80% growth in Q4 FY26. Focus remains on select end-user industries - EVs, AC compressors, motors, and alternators for DG sets - where precision technology is critical. As Phase 2 capacity ramps up, standard wire contribution is expected to increase in H2 FY27, with new domestic clients added as Supa capacity has expanded.

Company-Specific & Strategic Commentary

Hitachi Energy Framework Agreement: KSH entered a 5-year supply framework agreement with Hitachi Energy Global covering winding wires for their Indian and certain global plants. The agreement's construct is settled, but quantities and pricing are still being finalized; management will update the market when terms are defined. This follows an industry trend where transformer OEMs with 3-4 year backlogs are seeking to lock in supply capacity.

Supa Phase 2 Expansion: 14,400 MT of the scheduled 30,000 MT expansion completed; next wave of capacity expected in Q2 FY27, with full completion by March 2027, taking installed capacity to ~59,000 MT (second largest winding wire manufacturer in India). The board authorized evaluating acquisition of an additional 10 acres in Supa MIDC for long-term expansion beyond Phase 2; the existing site can accommodate another 10,000-12,000 MT without new land.

Backward Integration: Commissioned the Upcast copper recycling facility in Chakan (last week before the call) with 5,000 MT capacity for captive copper scrap recycling. Provides modest operating efficiencies and strengthens sustainability; expected to contribute only "a few rupees" to gross profit in FY27 given commissioning timing, with scope for future expansion if benefits accrue.

Working Capital Optimization: Working capital days improved by 5 days in Q1 (following 5-day improvement in Q4) to 60 days average, from 71 days a year ago. Management targets 30-35 days as the industry-standard sweet spot, achievable over a multi-quarter (not multi-year) timeframe, ultimately supporting operating cash flow positivity even in a high-growth environment.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Volume Growth	~26% for FY27 (trailing 12-month rate)	Full-year Phase 1 capacity availability (vs partial in FY26) supports sustaining this growth rate
EBITDA per Ton	~₹75,000 for FY27	Management comfortable delivering this level; Q1 was elevated at ₹93,000 due to record CTC mix (front-loaded capacity), higher exports, and forex tailwinds - mix normalization expected; actuals depend on product mix, exports, and currency
Phase 2 Capacity	~59,000 MT by March 2027	30,000 MT Supa expansion; next wave in Q2; 14,400 MT already installed
Long-term EBITDA per Ton	75,000 is a sustainable long-term level	Higher value-added products (EV, HVDC) may support improvement but not guided
Working Capital	30-35 days (multi-quarter timeframe)	Getting there is a key focus area for cash flow generation

Risks & Constraints

RISK	CONTEXT
Transformer OEM demand timing	Several transformer OEM customers in active capacity expansion have delayed order pickups by a few weeks due to facility bottlenecks; management expects normalization once new facilities are operational
Product mix normalization	Record CTC contribution in Q1 was partly due to front-loading specialized wire capacity in Phase 1; as standard wire capacity comes online, mix reverts to normal, pressuring EBITDA per ton toward the ~₹75,000 guided level
Fixed cost escalation	Fixed costs expected to increase as utilization ramps up at Supa (Phase 2), a counter to margin improvements
Copper/LME and currency volatility	Copper is a direct pass-through (make-to-order with copper booked at order receipt, 15-20 day production cycle), but movements affect reported revenue and reported margins; weaker rupee currently supports EBITDA per ton
Regulatory/industry shift (BIS)	BIS implementation is driving localization of winding wire supply to Indian companies - a tailwind, but also increases competitive intensity as the supply base shifts

Q&A Highlights

EBITDA per ton sustainability and mix

- Question: How will EBITDA per ton move for the rest of the year? Has it improved for standard wires too, and how has the higher KV CTC mix shifted? (Diksha Jain, InCred Research)
- Answer: Management reiterated comfort with ~₹75,000/ton for FY27, noting Phase 2 capacity adds higher costs and mix will normalize toward standard wires in H2. Standard wire EBITDA/ton improved marginally on higher utilization. Higher KV (765kV) classes were ~25% of specialized CTC volume, up from earlier quarters. (Dhruv Chopra, Rajesh Hegde)

CTC lumpiness and full-year EBITDA guidance interpretation

- Question: Is there lumpiness in CTC orders? Does the 75,000 full-year guidance imply below-Q4 levels for the remaining 9 months? Will absolute CTC revenue decline as standard wire capacity comes up? (Gaurav Bhatia, Goldman Sachs)
- Answer: No lumpiness - it's a question of proportion; CTC's mix percentage will revert toward normal but absolute volumes will not decline. EBITDA will grow on an absolute basis for both segments. Clarified that 75,000 is a level "we are comfortable delivering," not a precise guidance number. (Dhruv Chopra)

Hitachi agreement and long-term contracts

- Question: What products does the Hitachi contract cover, what is the EBITDA/ton potential, and should we expect more OEMs to lock in supply? (Vihang Subramanian, Zaaba Capital)
- Answer: The framework agreement's broad construct is settled but quantity and price are still being finalized; updates will be provided when defined. Products covered include CTC, paper-insulated, and enamel-insulated rectangular conductors. EBITDA/ton is expected to be similar to company average, with clauses that may move it over the 5-year term. Industry-wide, given 3-4 year OEM backlogs, several OEMs are discussing similar multi-year supply agreements. (Dhruv Chopra)

Export mix and geography breakdown

- Question: Exports were 24% of revenue this quarter (vs 29% in Q1 FY26) - what's the outlook? What was the share to US and Middle East? (Shubham Borade, ICICI Securities)
- Answer: Exports were ~27% of operating revenue this quarter; the target is to return to the historical peak of ~40% over time. Quarterly geography splits are not disclosed; annually, Middle East, Europe, and US each represent 8-11% of total revenue. (Dhruv Chopra)

Industry demand cycle duration

- Question: How does the demand cycle play out over the next 3-5 years - growing incrementally each year or moderating? (Jenish Karia, Union Mutual Fund)
- Answer: Transformer OEMs have 3-5 year order books and are expanding capacity through FY29, supporting T&D volumes. Additional drivers: EV (strong 2W/3W; PV/bus meaningful from FY28-29), AC compressors, DG set alternators (data center backup), and BIS-driven localization shifting imports to Indian suppliers. EV qualification programs must be secured now for future volume. (Dhruv Chopra)

EBITDA per ton breakdown and upward trend potential

- Question: Can you quantify the breakup of the 93,000 EBITDA/ton (inventory gains, mix, operating leverage)? With HVDC and higher-value products, can margins trend above 75,000? (Jenish Karia, Union Mutual Fund)
- Answer: Management declined a full quantitative breakup; mix was the dominant driver - specifically record CTC contribution, with new OEM customers at market-driven value addition rates. Higher-value product volumes are expected to rise and should sustain or improve EBITDA, but 75,000/ton is the comfortable long-term level. (Dhruv Chopra, Rajesh Hegde)

Capacity, land, and capex phasing

- Question: What capacity is possible on the new 10-acre plot, and what is the capex for additional 12,000 MT? (Priyanshu Jain, GrowthX Infinity)
- Answer: The tonnage from the new land is undetermined - it depends on machine/product mix and is a long-term hedge for expansion needs. FY27 focus is entirely on completing Phase 2 (to 59,000 MT) and utilizing it; further capacity decisions will follow utilization build-up on the larger base. (Dhruv Chopra)

Product fungibility and future capacity allocation

- Question: Are standard and specialized capacities fungible? How do you prioritize between higher-KV T&D versus EV/wire products in a hyper-demand scenario? (Surya Narayan Nayak, Sunidhi Securities)
- Answer: Drawing (wire-drawing) capacity is fungible, but insulation lines are product-specific (CTC, EV, PEK). Future capacity additions will pivot toward segments with confirmed visibility (e.g., HVDC/765kV orders or qualified EV programs). Future expansion planning will trigger around 85% utilization on the installed base. (Rajesh Hegde, Dhruv Chopra)

Upcast recycling facility benefit

- Question: Can you quantify the benefit from the Upcast facility - will scale be raised? (Surya Narayan Nayak, Sunidhi Securities)
- Answer: The 5,000 MT facility (₹6-7 crore investment) is designed for captive scrap recycling (~less than 10% of total capacity), so the near-term benefit is modest - "a few rupees" to gross profit in FY27. Further expansion is not immediately planned. (Dhruv Chopra, Rajesh Hegde)

Copper pricing lag and borrowing costs

- Question: What is the lag between copper pricing pass-through to customers? Is borrowing cost really in double digits? (Abhijay, AJ Capital)
- Answer: Business is make-to-order; copper is booked at order receipt at the then-prevailing LME price (15-20 day production cycle), so there is no meaningful fluctuation risk per order - copper and FX are direct pass-throughs. Borrowing costs range between 6% and 9.5% across working capital products; higher interest expense in Q1 reflects higher working capital finance due to turnover growth, not a rise in cost of capital. (Rajesh Hegde, Dhruv Chopra)

EV peak insulated wires and Phase 2 progress

- Question: What is the status of peak insulated wires for EV traction motors, and what is the FY27 capex for Phase 2? (Rahul, Ambit Investment Advisors)
- Answer: The EV peak insulated wire capacity is still under installation as part of Phase 2; management will report on operationalization when complete. Phase 2 project cost is ₹150-160 crore, partly funded by IPO proceeds; most has been incurred (some in advances/`CWIP), with remaining spend through year-end expected to exceed ₹50 crore. (Dhruv Chopra, Rajesh Hegde)

Value addition growth outlook

- Question: Value addition/EBITDA per ton has grown 23% CAGR (FY23-FY26). Can we expect the same run rate going forward? What's the copper component of ~₹14 lakh/ton realization? (Rahul, Ambit Investment Advisors)
- Answer: Value addition growth mirrors the same mix dynamics as EBITDA per ton - dependent on standard vs. specialized proportion and within-segment product mix. Realization per ton is dominated by copper, which fluctuates with LME (\$10,000-14,000/MT recently) and exchange rates; copper is always a pass-through, so gross profit is the more relevant metric to track. (Dhruv Chopra)

Key Takeaway

KSH International delivered a strong Q1 FY27 with revenue of ₹1,164 crore (+108% YoY), record PAT of ₹42.2 crore (+86% YoY), and EBITDA per ton of ~₹93,000 - well above the ~₹75,000 level management guides for FY27 - driven by a record CTC mix (front-loaded from Phase 1 capacity), 27% export revenue share (+76% YoY), 73.5% utilization, new OEM customers at market-driven value addition, and a weaker rupee. Volume grew 30% YoY to ~8,000 MT. Strategically, the company signed a 5-year supply framework agreement with Hitachi Energy Global (terms pending), commissioned a 5,000 MT Upcast copper recycling facility, and continues Phase 2 Supa expansion on track for ~59,000 MT by March 2027, with board authorization to evaluate an additional 10-acre land parcel for future capacity. Working capital days improved to 60 (from 71 YoY), targeting 30-35 days over time. The outlook anticipates sustained ~26% volume growth for FY27 with EBITDA per ton around ₹75,000, though management flagged near-term demand timing softness from transformer OEMs resolving facility bottlenecks and expects mix normalization as standard wire capacity ramps in H2. Watch items include Hitachi agreement finalization, Phase 2 execution, further working capital efficiency, and utilization progress toward 85% - the trigger for future capacity decisions.

Quality Power Electrical Equipments Ltd

Why read this call

This call is a must-read because the company is at a clear inflection point: it is commissioning large new capacities, entering new product lines (CTC wire, BESS, insulators), and executing a major acquisition, all while holding a strong order book. The management provides specific numbers on capacity, timelines, and order book, making the growth trajectory tangible. The next 2-3 years will be dramatically different from the past, with visible capacity and demand drivers.

The quarter

Q1 FY27 revenue INR256.4 cr, gross margin 47.2% (up from 44.6%), EBITDA INR64.7 cr (25.2% margin; adjusted for hyperinflation INR72.5 cr, 28.3%), PAT INR46.7 cr (adjusted INR54.5 cr), EPS INR4.66. Order book INR1,945 cr (~1.9x FY26 revenue), with Endoks INR801 cr, Mehru INR585 cr, QP standalone INR553 cr. Strong quarter with margin expansion and robust demand.

The inflection

Multiple capacity expansions and acquisitions are converging: Sangli facility (peak revenue potential INR1,500-1,800 cr) starting trial production this month; new CTC magnet wire facility (Q4 FY27); Endoks PCS facility for BESS (Q3 FY27) with strong traction and ~USD60M PCS orders in pipeline; Winwin Speciality Insulators acquisition (EV ~INR315 cr) due diligence complete, consolidation expected Q4 FY27, with potential INR250-300 cr revenue without capex and INR450-500 cr with capex. Order book provides 15-month visibility. Management guiding 20% growth FY27 and 50% FY28, with clear capacity and timeline specifics.

We are investing ahead of demand because we see a significant opportunity moving forward.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹256.4 crores	~20% YoY growth; QP standalone ₹69cr (vs ₹37cr), Mehru ₹83cr (vs ₹60cr), Endox ₹107cr (slight dip YoY due to Eid holidays in Turkey)
Gross Margin	47.2%	Improved from 44.6% YoY; aided by ~₹3cr group procurement volume discounts and pricing discipline
EBITDA	₹64.7 crores (25.2%)	Statutory; ex-India AS 29 hyperinflation loss of ₹7.82cr (non-cash), adjusted EBITDA ₹72.5cr at 28.3%
PBT	₹59.4 crores	Up from ₹46.7 crores YoY; adjusted ₹67.2cr excluding hyperinflation impact
PAT	₹54.5 crores (adjusted)	Reported statutory lower due to Turkey hyperinflation accounting; adjusted reflects underlying operations
EPS	₹4.66	Up from ₹3.12 YoY
Order Book	₹1,945 crores	1.9x FY26 revenue; NSE ₹801cr, Mehru ₹585cr, QP standalone ₹553cr; slated to execute over next 15 months
Total Debt	~₹23 crores	Group-level working capital debt; most entities hold net cash at subsidiary level
Interim Dividend	₹0.25/share	Declared by the board
Depreciation	₹3.9 crores	Will rise as Sangli, CTC magnet wire, and PCS facilities get capitalized

Table Rules Note: Metrics ordered logically for manufacturing - Revenue → Margin → Profitability → EPS → Order Book → Balance Sheet. Units included throughout.

Geographic & Segment Commentary

- **QP Standalone (High Voltage & Power Quality):** Revenue more than doubled YoY (₹37cr to ₹69cr), driven by disciplined order book execution above guided margins (25%+ on new orders). Gross margin for coil/reactor products held at ~25% traditionally; aluminum price spike now will reflect in Q2-Q3 due to longer manufacturing cycles (materials bought today consumed 4-5 months later).
- **Mehru (Instrument Transformers):** Revenue up ~38% YoY to ₹83cr; supplies 1 in 2 high-voltage instrument transformers in India, delivering into Denmark grid and soon Swedish grid. EBITDA at 18% this quarter, below internal target of 22-23% due to copper and oil spike in April; revised sustainable guidance at ~18%.
- **Endox (Energy Storage/PCS & Power Electronics):** Contributed ₹107cr revenue but dipped slightly YoY due to Eid holidays. Strong BESS/PCS traction with ~\$60M PCS pipeline plus another ~\$40M expected over 12 months (in line with prior \$80M guidance); PCS execution cycle 6-9 months, faster than core business.
- **Winwin Specialty Insulators (Acquisition - Pending):** Confirmatory due diligence complete with no adverse findings; EV ~₹315cr; consolidation expected Q4 FY27 (SEZ regulatory process). Facility has 40 acres in Vizag SEZ, is CapEx-heavy, and has approval in 15+ countries up to 800kV; type tests up to 220kV complete, 400/765kV in few months; internally targeting ₹200cr orders in next 9 months.

Company-Specific & Strategic Commentary

- **Sangli New Facility:** Machinery installation progressing; trial production targeted current month (August 2026) subject to approvals (building completion certificate, MIDC, PESO). Facility spans ~600 meters; ~60 global

customer audits over ~6 months to full approval; peak revenue potential ₹1,500-1,800 crores. ~₹50cr CapEx planned at Winwin; product launch sequencing prioritizes Adani and Power Grid HVDC approvals first.

- **Endox CTC Magnet Wire & PCS Facilities:** CTC magnet wire machinery installation commencing; new product line requiring 3-5 months stabilization with full production targeted Q4 FY27. PCS facility civil construction complete; operations to begin Q3 FY27; peak capacity \$70-80 million. Plan to bring PCS to India by end of next year for Indian/Asian markets.
- **HVDC Strategic Focus:** Appointed Mr. Shailendra Kumar as Group CTO (30+ years from Hitachi/ABB in HVDC, FACTS, grid tech). Targeting two HVDC projects - Old Park (awarded, Q3/Q4) and Barmere (tender close this quarter); plus ~6 STATCOM projects across US, Europe, Australia. Successfully qualified for global OEMs/utilities expanding addressable market.
- **Group Integration & Procurement:** Appointed Group CPO to consolidate purchasing (e.g., aluminum castings across Mehru ₹15-20cr, Winwin ₹50cr, Sukrut ₹10cr) via framework agreements to unlock scale and cost. Moving to common management pool across Mehru, Endox, and QP; engineering/testing protocols standardized; interim dividend declared to support shareholders.
- **US Market Entry & Expansion Planning:** Fundraise of up to ₹500cr planned (roadshows from Aug 20) for Winwin acquisition closure (~₹315cr), ₹50cr Winwin CapEx, and US sales office/team setup. Long-term vision: become India's "alternative to Hitachi" - complementary global high-voltage technology platform; wire business (aluminum/copper CTC) targeted at ₹500cr+ (aluminum) / ₹1,500-1,800cr (copper equivalent).

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue Growth	~20% (may be revised at Q3)	Sticking to guided 20% conservatively; order book ₹1,945cr (1.9x revenue) provides visibility; FY28 growth target 50%
EBITDA Margin	High-teens (~20%)	Model at 20% - management "will always try to deliver better"; Q3 standalone margins may temporarily moderate as Sangli fixed costs (depreciation, manpower, power) hit before utilization ramps
QP Standalone EBITDA	~20%	Sustainably guided; Q1 was strong, but caution advised not to model on Q1 base
Mehru EBITDA Margin	~18%	Revised down from 22-23% target due to copper/oil spike in April; stable at 18% going forward
Sangli Commissioning	Trial production Aug 2026; ~6 months audits	Requires statutory approvals + ~60 global customer audits; revenue trickle from Q3, turnaround in Q4 FY27
Endox BESS/PCS	\$60M pipeline + ~\$40M in 12 months	PCS delivery cycle 6-9 months; facility capacity \$70-80M; IGBT supply availability is key constraint
Winwin Acquisition	Consolidation Q4 FY27	EV ~₹315cr; 4 quarters to margin stabilization (15-25% converging); without CapEx revenue ₹250-300cr, with CapEx ₹450-500cr
Capital Raise	<₹500cr	Roadshows from Aug 20; proceeds for Winwin closure, ₹50cr Winwin CapEx, US market entry

Risks & Constraints

RISK	CONTEXT
Sangli Commissioning Delays	Statutory approvals (building completion, MIDC, utility clearances) pending; ~60 global customer audits required. Any slippage pushes trial production and revenue ramp; Q3 revenue expected to only "trickle in" with turnaround in Q4. Management calls issues "minor last-mile" and not structural; mitigation via daily coordination and prioritization of audits.
Raw Material Price Volatility	Copper and oil spike in April directly hit Mehru (8-week cycle) in Q1; aluminum spike in Q1 will flow through QP standalone in Q2-Q3 (6-month lag). Gross margin could compress; management notes all executable orders booked above margin guidance, insulating order book but new order pricing must follow commodity trends.
India AS 29 Hyperinflation (Turkey)	₹7.82cr non-cash net monetary loss in Q1; if hyperinflation persists, recurring P&L impact in adjusted & statutory reporting. Non-cash and excludes from adjusted EBITDA, but distorts reported comparisons and requires analysts' adjustments.
IGBT Supply Bottlenecks	Global supply constraint on IGBTs limits BESS/PCS delivery speed; Endox scale-up dependent on securing supply. Management expects improving supply as scale grows; alternatively may re-source.
Q3 Margin Compression	New Sangli fixed costs (depreciation, manpower, power) will hit standalone P&L before utilization ramps (~15 months to absorb); temporary moderation expected; guidance of ~20% EBITDA maintains, but Q3 may be below trend.
Winwin SEZ Regulatory Delays	Consolidation targeted Q4 FY27 but "bureaucratic process in India" with multiple sign-offs required; acquisition economics (lockbox agreement; losses borne by sellers until close) caps downside but delays revenue contribution and management bandwidth.
Currency & Forex	Dollar appreciation and export order exposure add volatility; no forex gains/losses booked in Q1 (zero), but vulnerability exists as exports (US, Europe, Middle East) scale.

Q&A Highlights

Segment Performance & Margin Trajectory

- Question: Can you give YoY growth split between Endox, Mehru, and QP standalone? Also, can you explain the Q3 margin pressure commentary? (Baidik Sarkar)
- Answer: QP standalone went from ₹37cr to ₹69cr; Mehru from ~₹60cr to ₹83cr; Endox contributed ₹107cr but Turkish companies dipped due to Eid holidays. For Q3 caution - Mehru sees copper/oil impacts in 8 weeks; QP standalone sees aluminum impact after ~6 months, so Q1 aluminum spike flows to Q3. Every order in book is booked above ~25% margin; the Q3 note is cautionary, not a real-world scenario. Stable guidance for coil products is ~20%. (Bharanidharan Pandyan)

New Facility Commissioning & Asset Turns

- Question: When will Sangli coil facility and HVDC magnet wire facility commission, and what peak asset turns can we expect? (Rahul Maheshwari)
- Answer: Machinery installed; awaiting building completion certificate; trial production targeted this month. ~60 global audits will take ~6 months to complete; facility approval requires every customer to audit. Peak revenue potential ₹1,500-1,800 crores. CTC magnet wire: machines on site, new product line requiring 3-5 months stabilization; full production by Q4 FY27. (Bharanidharan Pandyan)

Order Book Execution & Capacity Leverage

- Question: When will majority of order book be executed, and can book-to-bill ratio be maintained? (Rahul Maheshwari)
- Answer: Current order book slated for completion in next 15 months. Won't commit on maintaining book-to-bill; need to deliver from new facilities before committing more orders. BESS at 4GW facility in Turkey - 1GW already ordered. (Bharanidharan Pandyan)

BESS/PCS Scalability

- Question: Current capacity and scalability of BES/PCS facility at Endox? (Aniket Jain)
- Answer: ~\$60M PCS orders in pipeline, another ~\$40M expected in 12 months (consistent with prior \$80M guidance). Focus on operationalizing facility; demand outstrips supply as few global players. IGBTs remain bottleneck. Planning to bring PCS to India by end of next year for Indian/Asian markets. Execution cycle 6-9 months - fast-moving product with correspondingly quick working capital. (Bharanidharan Pandyan)

Winwin Acquisition Rationale & Turnaround

- Question: What is the rationale for Winwin acquisition beyond backward integration, and how do we plan to turn it around? (Lovish Soien / Aniket Jain / Viraj Mahadevia)
- Answer: Insulators are a global demand-supply mismatch - very few manufacturers globally (4-5 in India, 8-9 worldwide), no new entrants. Winwin solves internal insulator needs (~₹40-45cr/year internal demand) and becomes strategic leverage with global OEMs. Facilities include 40 acres SEZ Vizag, approvals in 15+ countries, KEMA type tests up to 400kV composite. Internal target ₹200cr orders in 9 months; margins stabilizing at 15-25% within 4 quarters post-acquisition. Consolidation targeted Q4 FY27 due to SEZ bureaucracy. (Bharanidharan Pandyan)

FY27 Revenue & Margin Guidance

- Question: Can we reach ₹1,400cr revenue this fiscal, and what's the margin guidance? (Darshil Jhaveri)
- Answer: Stick to 20% revenue growth guidance for now; may revise at Q3. Don't want to commit what we can't honor - factories yet to be commissioned fully; quality/people/systems need time. Model 20% EBITDA (high-teens). For FY28 50% growth - look at order book and delivery timelines. (Bharanidharan Pandyan)

Mehru Margin Reset & BESS Margins

- Question: What drove Mehru margins, and how do Endox/BESS margins look? (Naman Parmar)
- Answer: Mehru delivered 18% vs internal target 22-23%; copper/oil spike in April hit immediately. Revised guidance for Mehru at ~18%. Endox product lines (STATCOM, SVC, automation) typically ~25%; BESS products still shipping, so blended margin guidance to be provided in Q3. (Bharanidharan Pandyan)

Fundraising & Deployment

- Question: What is the timing and use of the ~₹500cr raise? (Charchit Maloo / Naman Parmar)
- Answer: Roadshows starting Aug 20; raise targeted this month before AGM for bureaucracy efficiency. Group debt is low (~₹23cr, mostly working capital). Proceeds: Winwin closure (~₹315cr), ₹50cr Winwin CapEx, US sales office/team funding, and next-gen technology investments. Total raise less than ₹500cr. (Bharanidharan Pandyan)

Chinese Competition in HVDC

- Question: Government allowed 4 Chinese companies to bid for HVDC contracts - how does this impact us? (Bhavya Shah)

- Answer: The Chinese players are non-operational factories (mostly shut for 7 years), will take years to re-qualify. Government hasn't relaxed local sourcing norms (60-70% domestic content required). Not a near-term threat; QP is a supplier to TVA Power Transformers via Sukrut, and if Pinggao/Taikai enter GIS, QP supplies components developed with Yawsam. (Bharanidharan Pandyan)

Long-Term Vision & Revenue Mix

- Question: What is the 2030/2035 vision, and how will revenue mix evolve across power products, power electronics, and ancillaries? (Rajat / Rahul Maheshwari)
- Answer: Vision is to be India's alternative to Hitachi - complementary, investing in high-tech businesses (BESS, HVDC, FACTS), generating free cash to acquire complementary high-voltage businesses. Revenue mix: power electronics will grow fastest (BESS, less supply-chain dependence), then high-voltage products; ancillaries (CTC wire, Sukrut components) support other two at scale - CTC wire targeted at ₹500cr+ (aluminum) / ₹1,500-1,800cr (copper equivalent). (Bharanidharan Pandyan)

India AS 29 Asset Base Clarification

- Question: If we add back hyperinflation expense, should we also adjust asset base in Turkey, and what is that number? (Nakul Gupta)
- Answer: Data not on hand; management committed to providing written response before end of day via email. (Bharanidharan Pandyan)

Key Takeaway

Quality Power Electrical Equipments Ltd delivered a strong Q1 FY27 with revenue of ₹256.4 crores (~20% YoY growth) and adjusted EBITDA of ₹72.5 crores (28.3% margin, excluding ₹7.82cr India AS 29 hyperinflation impact), with all order book executable orders booked above ~25% margin guidance. The consolidated order book stands at ₹1,945 crores (1.9x FY26 revenue), backed by a ₹1,500-1,800 crore peak-capacity Sangli facility targeting trial production in August, an Endox PCS facility commencing Q3 with a \$60M+ BESS pipeline, and the Winwin insulators acquisition (EV ₹315cr) progressing to consolidation by Q4 FY27. Group initiatives include a group CPO for procurement synergy, shared management pool, and new Group CTO (Shailendra Kumar) for HVDC/FACTS capability; fundraise of <₹500cr (roadshows from Aug 20) will fund Winwin closure, its ₹50cr CapEx, and US market entry. Management guides conservatively to 20% FY27 revenue growth (revisable at Q3) and high-teens EBITDA margin, with temporary Q3 margin moderation expected as Sangli fixed costs front-load ahead of utilization ramp over the next 15 months; key watchpoints include raw material volatility (copper/aluminum), IGBT supply, and regulatory approvals for new capacity.

Diamond Power Infrastructure Ltd

Why read this call

This is a textbook inflection: a company that was insolvent a few years ago is now doubling revenue, holding margins, and laying out a specific multi-year capacity and order-book ramp. The numbers are real, the capacity commissioning dates are named, and the order book underwrites the guidance. The reader gets a clear picture of a business moving from turnaround to structural growth in the power cable market, with data centers and climate-resilience grid spending as durable tailwinds. If you only read a handful of calls, this one shows how a balance-sheet repair plus capacity addition plus demand inflection compounds.

The quarter

Q1 FY27 revenue ₹690 cr, +129% YoY; EBITDA ₹85 cr, +172% at 12.3% margin (+~200bps); PAT ₹58.5 cr, +191% at 8.5% margin. Order book ₹3,688 cr (2x FY26 revenue) with ₹1,000 cr+ fresh wins since April, including ₹435 cr data center order. Raised ₹1,640 cr QIP, net worth turned positive. Guides FY27 revenue ₹4,300-4,500 cr and FY28 ₹7,500 cr.

The inflection

A post-NCLT turnaround now compounding: revenue more than doubled on a flood-hit quarter, operating leverage visible (PAT growth outpacing revenue), and a funded order book backing a ~6.5x revenue step-up in FY27. Capacity expansion in medial voltage/high voltage (2 Al corrugation lines, 2 MV lines commissioned by Sep/Mar, 6th CCV line ordered for Dec 2027, LV copper plant for data centers by Mar FY28) is dated and specific. New demand engines- Gujarat disaster management (₹22,000 cr program, first order won), UP discom LOI, data center target ₹1,000 cr orders by Mar'27-are concrete. Management guides 50-60% of next year's target already in order book.

the turnaround is not merely complete, it is compounding, it is deliberate.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹690 crores	Up 129% YoY; met internal target of ₹700 cr despite monsoon-hit quarter; Q1 is seasonally weakest
EBITDA	₹85 crores	Up 172% YoY; margin expanded ~200 bps YoY to 12.3% on operating leverage
EBITDA Margin	12.3%	Expansion despite gross margin pressure from metal costs and adverse mix; operating leverage offset
PAT	₹58.5 crores	Up 191% YoY; net margin 8.5%; negligible tax due to carried-forward losses
EPS	₹1.11 (face value ₹1)	Reflects PAT growth; profit growing faster than revenue (129% rev → 191% PAT)
Order Book	₹3,688 crores (as of Aug 11)	~2x FY26 revenue; ₹2,800 cr to be delivered in current fiscal; ₹845 cr for next year; >₹1,000 cr fresh wins since April
Net Worth	Negative ₹922 cr (Jun 30); post-QIP positive ₹691 cr	QIP of ₹1,614 cr turned net worth positive; prior losses from resolution plan

Geographic & Segment Commentary

Conductors: Q1 sales proportionally higher due to monsoon impact on MV/EHV; AL59 now ~70% of market, company stopped ACSR production. Utilization expected at ~40% for FY27.

Medium & Extra High Voltage (MV/EHV) Cables: Core strategic focus; 11-220 kV segment forms largest order book block; weather-affected installation in Q1 but mix improves in H2 as project sites dry out. Margin potential by voltage: 11 kV ~14-15%, 33 kV ~16%, 66 kV+ ~18-22%.

Low Voltage (LV) Cables: New brownfield project converting legacy plant into modern LV/control cable facility (aluminum and copper); 42,000 km annual capacity at full utilization with revenue potential of ₹1,880 crores; deliberately built for copper LV cables to serve data center demand; commercial production expected by March FY28.

Data Centers: ₹435 crore order in hand; targeting ₹1,000 crore orders by March 2027 with sales contribution of ~₹750 crores in FY27; HTLS conductors used for grid upgrades to serve data centers in urban areas.

Company-Specific & Strategic Commentary

Capacity Expansion: Board approved 2 aluminum corrugation lines (₹17 crores CapEx) to expand 66 kV and 132 kV capacity by converting one 33 kV line. Sixth CCV line to be ordered this month (₹50 crores line cost; ₹100 crores with utilities), commissioned by December 2027 - no additional civil/utility CapEx required. Two MV lines under installation (one commissioning by Sept 15, one by March 2027).

Balance Sheet Transformation: QIP raised ₹1,640 crores; net worth positive post-QIP. Funds allocated: ₹130 crores LV expansion, ₹74 crores balancing equipment, ₹350 crores promoter unsecured loan repayment, ~₹750 crores working capital infusion. Virtually zero debt on books; 0.01% promoter-held bonds (30-year) valued at ₹47 crores NPV.

Exports Strategy: Building dedicated team; certifications for US and Europe markets on track. First orders expected Q3/Q4 FY27; target ₹500 crores export order book in year one, initially focusing on conductors and medium voltage products.

Leadership & Talent: Mr. Umesh Chhaya joined as Whole Time Director (3 decades industry experience, retail/costing specialist); 15+ leaders at AVP/VP levels hired; operating costs reduced from 9% to 6.5% of revenue, targeting 6%.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue	₹4,300-4,500 crores	Bridge from Q1: seasonality reversal, utilization ramp-up (entered year at low base), funded order book converting to dispatch
FY27 EBITDA Margin	11-13%	Depends on metal prices (aluminum swung 20% within quarter); mix shift to MV/EHV in H2 improves margins
FY28 Revenue	₹7,500 crores	LV project (~₹2,000 cr capacity) and additional CCV line (~₹600 cr) coming online; utilization targets rise
FY27 Utilization	Cables 50-52%, Conductors ~40%	Up from FY26 levels (cables 34%, conductors 20%)
FY28 Utilization	Cables ~60%, Conductors ~60%	Support from new capacities commissioning
Data Center Sales	~₹750 crores FY27; ~₹1,500 crores FY28	Target 20% of revenue from data center business
Export Order Book	₹500 crores by FY27 end	First year of exports; Q3/Q4 order inflows expected

Risks & Constraints

RISK	CONTEXT
Monsoon/Weather Impact	Q1 FY27 installations hit by heavy early monsoon; affected project execution and mix (MV/EHV sold at site, cannot be warehoused). Management noted ₹70-80 crore revenue loss if rain had been timely; climate resilience demand (undergrounding) now a structural driver
Metal Price Volatility	Aluminum moved from \$3,800 to \$3,000 within Q1 (20%+ swing); polymer prices impacted by Iran war; pass-through in contracts is back-to-back but lags by a quarter, pressuring gross margins and incremental working capital
Customer Concentration	Adani Group ~40% of order book; board mandate to reduce to 20% by year-end; diversified across 670 active customers and 200+ in order book
Execution Ramp-up	Scaling from ₹690 cr Q1 to ₹4,300+ cr full year implies >2x run-rate; management emphasizing realistic growth, AI/automation focus, and no compromise on margins for volume

Q&A Highlights

Capacity Expansion Timeline

- **Question:** When will the rod mill, incremental MV line, and CCB line start production? What about the 6th CCV line delivery? (Rohan Kale)
- **Answer:** Rod mill by Oct 15; incremental MV line by Sept 15; CCB line by March 2027; 6th CCV line order placed this month, delivery by Aug 2027, commissioning by Dec 2027. (Amit Bhatnagar)

Net Worth Recovery & Fund Utilization

- **Question:** Post-QIP, is net worth positive? How much goes to promoter debt vs capacity? (Ajit Sethi)
- **Answer:** Net worth positive at ₹691 cr post-QIP (was negative ₹922 cr). Allocation: ₹130 cr LV expansion, ₹74 cr balancing equipment, ₹350 cr promoter loan repayment, ₹625 cr general corporate purposes (working capital). (Pawan Lohiya, Amit Bhatnagar)

Legacy Receivables Recovery

- **Question:** Post-PMLA discharge, how much of the ₹957 crore legacy receivables can be recovered? (Ajit Sethi)
- **Answer:** Special team formed (legal, accounts, juniors); first-stage evaluation suggests ~₹300 crores recoverable over next 12-18 months. (Amit Bhatnagar)

FY27 Ramp-up Phasing

- **Question:** Should Q2 see meaningful step-up or gradual ramp through H2? (Nishant Bagrecha)
- **Answer:** Always gradual - Q2 partially affected by monsoon, Q3/Q4 strongest; Q4 biggest due to March project commissioning deadlines; every quarter last year grew ~50%. (Amit Bhatnagar)

Utilization & Margin Guidance

- **Question:** Where will utilization end for FY27 and FY28? Does mix improvement take margins above current levels? (Nishant Bagrecha)
- **Answer:** FY27: cables 50-52%, conductors ~40%; FY28: both ~60% with new LV/CCV lines. Margin guidance 11-13% for FY27; mix shift to MV/EHV in Q2-Q4 will strengthen EBITDA as project-based delivery resumes. (Amit Bhatnagar)

Data Center Opportunity Scale

- **Question:** How large can data center business become? What proportion of revenue? (Nishant Bagrecha)
- **Answer:** Target ₹1,000 crore orders by March 2027; sales contribution ~₹750 crores this year, ~₹1,500 crores next year; 20% of revenue target current and next year. (Amit Bhatnagar)

Debt Outlook

- **Question:** What will be peak debt going forward? (Raman K.V.)
- **Answer:** No borrowing needed for FY27; current LC of ₹60-75 crore unutilized; existing QIP funds cover growth. No substantial debt expected until March 2028; exploring vendor/dealer financing to improve cash flow and margins. (Amit Bhatnagar)

Customer Mix - Adani & Concentration

- **Question:** What's Adani vs non-Adani split? (Manik Mahajan)
- **Answer:** Adani ~40% of current order book; board mandate to reduce to 20% by year-end; ~670 active customers and 200+ in order book. (Amit Bhatnagar)

Revenue Mix at Peak Capacity (₹14,000 crore)

- **Question:** How will the revenue mix and margins look at full potential? (Rajesh Vora)
- **Answer:** Conductors 30-35%, LV cables 10-15%, MV/EHV 50-55%; margin ranges: LV 8-9%, conductor 9-10%, 11 kV 14-15%, 33 kV 16%, 66 kV+ 18-22%; blended 11-13%. Data center target 20% of revenue; exports too early to give a definitive number. (Amit Bhatnagar)

Growth Challenges & Competitive Positioning

- **Question:** What are the 2-3 big challenges in handling such high growth? (Rajesh Vora)
- **Answer:** Macro: metal/polymer prices, global events (Iran war) requiring 20-30% incremental working capital - insulated by strong promoters (put ₹500 cr working capital in NCLT turnaround). Micro: operational scaling; realistic growth strategy (not rushing capacity utilization to 100% in one year); focus on AI, automation, process digitization for quality traceability in high-voltage products. (Amit Bhatnagar)

Key Takeaway

Diamond Power Infrastructure delivered a strong Q1 FY27 with revenue of ₹690 crores (+129% YoY), EBITDA of ₹85 crores (+172% YoY) at 12.3% margin (+~200 bps), and PAT of ₹58.5 crores (+191% YoY) - all achieved despite an early, heavy monsoon that disrupted installation across Gujarat, and before any QIP proceeds were deployed. The company's strategic pivot toward medium and extra high voltage cables is underpinned by a ₹3,688 crore order book (2x FY26 revenue), ₹1,640 crore QIP raising that turned net worth positive, and capacity expansion - two aluminum corrugation lines (66/132 kV), a 6th CCV line (Dec 2027), and a brownfield LV facility targeting data center demand (₹1,880 crore revenue potential). Management guided FY27 revenue of ₹4,300-4,500 crores at 11-13% EBITDA margins and FY28 to ₹7,500 crores, driven by utilization ramp-up (cables to 50-52% in FY27) and mix improvement in H2. Key watch items: Adani concentration (~40% of orders, board mandate to halve), metal price volatility, and execution against an aggressive H2 ramp-up. The company remains debt-light through FY28, funded by QIP proceeds and internal accruals.

Transcript incomplete - detailed balance sheet metrics (capital adequacy, asset quality, segment-wise revenue split) not fully available in transcript; management commentary referenced but full financial schedules not provided.

Aether Industries Ltd

Why read this call

This call is a must-read because Aether is at a clear inflection point. The core business is compounding at 25-30% with CEM/CRAMS mix shifting to higher margins, but the real story is the simultaneous entry into two new high-value platforms: semiconductor-grade low-dielectric materials (with first sales already happening and a dedicated stream coming online in 2 months) and a Dow-partnered silicones technology platform. Management provides concrete receipts - product prices, capacity timelines, customer names, audit counts, and a ₹2,200-2,300 crore mega-site with phased commissioning. The next 2-3 years will look fundamentally different from the last 3, with new end-markets (AI/5G, silicones) and a step-change in scale. This is not theatre; the company is already shipping the new products and has a named global partner.

The quarter

Q1 FY27 consolidated revenue ₹3,266mn (+27% YoY), EBITDA ₹1,028mn (+31% YoY, margin 31% vs 30%), PAT ₹627mn (+33% YoY, margin 19%). Site 3++ ramping faster than planned; Baker Hughes contract scaling; 10 new marquee clients onboarded; 9+ audits cleared. CEM/CRAMS now ~50% of revenue, targeting 70%+ in 2 years. CapEx guidance ₹3,000-3,500mn for FY27.

The inflection

Two major strategic vectors are breaking open: (1) Entry into semiconductor materials - low-dielectric specialty monomers for 5G/AI high-speed PCBs, with first products already manufactured at Site 3, qualification batches done, small orders being delivered, and a dedicated 45 t/month stream at Site 5 (Magnum) coming online end-September 2026. Products priced \$30-50/kg, made in India for the first time, with 400t capacity scaling 3x by 2030. (2) Exclusive multi-year Dow Chemical research partnership (announced 30 July) to develop new silicone manufacturing technologies - a platform chemistry with India's ~\$1bn silicones market, all R&D and pilot work at Aether, with framework for commercialization and industrial-scale manufacturing. This is a genuine inflection: the company is moving from a specialty/CRAMS player into advanced electronic materials and a silicones platform, backed by named customers (Baker Hughes, Milliken, Seqens, Dow), dated capacity commissioning, and real product shipments already underway.

We are planting a seed today upstream of AI and 5G semiconductor supply chain, one that could grow into the most valuable material science franchise in the country.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹326.6 crores	+27% YoY (₹256.6 crores in Q1 FY26); driven by CRAMS/CEM scale-up, Baker Hughes ramp and Site 3++ contribution
EBITDA	₹102.8 crores	+31% YoY (₹78.5 crores in Q1 FY26); margin-accretive contract mix shift
EBITDA Margin	31%	+100 bps YoY (30% in Q1 FY26); CEM vertical carries 28-30% margins
PAT	₹62.7 crores	+33% YoY (₹47 crores in Q1 FY26); PAT margin 19% vs 18% YoY
CRAMS/CEM Revenue Mix	~50% of revenue	Targeting 70%+ in next two years; 10 new marquee clients onboarded and 9+ audits cleared in Q1
Oil & Gas Revenue	~₹100 crores (~20% of revenue)	Baker Hughes scaled from ~₹45 crores in Q1 FY26 to ~₹70 crores current Site 4 run-rate
LSM Volume Growth	-22.5% YoY	Production lines deliberately reallocated to higher-margin CM contracts; no demand decline; LSM pricing +22.5%
Capacity Utilization	Site 2: 74%, Site 3: 69%, Site 4: 59%	Reflects ramp stages; Site 3++ (commissioned Feb 2026) and Site 5 (Magnum) still ramping
CapEx	₹94.3 crores (Q1 FY27)	FY27 guidance ₹300-350 crores, primarily for Site 5 (Magnum) and new R&D facility

Geographic & Segment Commentary

CRAMS & CEM (Contract Models): Now ~50% of revenue and described by management as the company's "backbone." 10 new marquee clients onboarded and more than nine customer/certification audits cleared in Q1 FY27. CEM contracts run at 28-30% EBITDA margins, so the mix shift is margin-accretive; management targets 70%+ revenue contribution within two years, citing rising urgency from European customers where in-house manufacturing economics have deteriorated.

Large Scale Manufacturing (LSM): Volume declined 22.5% YoY due to deliberate reallocation of production lines to CEM contracts; management confirmed no demand decline, with LSM pricing up 22.5%. Despite 30-35% post-COVID Chinese price corrections, management states it has never lost market share on its products and remains competitive; LSM expected to decline to ~35% of total revenue over the next few years.

Oil & Gas: ~20% of revenue (~₹100 crores) in Q1 FY27, largely Baker Hughes-driven. Baker Hughes has scaled from ~₹45 crores in Q1 FY26 to ~₹70 crores current Site 4 run-rate, with continuous new product launches under exclusive manufacturing partnerships; the dedicated Site 5 facility for this sector continues to scale.

Semiconductor / Electronic Materials (Magnum, Site 5): First three LSM products (pharma, agrochemical, material science) at \$30-40/kg entered commercial sales in Q1 with revenue contribution from Q2 FY27; made in India for the first time, positioning as import substitution with export potential. Low-dielectric semiconductor monomers (~\$50/kg, 400 TPA capacity growing 3x by 2030) serve silane coupling agents, PPE-type resins and low-dielectric formulations for 5G/AI high-speed PCBs; qualification batches complete and small orders being delivered, with the main 45 TPM stream (3×15 TPM lines) online by end-September 2026.

Silicones (Dow Partnership): Announced July 30, 2026 - an exclusive multi-year collaborative research program with Dow Chemical to develop new manufacturing technologies for silicones, one of India's first programs of its kind. All research and pilot scale-up will occur at Aether's R&D and pilot plant facilities in Surat; the agreement includes a

framework for potential commercialization and industrial-scale manufacturing. Foundational silicone molecules are not manufactured in India today and are largely imported; management views this as a platform entry into India's multi-billion-dollar silicones market growing at 7-10% CAGR.

Company-Specific & Strategic Commentary

Dow Chemical Partnership: Exclusive multi-year research program to develop new silicone manufacturing technologies; marks Aether's entry into platform silicones chemistry. Built on deep institutional history - Dr. Aman Desai worked three years in Dow's core R&D, CTO Dr. James Ringer and business development leader Ray Roach each spent 30+ years at Dow. Management expects the program to open the door to broader Dow opportunities over time.

Magnum Site 5 Expansion: Mega site at Panoli with 16 production blocks commissioned in phases; Phase I online with expected asset turn of 1.5-1.75x once fully operational. Total investment of ₹2,200-2,300 crores with Phase II targeted by FY2030; customers have pre-audited the site and demand is lined up ahead of capacity.

R&D Engine Expansion: Interim R&D expansion complete with additional fume hoods and a new 400 MHz NMR in service. A larger facility with ~15 new labs and close to 160 cumulative fume hoods is on track for commissioning in FY2028, enabling more complex chemistry at higher value.

Contract Pipeline Depth: For every publicly announced customer (Baker Hughes, Milliken, Seqens, Saudi Aramco, Dow, Polaroid, Otsuka), management notes four to five additional relationships under NDA at various stages; name disclosures are subject to customer approval. Q1 FY27 saw 10 new marquee client onboardings and more than nine audits cleared.

Insurance Settlement: Final claim for fixed assets lost in the November 2023 fire was received in Q1 FY27, completing the full insurance settlement.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Core Revenue Growth	25-30% compounding	Management's stated expectation for the core specialty + CRAMS/CEM franchise
CRAMS + CEM Revenue Mix	70%+ of revenue within next 2 years	From ~50% today; CEM at 28-30% EBITDA margins makes the mix shift earnings-accretive
CapEx	₹300-350 crores for FY2027	Primarily Site 5 (Magnum) and the new R&D facility; Q1 FY27 spend was ₹94.3 crores
Semiconductor Capacity	400 TPA now, growing 3x by 2030	First products in commercial sales; main 45 TPM stream (3×15 TPM lines) online by end-September 2026
Magnum Asset Turn	1.5-1.75x once fully operational	Phase I online; Phase II targeted by FY2030; customer pre-audits completed and demand lined up
New R&D Facility	Commissioning in FY2028	~15 new labs and ~160 cumulative fume hoods; interim expansion already complete
Working Capital	Progressive decline expected	Inventory elevated for strategic raw material/semi-finished positioning for Site 3++ and Site 5; expected to ease as those revenues materialize and CM contracts expand

Risks & Constraints

RISK	CONTEXT
Execution Bandwidth	Concurrent expansions (Site 3++, Site 5/Magnum, new R&D facility) plus the new Dow program could stretch the core team. Management mitigates via phased commissioning, locating Magnum in Panoli (closest chemical zone to Surat), channeling resources, and rapid promoter-led technical-commercial decision-making; safety is flagged as the foremost operational priority.
Working Capital / Elevated Inventory	Inventory remains elevated due to strategic raw material positioning and semi-finished materials for Site 3++ and Site 5. Management expects progressive normalization as revenues from these sites materialize and CRAMS/CEM contributions grow.
Silicone Program Early-Stage	The Dow collaboration is an intensive multi-year R&D and pilot program; no near-term revenue visibility. Commercialization depends on successful technology development, scale-up validation, and a definitive commercial framework with Dow.
China Pricing Pressure in LSM	Post-COVID price corrections of 30-35% impacted niche molecules; LSM volumes deliberately down 22.5% as lines moved to CEM. Management states it has never lost market share and remains competitive, with LSM expected to fall to ~35% of revenue mix.
Customer Concentration in Oil & Gas	Oil & gas revenue (~₹100 crores, ~20% of total) is largely driven by Baker Hughes, now the company's largest customer in this segment. Management cites strong demand visibility (~₹70 crore Site 4 run-rate) and continuous product additions, but concentration remains a watch point.

Q&A Highlights

Semiconductor Materials: Orders, Applications & Commercialization

- Question: What orders are in hand for the semiconductor segment, and which chemistries are involved? (Nilesh Ghuge, HDFC Securities)
- Answer: Order book and product names will not be disclosed for competitive reasons; Aether is pursuing a focused basket of high-value molecules emphasizing depth over breadth. The chemistry draws directly on core competencies in process chemistry, coupling agent and monomer stability - the same capabilities as the CRAMS/CEM businesses (Rohan Desai).
- Question: When will commercial supply start? (Akshay, AK Investment)
- Answer: Semiconductor products are already being manufactured at Site 3 - qualification batches completed, samples submitted, and small quantity orders are being delivered. The main stream at Site 5 (Magnum) with 45 TPM capacity split into three 15 TPM lines is targeted online by end-September 2026 (Rohan Desai).
- Question: What are the applications and potential size, and any ISM 2.0 benefit? (Keshav Bharadia, Wallfort Financial Services)
- Answer: Applications sit in the 5G/AI hardware supply chain - building blocks for silane coupling agents that bond glass fiber/resin layers, PPE-type resins for copper-clad laminates, and low-dielectric formulations for high-speed PCBs. Starting capacity is 400 TPA growing 3x by 2030 at ~\$50/kg; Aether is applying for ISM 2.0 benefits, though the scheme structure is still being clarified (Rohan Desai).

Magnum Site 5 LSM Products & Pricing

- Question: What is the order book and can you share product or end-user names for the new LSM products from Magnum? (Nilesh Ghuge, HDFC Securities)

- Answer: Commercial sales of the first three new LSM products (pharmaceutical, agrochemical, material science) began in Q1 FY27, with revenue contribution expected from Q2 FY27. Products are priced at \$30-40/kg and made in India for the first time - clear import substitution with export potential. The pharma intermediate, which lowers cholesterol/triglyceride levels and prevents heart attacks/strokes, is already being produced at Site 3 at 10-15 TPM to accelerate timelines; product names remain confidential (Rohan Desai).

Dow Collaboration: Scope, Timeline & Exclusivity

- Question: What is being developed under the Dow program, who are the major players, and what should investors track? (Chaitanya Kamdar, Avestha Fund Management; Keshav Bharadia, Wallfort Financial Services)
- Answer: This is a platform technology program developing new manufacturing methods for silicones, not a single product. India imports the majority of its silicones from China, Germany and the US, with no domestic foundational silicone manufacturing. Investors should track: completion of pilot work at Surat, transition into a definitive commercial framework with Dow, and a potential future CapEx commitment on a dedicated block/site (Aman Desai).
- Question: Is the exclusivity limited to India or specific product lines? (Soham Jain, Dalal & Broacha)
- Answer: Exclusivity applies within the research program specifically targeting new ways of manufacturing silicones in India - Dow will only work with Aether and Aether only with Dow for this program (Aman Desai).
- Question: Timeline for meaningful breakthrough and industrial-scale manufacturing? (Keshav Bharadia, Wallfort Financial Services)
- Answer: This is a multi-year research program with no specific timeline disclosed; the objective is to scale and move up the value chain as results mature (Aman Desai).

Dow Partnership: Strategic Upside & Relationship Depth

- Question: What is Aether's economic upside beyond CRAMS revenue from this program? (Chaitanya Kamdar, Avestha Fund Management)
- Answer: The program creates a new platform in silicones chemistry - one of the largest material classes Aether was not previously in - and deepens the silanes/silicones platform adjacent to the semiconductor opportunity. It positions Aether to address India's silicones market, which management termed a multi-billion-dollar opportunity growing at 7-10% CAGR; Dow selecting Aether as exclusive research partner validates its process chemistry and scale-up capabilities (Aman Desai).
- Question: At what point does the Dow relationship become genuinely hard to replace? (Sajal Kapoor, Antifragile Thinking)
- Answer: It is already a genuine multi-year partnership; it becomes inseparable once scale-up and commercialization alignment is achieved. Management cites deep institutional history - Dr. Aman Desai spent three years in Dow's core R&D, and Aether's CTO and business development leader each spent 30+ years at Dow - and expects this first program to open other Dow opportunities (Aman Desai).

CRAMS/CEM Pipeline & Customer Onboarding

- Question: What other European or US majors are in discussions to shift manufacturing to India, and when could announcements come? (Keshav Bharadia, Wallfort Financial Services)
- Answer: For every publicly announced client (Baker Hughes, Milliken, Seqens, Dow, Polaroid, Otsuka), there are four to five others at various stages under NDA whose name disclosures customers have not approved; expect more announcements in the near to mid-term (Aman Desai).

- Question: Have new products been commercialized for Baker Hughes and Milliken? (Bhavika Singhvi, Niveshaay)
- Answer: Yes - new Baker Hughes products have been added since the last call under an exclusive family of products. The Milliken agreement is a multi-year supply deal for one key strategic molecule, with a partnership history spanning 9-10 years (Aman Desai).

Positioning in Semiconductor Value Chain vs Fab-Level Players

- Question: How does Aether's offering differ from other entrants such as Sumitomo Chemical manufacturing semiconductor process chemicals in India? (Soham Jain, Dalal & Broacha)
- Answer: Recent entrants target fab-level consumables - high-purity gases, solvents, photoresists, CMP chemicals - which are largely purification and scale plays requiring heavy CapEx and long fab qualification cycles. Aether's entry point is advanced electronic materials: low-dielectric materials inside high-speed circuit boards for 5G/AI hardware, built from complex, low-volume, high-value specialty monomers - a capital-light, R&D-and-pilot-first approach with a fundamentally different risk profile (Rohan Desai).

LSM Reallocation, China Competition & Oil & Gas Ramp

- Question: Are LSM orders going unserved, and is oil & gas revenue recurring or one-time? (Divya Kasera, Craving Alpha Wealth Fund)
- Answer: The 22.5% LSM volume decline reflects deliberate reallocation of production lines to higher-margin CM contracts; demand remains intact and LSM pricing improved 22.5%. Oil & gas revenue is largely Baker Hughes-driven - scaled from ~₹45 crores in Q1 FY26 to ~₹70 crores current Site 4 run-rate - with other oil & gas customers also being serviced (Faiz Nagariya; Rohan Desai).
- Question: How has strategy changed to avoid Chinese price competition on newer molecules? (Rohit Nagraj, 360 ONE Capital)
- Answer: Focus has shifted to CRAMS and CEM (targeting 70%+ of revenue); in LSM, Aether has never lost market share even when prices corrected 30-35% post-COVID. Recent price corrections are acknowledged, but the company remains competitive across all products it manufactures (Rohan Desai).

Execution Bandwidth & Risk Management

- Question: What could genuinely derail the path given simultaneous segment mix shifts, aggressive capacity expansion, and the Dow partnership? (Pankaj K, Individual Investor)
- Answer: Management remains pragmatic - Magnum was deliberately located in Panoli, the closest chemical zone to Surat, rather than farther sites, and the company is cognizant of core team limitations. Safety is the foremost priority, followed by execution capability; the technical-commercial promoter leadership enables rapid decision-making and a strong appetite for multidimensional opportunities (Aman Desai).

Key Takeaway

Q1 FY27 revenue of ₹326.6 crores (+27% YoY), EBITDA of ₹102.8 crores (+31% YoY) at a 31% margin, and PAT of ₹62.7 crores (+33% YoY) were driven by CRAMS/CEM scale-up - now ~50% of revenue and targeted to exceed 70% within two years - alongside the Baker Hughes ramp to a ~₹70 crore Site 4 run-rate. Strategic focus centers on three vectors: Magnum (Site 5, ₹2,200-2,300 crores investment, 16 blocks) began semiconductor materials sales (400 TPA growing 3x by 2030, main 45 TPM stream online end-September), the exclusive multi-year Dow silicone technology R&D partnership announced July 30, and a deepening contracted pipeline (10 new marquee clients, 9+ audits cleared in Q1). CapEx is guided at ₹300-350 crores for FY27. Watch execution bandwidth across concurrent

expansions, working capital normalization, and conversion of the Dow program and semiconductor orders into commercial revenue.

Fineotex Chemical Ltd

Why read this call

This is a must-read because Fineotex is at a clear inflection point-the last 3 years were textile-centric, but the next 2-3 years will be dominated by the US oilfield chemicals business. The quarter shows the CrudeChem acquisition is delivering: revenue doubled, margins expanding, capacity commissioned ahead of plan, and management has given specific, dated revenue targets (\$100M FY27, \$200M FY28) backed by real order flow (Saudi, Canada). This is not just a good quarter; the business mix and growth trajectory are fundamentally changing, which is exactly the kind of call an investor should stop and read.

The quarter

Total income INR 386.72 Cr (+165% YoY), PAT INR 48.21 Cr (+92.7% YoY), EBITDA INR 59.14 Cr (+134.7% YoY), EBITDA margin 15.7% (up from 13.93% last quarter), gross margin 35.42%. Growth driven by full quarter consolidation of CrudeChem (US oilfield chemicals acquisition, Dec 2025). Oil & gas now 65% of revenue.

The inflection

The company has structurally transformed from a textile chemicals player into a diversified specialty chemicals platform with oil & gas as the growth engine. Texas facility capacity expanded from 80k to 148k MTPA, commissioned in Q1 FY27, currently at 63% utilization with room to grow 30-40%. Management guides US business to \$100M revenue in FY27 and \$200M in FY28 (doubling). Concrete receipts: new Saudi order with a customer that won an \$8B Aramco contract using Fineotex's specialty package, Canadian sales started, and capacity expansion already live. The acquisition is being integrated with margin expansion (EBITDA margin up 150bps QoQ) and cross-selling synergies with existing Indian/Malaysian operations.

We have only been using only up to 63% of the U.S. Texas plant operations capacity till now. So we can easily add another 30%, 40% on that business itself.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Income	₹386.72 crores	+165% YoY vs ₹146.62 crores; driven by full-quarter contribution from CrudeChem (US) operations plus healthy domestic growth
Gross Profit	₹133.4 crores	+190% YoY vs ₹45.96 crores; gross margin 35.42%, up from ~33% YoY and ~29-30% last quarter, aided by raw material pass-through
EBITDA	₹59.14 crores	+134.7% YoY vs ₹25.2 crores; EBITDA margin 15.70%, up ~150 bps QoQ from 13.93%
Profit After Tax	₹48.21 crores	+92.67% YoY vs ₹25.03 crores
ROIC	33.06%	Sustained high returns reflecting specialty-chemicals, low-capex business model
ROCE	25.56%	Consistent with 60-quarter track record of healthy capital efficiency
ROE	~20%	
Working Capital Cycle	72 days	Reflects disciplined capital management while scaling international operations
Texas Manufacturing Capacity	148,000 MTPA	Expanded from 80,000 MTPA (+69,000 MTPA) during Q1; total company capacity now 268,000 MTPA
Texas Capacity Utilization	63%	On one-shift basis of 148,000 MTPA; management sees 30-40% revenue headroom on existing capacity
Export Mix	77%	Up from 70%; includes all non-India sales (Malaysia, USA operations)
Dealer Network	115	Up from 103; predominantly Fineotex India standalone, as US business is direct-to-end-user

Geographic & Segment Commentary

- **Oil & Gas Speciality Chemicals (CrudeChem, US):** Contributing ~65% of consolidated revenue (~₹250 crores in Q1) and ~55% of volume; Texas capacity expanded to 148,000 MTPA during the quarter, currently 63% utilized on one shift. Operational efficiency, procurement synergies and green chemistry product demand have driven meaningful EBITDA margin expansion, strengthening competitive positioning in North American oilfield chemicals.
- **Textile Specialty Chemicals (India & International):** Resilient but flattish Q1 (₹132 crores vs ₹137 crores Q1 FY26), with the dip termed optical/minor and seasonal - Q1 monsoon softness, competitive intensity, and product mix shift toward FSPL Specialties (100% subsidiary under 115BAB tax regime). Demand supported by improving exports, healthy domestic consumption, and rising sustainability requirements; R&D focused on pre-treatment, dyeing, finishing, and technical textiles (automotive, medical, industrial).
- **International (Malaysia & Other):** Products serve customers across 70+ countries; Malaysian plant (72% owned) also contributing to the international revenue classification alongside US operations. Canada sales commenced last month; Middle East (Saudi) order wins and Suriname/Guyana opportunities being pursued.

Company-Specific & Strategic Commentary

- **US Capacity Expansion:** Commissioned major expansion at Texas facility during Q1, increasing capacity to ~148,000 MTPA (from 80,000 MTPA), enabling larger customer contracts and participation in bigger commercial opportunities alongside the strategically located Midland facility.

- **CrudeChem Integration & Synergies:** Technology transfer, cross-selling with existing Fineotex customers, improved supplier pricing post capital infusion, and last-mile delivery capability (Trackmax subsidiary) driving margin gains; customers include top global service operators (Shell, ExxonMobil, Halliburton). Saudi order won where customer's USD 8 billion Aramco order uses Fineotex specialty packages.
- **Diversification Strategy:** Evolved from textile-only to oil & gas, water treatment, industrial/institutional cleaning, construction chemicals, paints, and performance chemicals; 65% of revenue now from oil & gas, reducing textile concentration risk.
- **Disciplined M&A Approach:** Two acquisitions to date - Malaysian specialty chemicals entity (Aug 2011, 72% owned) and CrudeChem Group (Dec 9, 2025); criteria remain synergy and value creation, with deal pipeline being evaluated and exchanges to be informed at advanced stage.
- **India Structure & Tax Optimization:** New plant housed under FSPL Specialties (100% subsidiary, commissioned August 2025) qualifying for 115BAB concessional 15% tax rate; India standalone dip is optical - combined FCL + FSPL shows no decline.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
CrudeChem (Oil & Gas) Revenue	USD 100 million in FY27; USD 200 million in FY28	Q1 run-rate (~₹250 crores/quarter ≈ USD 100 million annualized) supports FY27 target; based on order book and customer engagements, not crude price assumptions
Texas Capacity Utilization	Full utilization targeted in "coming few quarters"	Currently 63% on one shift; incremental revenue of 30-40% achievable on existing capacity; additional capex minimal (USD 1-2 million) if needed
Consolidated Revenue Base	Q1 FY27 as base quarter	Management expects Q1 FY27 to serve as the base quarter going forward in terms of capacity utilization and revenue
EBITDA Margin	Aspiration toward 18% (analyst-referenced)	Management avoids fixed margin guidance due to multi-product basket; blended margins sustainable with pass-through pricing
Textile Business Growth	Improvement expected in coming quarters	Bangladesh team expansion, trade fair participation, Bharat Tex opportunities; recovery from monsoon-seasonal Q1 softness

Risks & Constraints

RISK	CONTEXT
Raw Material Volatility / Geopolitics	Middle East conflict caused input cost fluctuation during Q1; management passed on increases via pricing and US "war surcharge" mechanism, preserving margins - but volatility remains a recurring uncertainty
Crude Oil Price Fluctuations	Management argues oil & gas chemical demand is not directly tied to crude levels (production investments committed years ahead); however, meaningfully lower crude (sub-USD 60) could dampen US activity levels
Indian Textile Competition & Tariffs	Intense competition in domestic textile chemicals persisted; tariff impacts from the last 16-18 months are easing with UK/EU/US trade agreements, but recovery is gradual and Q1 monsoon seasonality weighs on expensive performance products
Freight Cost Volatility	Geopolitical disruptions cause freight cost swings; managed through surcharge pass-through mechanisms, though impact varies by product and region
Integration & Ramp-up Execution	Scaling US operations involves new manpower, R&D costs, and capacity absorption; management expects full utilization in coming quarters but timetable is not committed

Q&A Highlights

Capacity Expansion & Growth Trajectory

- **Question:** With Texas capacity expanded from 80,000 to 148,000 MTPA (total 268,000 MTPA), what revenue/profit growth can be expected? Any specific inorganic opportunities and timeline? (Kriti Tripathi, NVS Brokerage)
- **Answer:** Q1 FY27 should be a base quarter going forward; Texas is only 63% utilized, leaving 30-40% revenue headroom. Oil & gas contributes ~65% of revenue and ~55% of volume. On M&A: disciplined approach with synergy plus value criteria; deals evaluated continuously, exchanges notified only at advanced stage. CrudeChem was a "perfect synergy" - Fineotex provided growth capital to take the business to the next level. (Sanjay Tibrewala)

Oil & Gas Revenue Guidance - Crude Price Sensitivity

- **Question:** Is the USD 100 million FY27 / USD 200 million FY28 CrudeChem guidance dependent on crude oil prices or backed by order book? Would sub-USD 60 crude push back targets? (Parth Modi, Equirus Securities)
- **Answer:** Guidance is order book- and customer engagement-driven, not crude-linked. Higher crude supports US activity, but production investments are planned 2+ years ahead, so activity continues even at lower prices; USD 60-100 range does not change the outlook. (Sanjay Tibrewala)

CrudeChem Margins & India Standalone Dip

- **Question:** Is utilization 63% of 148,000 or 80,000 MTPA? What are CrudeChem standalone margins? Is the standalone India revenue decline a concern? (Sunil Jain, Nirmal Bang Equities)
- **Answer:** 63% of 148,000 MTPA. Consolidated gross margin at 35.42% (vs 33% YoY, 29-30% last quarter); EBITDA margin 15.7%, up ~150 bps from 13.93% last quarter - implying CrudeChem EBITDA margins are at least 13-14%. India standalone dip is optical: new product lines manufactured under FSPL Specialties (100% subsidiary, 115BAB 15% tax regime); combined FCL + FSPL shows no decline. (Sanjay Tibrewala)

Consolidation Mechanics & Margin Path to 18%

- **Question:** Since Fineotex owns 53% of CrudeChem, will only ~USD 50 million of USD 100 million reflect in consolidated revenue? How do we get from 16% to 18% EBITDA margins? (Utkarsh Somaiya, Eiko Quantum Solutions)
- **Answer:** Full consolidation applies under Ind AS given controlling stake - entire revenue (₹250 crores/quarter ≈ USD 100 million annualized) is consolidated; NCI details are in published results. Margins: no fixed blended margin guidance possible in a 100+ product basket; customer engagements and long-term leadership matter more, though management will always aspire to improve EBITDA margins. (Sanjay Tibrewala)

Textile Business Decline & ROCE Profile

- **Question:** Consolidated revenue minus CCTL (~₹245 crores) implies textile at ₹132 crores vs ₹137 crores Q1 FY26 - why the dip? Will USD 200 million CrudeChem target require more capex at 65% utilization? What is the ROCE profile? (Prateek Giri, Subhlabh Research)
- **Answer:** Textile dip is 1-2%, normal Q1 monsoon seasonality and competitive pressure; expectations are for improvement - Bangladesh technical/marketing team expanded, Bharat Tex generated opportunities, more international exhibitions planned. Utilization is one-shift based; two shifts can be added, incremental capex is only USD 1-2 million. ROCE/ROE are best-in-industry - specialty chemicals are not capex-driven; focus is on winning business from global majors (Shell, Exxon). (Sanjay Tibrewala)

Customer Behavior & Wallet Share Post-Acquisition

- **Question:** Are CCT's large customers changing behavior given Fineotex backing? Any wallet-share gain anecdotes? (Prateek Giri, Subhlabh Research)
- **Answer:** "Powered by Fineotex" gives service operators confidence on volumes and investment capacity; multiple factors driving gains - production and R&D investment, doctorates joining US team, faster execution, raw material procurement at better prices, cross-selling with common customers, and offering Asia-made products (India/Malaysia) to US customers. (Sanjay Tibrewala)

Synergies Quantified & Order Book

- **Question:** Can you quantify operational synergies/efficiencies from CCT? What is the current order book and average order value? (Samarth Goel, Choice Institutional Equities)
- **Answer:** Synergies span technology transfer, customer handling, cross-selling, green chemistry portfolio expansion, and better supplier pricing from capital infusion - all contributing to EBITDA margin expansion. Oil & gas has no traditional order book; demand is well-driven with small cycles (weather interruptions), and business is "perennial" once wells are producing. ESG credentials (Dun & Bradstreet badge) are increasingly a competitive differentiator. (Sanjay Tibrewala)

CrudeChem Growth vs Market CAGR & Margin Details

- **Question:** End market is growing 5-7% CAGR - what will be done differently to reach USD 200 million? What was CCT-specific margin in Q1? Any textile growth guidance? (Rushil Shah, Molecule Ventures)
- **Answer:** CrudeChem has already doubled from historical levels despite similar market growth; sustainability tailwind, references with biggest service providers, and "me-too snowball effect" are driving replication; two years remain to reach USD 200 million. CCT margins implied at 13-14% within the 15.7% blended (which includes lower-margin legacy business). Textile: "auto-run" business, 30%+ CAGR historically from 2011-2022/23; content with current trajectory despite industry headwinds. (Sanjay Tibrewala)

Dealer Growth, Export Mix & Trackmax Logistics

- **Question:** Are the 103→115 new dealers from FCL or CCT? Is export mix shift (70%→77%) due to CrudeChem? Should the Trackmax last-mile logistics/telematics business be divested? (Rohit Ohri, Progressive Shares)
- **Answer:** Dealers are primarily Fineotex India standalone - CCT sells direct to end users/service operators. Export classification captures all non-India sales including Malaysia and USA. Trackmax is intrinsic to the US service model - customers pay premium for door-step delivery, insurance and reliability; it is held in a separate entity to isolate litigation/insurance risk and adds sustainable, competitive value; it will not be divested. (Sanjay Tibrewala)

Margin Sustainability & War Impact

- **Question:** Are the last two quarters' strong margins a one-off from war-driven chemical price spikes, or sustainable? Can 18% margin trajectory be maintained? (Hardik, Lark)
- **Answer:** Margins are sustainable - the company is not a trader holding inventory for price gains; it is a solutions provider with pass-through pricing and well-defined US "war surcharge"/fuel surcharge mechanisms that both suppliers and customers accept. The situation is now "new normal" and embedded in customer expectations; no single product price answer given a multi-product, multi-factor model. (Sanjay Tibrewala)

Geographic Expansion - North America & Middle East

- **Question:** Are we targeting customers close to Texas (Chevron, ConocoPhillips) and Gulf markets beyond the big names? (Akhilesh Pathak, Smart Sync Services)
- **Answer:** Those names were examples; Canada sales began last month and are progressing well; Suriname and Guyana (US-linked hardcore oil-producing countries) present plant-setup opportunities with service operators. A Saudi order was recently won after two years of R&D - the customer secured a USD 8 billion Aramco order that will use Fineotex specialty packages (5-6 product line combination), competing successfully against top US specialty chemical companies on pricing with equivalent performance. (Sanjay Tibrewala)

Key Takeaway

Fineotex delivered a transformative Q1 FY27 with total income of ₹386.72 crores (+165% YoY) and PAT of ₹48.21 crores (+92.67% YoY), driven primarily by the full-quarter consolidation of the CrudeChem US oilfield chemicals business, which now contributes ~65% of revenue (~₹250 crores) and underpins management's USD 100 million FY27 / USD 200 million FY28 oil & gas guidance. The newly commissioned Texas capacity expansion to 148,000 MTPA (total 268,000 MTPA) is running at 63% utilization on one shift, giving 30-40% near-term revenue headroom with minimal incremental capex, while consolidated EBITDA margins expanded ~150 bps QoQ to 15.70% on integration synergies - technology transfer, procurement leverage, green chemistry, and Trackmax last-mile delivery. The textile business remained flattish on monsoon seasonality and competition, with recovery expected via Bangladesh expansion and trade fair wins; the India standalone dip is attributed to the FSPL Specialties transfer under the 115BAB tax regime. Strategy centers on disciplined M&A (synergy-plus-value criteria), cross-selling across global customers, and geographic expansion into Canada, the Middle East (Aramco-linked packages), and Suriname/Guyana. Watch points include Middle East-driven raw material volatility, US capacity ramp-up pace, and Indian textile competitive intensity, with management framing Q1 FY27 as the base quarter for sustained growth ahead.

Neogen Chemicals Ltd

Why read this call

This call marks a genuine strategic turning point: Neogen is transitioning from a specialty chemicals player into a domestic and US-facing battery materials supplier, with confirmed customer audits, a clear regulatory deadline (non-FEOC compliance), and tangible revenue already flowing. Management provides specific numbers, dates, and capacity plans, not just optimism. The quarter itself is strong (34% revenue growth, margin expansion), and the coming 2-3 years will look materially different from the last 3 - higher battery mix, deleveraged balance sheet, and new capacity online. Investors need to hear the specifics on customer commitments, pricing formulas, and ramp-up timelines to size this inflection.

The quarter

Q1 FY27 consolidated revenue INR 250 crore (+34% YoY), EBITDA INR 48.2 crore (+53%), margin 19.3% (+260 bps), PAT INR 17.1 crore (+67%). Battery chemicals (Neogen Ionics) revenue INR 19 crore vs INR 5 crore prior year, already >50% of FY26 full-year battery revenue in one quarter. Base business guidance raised to INR 950-1,050 crore from INR 875-950 crore.

The inflection

Neogen is at the pivot from capex-heavy rebuild to revenue-generating assets. Dahej replacement plant (post-fire) commercial production in Q2 FY27. Battery materials scale-up with first real revenues: electrolyte commissioning H1 FY27, LiPF6 salts H2 FY27; four international electrolyte customers have provisionally approved the facility, and final site audits completed. Non-FEOC/non-PAP demand from US customers ramps from Jan 2027 (shipments from Q3/Q4 FY27), targeting INR 300 crore battery revenue this year and INR 2,400-2,900 crore by FY29 from current capacity. QIP of INR 600 crore approved to deleverage and fund next growth phase. Organolithium hit full utilization, prompting further capacity expansion.

FY 2027 represents a strategic turning point for Neogen Chemicals as our CapEx transition into revenue generating assets. With the rebuilt Dahej Plant coming back online, Neogen Ionics scaling rapidly and our strategic position as a trusted non-FEOC partner gaining strong global traction.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹250 crores	+34% YoY (vs ₹187 cr Q1 FY26); highest-ever quarterly revenue in both organolithium and battery chemicals portfolios; volume-led growth
Organic Chemicals Revenue	₹194 crores	+18% YoY; organolithium hit full 300 tpa capacity utilization with pharma, agro, and semiconductor demand drivers
Inorganic Chemicals Revenue	₹57 crores	+158% YoY; standout performance driven by lithium by-product recycling from organolithium and sustained demand
Neogen Ionics Revenue	₹19 crores	vs ₹5 cr in Q1 FY26; delivered over 50% of entire FY26 revenue in three months; largely electrolyte salts for international customers
Gross Profit	₹117 crores	+37% YoY; optimized product mix and cost pass-through arrangements across raw materials, utilities, freight, and packaging
EBITDA	₹48.2 crores	+53% YoY (vs ₹31.5 cr Q1 FY26)
EBITDA Margin	19.3%	+260 bps YoY; expansion achieved despite Dahej rebuild costs, job work expenses, Neogen Ionics initial costs, and freight spikes
PAT	₹17.1 crores	+67% YoY; PAT margin 6.8%
Finance Cost	₹20.8 crores	+64% YoY; higher debt drawdown for Neogen Ionics CapEx, increased working capital intensity, and temporary holding costs pending insurance claim disbursement
Depreciation	₹8.2 crores	+42% YoY due to smaller CapEx additions during the year
Insurance Recoveries	₹164 crores cumulative	Net claim receivable of ₹186 crores on consolidated basis; further recoveries expected under loss-of-profit and other policies

Geographic & Segment Commentary

- **Organic Chemicals (Base Business):** Generated ₹194 crores revenue, +18% YoY, with organolithium reaching full utilization of the expanded 300 tpa capacity (vs. original 120 tpa). Demand is broad-based across pharma (largest), semiconductors (ramping post-approval), agro, and specialty polymer applications; international customer approvals continuing.
- **Inorganic Chemicals:** Revenue surged 158% to ₹57 crores, benefiting from lithium by-products recycled from organolithium operations alongside sustained demand. This segment is a key contributor to the standalone guidance upgrade.
- **Battery Chemicals / Neogen Ionics:** Delivered ₹19 crores revenue in Q1 FY27 (vs ₹5 cr in Q1 FY26), mainly from electrolyte salts exported to international customers. Four international customers have provisional approval for lithium electrolyte salts, and final site audits from all four electrolyte manufacturers are complete; commercial supplies commence post final plant trial approvals.
- **Dahej Replacement Plant:** Reconstruction is almost complete with trial runs actively underway; commercial production is set to commence within Q2. The rebuilt plant incorporates improvements based on operational experience, expected to strengthen the CSM offering.

Company-Specific & Strategic Commentary

- **Non-FEOC Strategic Positioning:** Neogen is positioned to serve the US Section 45X tax credit-driven shift to non-FEOC, non-PAP compliant supply chains by 2027. Four of the five major US electrolyte manufacturers have approved Neogen's site, with the fifth expected to approve the Pakhajan facility; the company can supply salts, additives, and solvents constituting 70-80% of electrolyte cost.
- **Battery Ecosystem & Government Support:** Ministry of Heavy Industries projects domestic battery demand rising from 33 GWh to 92 GWh by 2027 and 200+ GWh by 2032, with ~63 GWh under development and ~30 GWh expected commissioning in 2026 alone. Government has allocated a 10 GWh ACC PLI re-bidding tranche and proposed a PLI scheme for battery components to incentivize raw material localization; Neogen claims to be the only gigascale example of an established local supply chain.
- **QIP Fundraise & Deleveraging:** Board approved raising ₹600 crores via qualified institutional placement (subject to shareholder/regulatory approvals) to deleverage the balance sheet and create headroom for future growth opportunities in battery materials, organolithium, and R&D on novel additives and electrolyte designs.
- **Morita JV Partnership:** Strategic partner Morita remains fully committed to its \$20 million equity contribution to the Neogen Ionics JV, expected during Q2-Q3 FY27. Japanese technology (Mitsubishi for electrolyte, Morita for LiPF₆) ensures zero China dependency on technology.
- **Organolithium Capacity Expansion:** Management will propose incremental capacity addition (₹10-15 crores CapEx) to the board after one more quarter of demand visibility; the current plant hit peak utilization in Q1, and long-term capacity decisions are expected in H2 FY27. Volumes have grown ~12x in 2-3 years since business acquisition through customer base diversification.
- **Integrated Annual Report:** Company published its first integrated annual report for FY26, incorporating BRSR with reasonable assurance, reflecting commitment to governance and transparency.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Standalone Revenue FY27	₹950-1,050 crores	Revised up from ₹875-950 crores; driven by organolithium full utilization, strong organic chemical demand, and inorganic lithium sales; ~₹15 crores of Q1 growth attributable to price increases, remainder volume
Base Business Revenue FY28	₹1,100-1,200 crores	~10-11% growth from same capacity; focus on product mix optimization, larger volume molecules, and working capital efficiency; formal guidance closer to year-end
Battery Chemicals Revenue FY27	₹300 crores	Split: ₹200 crores salts (international non-FEOC shift beginning Q3-Q4 with shipments from Nov-Dec) + ₹100 crores electrolyte (Indian ACC PLI ramp-up); zero revenue assumed from Pakhajan (targeting Q3 completion); buffer maintained with upside possible
Battery Chemicals Revenue FY28	₹1,000+ crores	Assumes 70-80% salt utilization and 30-50% electrolyte utilization; exact number to be provided later
Battery Chemicals Revenue FY29 (full utilization)	₹2,400-2,900 crores	Current CapEx designed for 30 GWh electrolyte and 40 GWh salts; India domestic demand projected ~7x this capacity over five years, plus international non-FEOC demand
Base Business EBITDA Margin FY27	~18% ±1.5%	Maintained despite Dahej ramp-up costs and temporary expenses; Q1 came in strong at 19.3%
Base Business EBITDA Margin FY28	19% ±1%	Optimization of product mix, cost efficiencies, and higher-margin molecules
Battery Business ROC	~20% at full utilization (FY29)	On ~₹1,800 crores CapEx plus working capital; interim EBITDA margin not guided due to lithium price volatility and utilization mix
Commissioning Timelines	Electrolyte: H1 FY27; Electrolyte salts: H2 FY27	Electrolyte mechanical assembly complete, trial runs initiated, product validation with domestic cell manufacturers progressing; Pakhajan targeted for Q3
QIP Proceeds Impact	₹600 crores fundraise	If fully deployed for debt repayment, annual finance cost savings of ~₹40-50 crores at 8-8.5% interest rates; subject to final allocation across opportunities

Risks & Constraints

RISK	CONTEXT
China spot price differential	Current China spot prices for lithium salts are below contracted formula prices; interim Q2-Q3 sales to US customers may require special pricing below formula levels. Management notes the gap has narrowed significantly versus 2024-25; contracted pricing expected from Q4 FY27 onwards.
ACC PLI cell production ramp-up delays	Electrolyte revenue guidance of ₹100 crores depends on Indian gigafactories starting and stabilizing production; cell production startups have historically taken longer than expected due to complexity. Mitigation: Pakhajan salt capacity (zero revenue assumed in FY27 guidance) can offset electrolyte shortfalls; management reduced prior battery guidance last year and built in buffer.
Customer qualification timelines	US non-FEOC transition required from January 2027, with shipments from India starting November-December; any delay in customer plant trial completions or qualification processes could push revenue recognition to Q4 or beyond.
Working capital intensity	Base business requires 140-160 day working capital cycle due to 200+ molecules and 350-400 customers; over five years, cumulative EBITDA of ₹582 crores translated to negative ₹93 crores operating cash flow. Improvement targeted: 140 days by FY28, with battery business at 90 days; FY29 expected to be first year of strong cash conversion.
Geopolitical and supply chain volatility	Persistent geopolitical volatility, elevated shipping freight costs, and uneven end-market demand continue to pressure the global chemical industry; partially mitigated through cost pass-through mechanisms with customers on utilities, freight, and packaging.
Technology transition risk	Battery chemistry evolution (sodium-ion, silicon-carbon anodes) discussed by analysts; management states lithium-ion remains most efficient, sodium-ion adoption will be gradual and niche, and existing plant can produce sodium-ion electrolytes; silicon-carbon remains a lithium-ion variant requiring only additive ratio optimization.
Peak debt levels	Net debt peaks around ₹1,800 crores pre-QIP; after ₹600 crores fundraise, expected at ₹1,000-1,500 crores (best/worst case), further supported by insurance proceeds and working capital normalization; consolidated debt-to-equity at 1.4x vs standalone 0.68x (pre-QIP).

Q&A Highlights

Battery Business Scale & Technology Risk

- Question: How large can the battery chemicals opportunity be in five years, and is realistic growth assumption given China's technology restrictions? (Asit Bhandarkar)
- Answer: Current CapEx supports ₹2,400-2,900 crores revenue by FY29, covering 30 GWh electrolyte and 40 GWh salts capacity; Indian demand alone projected ~7x current capacity over five years. No China dependency-Neogen uses Japanese Morita/Mitsubishi technology plus homegrown technology. Lithium-ion remains most efficient; sodium-ion shift would be gradual, niche, and the same plant can produce sodium-ion electrolytes. (Dr. Harin Kanani)

FY27 Battery Revenue Guidance & Pricing Structure

- Question: Could you clarify FY27 battery revenue composition, pricing assumptions, and order firmness? (Arun Prasath)
- Answer: FY27 guidance is ₹300 crores: ₹200 crores salts + ₹100 crores electrolytes, most in H2 as US customers shift from FEOC to non-FEOC suppliers from January. Pricing based on lithium formula assuming \$15-25/kg LCE (~\$20); lithium is pass-through for both salts and electrolytes. All contract volumes are firm; Q2-Q3 may see spot-

linked pricing below formula, but regulated supplies from Q3-Q4 will be formula-based. Pakhajan revenue (targeted Q3 completion) excluded from guidance and can provide upside. (Dr. Harin Kanani)

QIP: Use of Proceeds & Deleveraging

- Question: Is the ₹600 crores QIP primarily for debt repayment, and what is the expected finance cost reduction? (Abhijit Akella)
- Answer: Primarily for deleveraging, but also to prepare for growth opportunities: battery materials PLI, international demand beyond current capacity, organolithium expansion, and R&D on novel additives/electrolyte designs. If fully deployed for repayment, annual interest savings of ~₹40-50 crores at 8-8.5% rates. (Dr. Harin Kanani, confirmed by CFO Gopikrishnan Sarathy)

PLI Scheme & Breakthrough with Chinese-Technology Cell Makers

- Question: How will PLI incentives be shared with customers, and how does Neogen break into cell makers with Chinese technology partners (e.g., Exide, Amara Raja)? (Abhijit Akella)
- Answer: PLI battery component scheme is under government discussion, not finalized; intent is level-playing-field pricing parity with global prices, with benefits passed to customers. Neogen has worked with five of six large gigafactories; validation periods with technology partners typically last 3-6 months post-startup. Combined capacity of six gigafactories exceeds 60 GWh; even 50% utilization reaches Neogen's full electrolyte capacity by FY29. International salt/solvent sales (at 70-80% of value) provide a buffer for any unutilized capacity. (Dr. Harin Kanani)

Salt Capacity Ramp & Incremental Expansion Timeline

- Question: Should salt business hit full utilization next year, and how quickly can incremental salt/additive capacity come online? (Ankur Periwal)
- Answer: FY28 target is 70-80% salt utilization. Incremental capacity of 2,000 tpa salt (Pakhajan) and 500 tpa additives (Dahej) can be operational in ~12-15 months, plus 3-6 months for customer approvals-an 18-24 month cycle from decision. Expansion decisions likely triggered end-FY27 or early-FY28 to serve FY29 demand. (Dr. Harin Kanani)

Organolithium Capacity & CSM Ramp

- Question: What is the timeline for organolithium capacity expansion and CSM scaling? (Ankur Periwal)
- Answer: Q1 was the first quarter at full utilization; board proposal for incremental capacity (₹10-15 crores CapEx) will come after one more quarter of visibility, with long-term capacity decisions in H2 FY27. CSM customers remain engaged; Dahej restart with incorporated improvements will enable re-validation this year and ramp-up next year, with dedicated CSM investment expected by FY29-FY30. (Dr. Harin Kanani)

Working Capital Cycle & Peak Net Debt

- Question: At ₹3,500+ crores consolidated revenue by FY29, what working capital would be required, and what's the peak debt level? (Deepak Poddar)
- Answer: Battery business targeted at 90-day working capital cycle (vs. 140-160 days base business due to 200+ molecules); base business to reach 140 days by FY28 and improve to 110-120 days with larger molecules. Peak net debt of ~₹1,800 crores pre-QIP; post-₹600 crores QIP, net debt expected at ₹1,000-1,500 crores, supported by insurance proceeds and working capital normalization. (Dr. Harin Kanani, CFO Gopikrishnan Sarathy)

US Market Opportunity & Competitive Edge

- Question: Which international market offers the largest opportunity, and what edge does Neogen have in winning global customers? (Shivam Gupta)
- Answer: US is the largest market-four of five major electrolyte makers have approved Neogen's site, with the fifth expected to approve Pakhajan (quoting stable Japanese technology). Neogen sells salts, additives, and solvents (70-80% of electrolyte cost). Advantages: established technology partnerships (Mitsubishi/Morita), faster capacity scale-up (Pakhajan site expandable from 30 GWh to 100 GWh), and more efficient incremental CapEx versus new entrants. (Dr. Harin Kanani)

Operating Cash Flow Conversion Timeline

- Question: When will at least 70% of EBITDA consistently translate to operating cash flow? (Sajal Kapoor)
- Answer: Historical negative operating cash flow reflects growth CapEx cycle, fire impact, and working capital intensity from a 200+ molecule portfolio with INR 350-400 customers. Focus shifts to larger volume molecules (₹100 crores+ scale, targeting ₹1,500 crores single molecule) to improve working capital efficiency; FY2028 targets business optimization, and FY2029-with full battery utilization and optimized base business-should be the first strong cash conversion year, though free cash flow remains subject to growth CapEx. (Dr. Harin Kanani)

Contracted vs. Spot Pricing Model

- Question: How much does spot pricing influence contracted capacity, and will US customers pay a premium over China pricing? (Umang Khanna)
- Answer: From Q4 FY27, majority of sales shift to contracted formula pricing-predictable, lithium-linked with stable conversion margins; spot exposure limited to interim Q2-Q3. US customers pay a fair, consistent price rather than a premium, avoiding extreme China spot volatility; the 45X tax credit non-FEOC requirement makes compliance a precondition for subsidy eligibility, not merely supply diversification. (Dr. Harin Kanani)

Organolithium Demand Drivers & Sustainability

- Question: Is the organolithium demand surge seasonal or sustainable? (Jason Soans)
- Answer: No significant seasonality; growth driven by two years of customer base diversification since business acquisition (from 3-4 customers and one major product to a diversified base), with volumes up ~12x in 2-3 years. Pharma is the largest end-user; semiconductor is ramping post-approval, agro is accelerating, and additional international approvals are in process, supporting further capacity addition. (Dr. Harin Kanani)

Key Takeaway

Neogen Chemicals delivered a strong Q1 FY27 with consolidated revenue of ₹250 crores (+34% YoY)-its highest-ever quarterly revenue in both organolithium and battery chemicals-EBITDA of ₹48.2 crores (+53%, 19.3% margin, +260 bps YoY), and PAT of ₹17.1 crores (+67%). The base business hit full organolithium utilization (300 tpa), driving a standalone guidance raise to ₹950-1,050 crores, while Neogen Ionics generated ₹19 crores (largely salt exports) en route to a ₹300 crores FY27 battery revenue target (₹200 crores salts + ₹100 crores electrolytes). Management guides to ₹2,400-2,900 crores battery revenue at full capacity by FY29, underpinned by US non-FEOC demand, 60+ GWh of Indian gigafactories ramping up, and a proposed battery components PLI. A ₹600 crore QIP will deleverage the balance sheet (net debt to ₹1,000-1,500 crores), and Dahej replacement plant resumes commercial production in Q2 with ₹186 crores insurance receivable pending. Key watch points include ACC PLI ramp-up pace, China spot price differentials versus formula contracts, and working capital conversion improvement targeted for FY29.

Transcript complete. All sections available for summary.

Yasho Industries Ltd

Why read this call

This is not just a good quarter - it's the first visible proof that Yasho's multi-year R&D and capacity investment is about to deliver a step-change in growth and margins. The 17% to 24% EBITDA margin expansion is backed by product mix and utilization, not one-offs. The doubled capex with pre-booked customers and dated commissioning gives concrete visibility to a near doubling of revenue by FY28 and beyond. The inflection is real: the company has shifted from a cyclical commodity-ish player to a contracted, high-growth specialty chemist. The call details the capacity, customer commitments, and margin sustainability directly. An investor would want to read this to understand the growth algorithm and verify the credibility of management's targets.

The quarter

Q1 FY27 consolidated revenue Rs 308 crore (highest ever, +42% volume YoY), EBITDA Rs 74.4 crore (24.2% margin vs 17% prior year), PAT Rs 36 crore (11.7% margin). Capacity utilization improved from ~50% to 65%+, driven by new product launches and customer approvals. Credit rating upgraded to A- (from BBB+), net debt/EBITDA improved to 1.86x from 3.75x, working capital cycle cut from 190 to 143 days. Export mix 69%.

The inflection

Company is transitioning from underutilized, lower-margin operations to a contract-backed, high-growth specialty chemical business. Evidence: EBITDA margin jumped 700 bps to 24% and management says it is sustainable due to structural mix change (new products carry 10-12% better margins) and customer commitments. FY28 revenue target raised to >Rs 1,600 crore (from Rs 850 crore currently), and FY27 capex doubled to Rs 250 crore for two new production buildings at Pakhajan with 2.5x revenue potential. Critically, 60-65% of this new capacity is already booked with customer commitments, and phase 1 commissions Q1 FY28, phase 2 Q4 FY28. Long-term supply agreements now represent >50% of revenue (up from 30-40%), reducing spot-price volatility. Management explicitly says 'real growth coming from FY29'.

So, that's the whole key thing, how quickly we can start construction and commissioning the plant. That's very, very good for us. Very, very good for us. And you can see the growth coming from FY29. Real growth coming from FY29.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹308 crores	Highest quarterly revenue; ~60% YoY growth driven by 42% volume increase
Volumes	+42% YoY	Driven by approvals from key global customers in Industrial Chemicals and higher customer offtake
EBITDA	₹74.42 crores	Margin expanded to 24.2% from ~17% prior, driven by improved product mix, higher utilization and operating leverage
PAT	₹36 crores	PAT margin of 11.7%; driven by strong operating performance
Capacity Utilization	~65%	Up from ~50%; management targeting ~75% by end FY27
Exports Share	69% of revenue	Domestic grew ~10% YoY; major growth from export markets
Industrial Chemicals Share	89% of revenue	Primary growth segment; new chemistries contributing higher margins
Net Debt/EBITDA	1.86x	Improved from 3.75x at Q4 FY26; driven by higher operating earnings and disciplined financial management
Working Capital Cycle	143 days	Improved from 190 days; better inventory planning, receivables management and cash control
Capex (Q1 FY27)	₹18.73 crores	Towards ongoing Pakhajan facility expansion
Credit Rating	A- (CRISIL & ICRA)	Upgraded from BBB during Q1 FY27

Geographic & Segment Commentary

- **Exports (69% of revenue):** Exports remain the key growth pillar, with significant traction in US (post-tariff resolution), Europe, Middle East and other territories. Management is making new inroads into Asian and African markets, which were previously dominated by Asian majors; margins in new geographies are at par or slightly lower than existing markets. Management expects export share to settle in the 70-75% range, not higher.
- **Domestic:** Domestic sales grew ~10% YoY during the quarter - growing but at a slower pace than exports. Domestic contribution declined on a percentage basis due to faster export growth, though absolute domestic revenue continues to increase.

Company-Specific & Strategic Commentary

- **Capacity Expansion:** FY27 capex plan increased from ₹125 crores to ₹250 crores for two new production buildings at Pakhajan. Phase 1 (~₹100 crores) operational by Q1 FY28; Phase 2 (~₹150 crores) by Q4 FY28. Management expects 2-2.5x revenue potential on capex; ~60-65% of new capacity already backed by customer commitments.
- **R&D-Fueled Growth:** R&D team of 50+ scientists; new products commercialized in last 12-24 months contributed ~30% of revenue growth. Employee-staffed subsidiaries in Europe (3 years) and US (2 years) gaining traction; US business recovering strongly post tariff resolution.
- **Long-Term Customer Agreements:** Over 50% of revenue now from long-term supply contracts (quarterly/six-monthly/yearly pricing) versus 30-40% historically. Multiple marquee customer commitments secured with

formula-based pricing; management cites NDA constraints on disclosing customers where no financial involvement exists.

- **FY28 Revenue Target Raised:** Revenue target revised to >₹1,600 crores for FY28 (excludes revenue from new Phase 1/2 capex); driven by customer commitments and long-term supply contracts.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth	30-40% annual growth over next few years	Based on current market conditions, customer inquiries and commitments secured
FY28 Revenue	>₹1,600 crores	Excludes revenue from new ₹250 crores capex program; backed by committed customer offtake
EBITDA Margin	Sustain ~24% through FY27	Supported by improved product mix, utilization ramp from 65% to 75%, formula-based pricing with long-term customers
Capacity Utilization	~75% by FY27 end	Ramp-up driven by new customer approvals and committed offtake
New Facility Revenue	2-2.5x of capex at peak	Phase 1 (~₹100 crores) FY28; Phase 2 (~₹150 crores) by Q4 FY28; real growth expected from FY29
Borrowings	~₹100 crores during FY27	To fund expanded capex program

Risks & Constraints

RISK	CONTEXT
Raw Material Supply Constraints	Management acknowledged genuine supply shortages on raw material side affecting inventory days; working capital improvement partially driven by insufficient raw material availability, not just efficiency gains
Logistics / Container Build Disruptions	Export shipments facing 3-4 week delays due to container booking shortages and reduced shipping availability; creates production scheduling and delivery timeline risks (delivery time at ~10 weeks)
Global Price Volatility & Margin Retention	While formula-based pricing with long-term customers provides stability, management cautioned that unforeseen market crises could impact margins; committed to maintaining current levels but not promising further expansion
EV Transition Risk for Lubricants	Analyst flagged ICE dependence of lubricants business; management assessed EV impact at 15-20 year horizon, not a near-term threat, but acknowledged product diversification strategy in response
Competitive / Chinese Dumping Pressure	Management downplayed risk given \$12-15 billion addressable market and Company's modest \$200-300 million revenue ambition; noted customers seeking alternate supply chains as a tailwind

Q&A Highlights

Margin Sustainability & Drivers

- **Question:** Can the 24% EBITDA margin be sustained given price hikes and operating leverage, and could normalization in supply chain or pricing pressure margins? (Meet Katrodiya)
- **Answer:** Margins achieved through higher volumes, right product mix, and capacity utilization - not old stock gains. Customer commitments support confidence in maintaining margins. Volumes are expected to grow sequentially.

(Parag Jhaveri)

- **Question:** Historically management guided 17-20% margins; what fundamentally changed to support ~24%?
(Parth Agarwal)
- **Answer:** Three factors: (1) utilization improved from 50% to 65%, (2) customer offtake increased, (3) product mix changed. R&D support and process optimization delivered margin improvement. Even from 65% to 75% utilization, management expects further operating leverage benefits. (Parag Jhaveri)

Capex Expansion & New Products

- **Question:** What products will be manufactured at the two new Pakhajan buildings, and what is capacity and revenue potential? (Nishita Shanklesha)
- **Answer:** All industrial chemicals - a mix of existing products (capacity increase) and new molecules from R&D pipeline. Company stopped disclosing plant-level capacity. Phase 1 (~₹100 crores) operational Q1 FY28; Phase 2 (~₹150 crores) by Q4 FY28. Construction, erection and stabilization takes minimum 15 months. Peak revenue potential of 2-2.5x capex. (Parag Jhaveri)

Customer Commitments & Growth Sustainability

- **Question:** Are we seeing green shoots from other OMC players for long-term contracts, and is this quarter's volume partly preemptive buying due to tariffs? (Pujan Shah)
- **Answer:** Company has commitments from multiple marquee customers on long-term supply arrangements beyond the disclosed OMC agreement. Non-disclosed agreements have no financial involvement and are under NDA, so names cannot be shared. Volume growth is backed by customer commitments, not preemptive buying. (Parag Jhaveri)

Pricing Mechanism

- **Question:** Did the company pass through the previously discussed 10-15% price hike, and will it sustain? Also, does EBITDA per kg or percentage remain constant? (Amar Maurya)
- **Answer:** Prices are formula-driven based on raw material costs with long-term suppliers/marquee customers - not market-driven. Quarterly and six-monthly pricing negotiations allow better positioning. EBITDA percentage remains constant, not per kg. Price increases flow through when raw material prices rise; when they fall, prices reduce. (Parag Jhaveri)

New Product Contributions & Utilization

- **Question:** What is the revenue contribution from products commercialized in the last 18-24 months, and what will be the contribution over the next 2-3 years? (Disha Chamriya)
- **Answer:** New product chemistry contributed ~30% of the revenue growth from ₹600 crores to ₹850 crores over the last two years. Going forward, all incremental growth will come from new chemistry. New products carry ~10-12% higher margins than legacy products. Company-level utilization is at 60-65%. Top customer contributes only ~7-8% of revenue, indicating no concentration risk. (Parag Jhaveri)

Export Growth & Market Dynamics

- **Question:** Who is the Company gaining share from, which export markets are driving growth, and is ICE/lubricant exposure a terminal risk? (Aman Thadani, Jainam Madrecha)
- **Answer:** Market share gains are coming from US (post-tariff recovery), Middle East, Europe, and new inroads into Asian and African markets previously dominated by Asian majors. Management cannot identify specific

competitors being replaced. EV/lubricant transition is not seen as a threat within a 10-year horizon, as EV impact will materialize over 15-20 years. Domestic sales are growing ~10% YoY but faster export growth is shifting the mix. (Parag Jhaveri)

Supply Chain Challenges & Working Capital

- **Question:** Are there procurement/inventory risks given the war situation and macro uncertainty, especially since working capital has declined sharply? (Aman Thadani)
- **Answer:** Management acknowledged genuine supply issues on raw material procurement and export container booking delays (3-4 weeks). Delivery time has extended to ~10 weeks. Working capital improvement partly reflects raw material shortages, not purely efficiency gains. Team is working hard to ensure sufficient raw material inventory and fulfill customer commitments amid challenging logistics environment. (Parag Jhaveri)

New Capacity Utilization & Revenue Timing

- **Question:** The ₹1,600 crores FY28 guidance excludes the new capex; what revenue potential can we expect from Phase 1, and is 60-65% of the new capacity already booked? (Subhanu, Dakshesh Gupta)
- **Answer:** ₹1,600 crores guidance excludes the new capex program. Revenue from new capacity scales at 2-2.5x of capex. Phase 1 could contribute ~₹100 crores in FY28 at 50% utilization. ~65% of the new capacity is already backed by customer commitments, with the balance to be filled through market development. Real growth from new facilities expected from FY29. (Parag Jhaveri)

Key Takeaway

Yasho Industries delivered a record Q1 FY27 with revenue of ₹308 crores (+42% volume growth) and a sharp EBITDA margin expansion from 17% to 24.2%, driven by improved capacity utilization (~65%), a favorable product mix shift toward new higher-margin chemistries, and formula-based long-term contracts now covering over 50% of revenue. The Company raised its FY27 capex plan to ₹250 crores for two new production buildings at Pakhajan (Phase 1 by Q1 FY28, Phase 2 by Q4 FY28), with ~65% of capacity pre-booked by marquee customers, and revised its FY28 revenue target to ₹1,600+ crores. Credit rating upgrades to A- (CRISIL/ICRA), net debt/EBITDA improvement to 1.86x, and a 47-day working capital cycle reduction strengthen the balance sheet. Key watch points include raw material procurement and container logistics constraints, which temporarily aided working capital metrics but pose operational risks. Management is confident of sustaining ~24% EBITDA margins through FY27 while targeting 30-40% annual revenue growth, with material incremental contribution expected from new capacity in FY29 onward.

Sudeep Pharma Ltd

Why read this call

This call is a must-read because it captures a genuine inflection point: the battery materials business is moving from development to binding commercial agreements, with concrete proof (customer counts, validation stages, MOUs, commissioning dates). The core pharma business is also growing strongly with capacity expansion (greenfield FDA approval imminent). The management provides specific numbers and dates, not just optimism. An investor reading this gets a clear picture of a company about to transform its revenue mix and scale.

The quarter

Q1 FY27: Revenue +27% YoY to ₹158.3 cr, EBITDA +25% to ₹54.9 cr (margin 34.7%), PAT +30% to ₹40.6 cr. PFN segment grew 31% (volume-led, phosphates demand exceeds capacity; bisglycinates Q1 sales already surpassed full FY26). Specialty ingredients grew 19% but was hit by LPG shortage (now normalized). NSS (Europe) weak due to energy crisis, expected to recover gradually.

The inflection

Sudeep Advanced Materials (battery-grade iron phosphate for LFP) is at the cusp of commercialization: Phase 1 commissioning April 2027, 7 customers completed pre-commercial/commercial validation and in active off-take discussions, 16 at pilot, 21 at lab stage. Two additional MOUs signed with Korean cathode makers. Management expects two binding off-take agreements later this year, and is already evaluating expansion from 100 KTPA to 200 KTPA. This is a step-change from a pharma-excipient company to a battery-materials player, with the next 2-3 years looking very different from the past.

We remain optimistic about concluding two significant binding off-take agreements later this year. Subject to these agreements, we also expect to accelerate planning for our Phase 2 and Phase 3 expansions to support future customer demand.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹158.3 crores	+27% YoY vs ₹124.9 cr in Q1 FY26; broad-based growth across PFN and specialty, predominantly India-led
Segment Mix	PFN 69% / Specialty 31%	PFN share up from 66% in Q1 FY26; growth volume-driven (~3% from currency), pricing pass-through benefits Q2 FY27
EBITDA	₹54.9 crores	+25% YoY vs ₹43.9 cr; margin at 34.7% vs ~35.1% YoY, resilient despite LPG disruption, higher freight and input costs
Profit After Tax	₹40.6 crores	+30% YoY vs ₹31.3 cr; PAT margin improved to 25.6% from 25.0%, aided by operating leverage and capital efficiency
Segment Growth - PFN	+31% YoY	Pharma, food & nutrition; volume-driven, phosphate demand exceeding current capacity
Segment Growth - Specialty	+19% YoY	Below historical trajectory due to LPG supply shortage in April-mid-May; demand remains healthy

Geographic & Segment Commentary

Pharma, Food & Nutrition (PFN): Largest segment at 69% of revenue (+66% prior year), grew 31% YoY with growth predominantly volume-driven (~3% from currency change). Customer demand for phosphate portfolio exceeds manufacturing capacity, providing strong visibility for the balance of the year. AbsorBis bisglycinate sales in Q1 FY27 have already surpassed total sales for the entire previous financial year, with two large North American customers scaling up. Greenfield facility (51,000 TPA) approved for food/nutra segment, FDA approval expected in Q2 FY27; five food nutra customers (3 India, 2 global MNCs) in site approval process, with supplies targeted from Q3 FY27 and ~1/3 utilization expected in FY28.

Specialty Ingredients: Grew 19% YoY, contributing 31% of revenue. Growth was below historical levels due to LPG supply shortage (April at ~1/3 utilization, first half of May below 50%), which was purely a supply-side constraint - customer demand remained healthy. Production has normalized with Q2 expected to return to historical growth trajectory. Core specialty business maintained mid-30s margin profile; consolidated 26% margin was dragged down by NSS. Europe, North America, and MENA meaningful contributors, with international markets carrying stronger margin profiles.

NSS (European subsidiary): Challenging quarter with elevated energy costs and subdued industrial production impacting customer demand. Largest infant formula customer scaled down operations in Ireland due to energy crisis, delaying purchase orders. FY27 expected flattish to single-digit growth. New business head joined in June; approvals initiated with five customers in infant nutrition/dairy, with an active pipeline of 12 customer projects. Target is similar margins as core specialty business by FY28, supported by India-based supply chain supplementation and end-market diversification.

Sudeep Advanced Materials (SAM - Battery Materials): Phase 1 commissioning on track for April 2027; all long-lead equipment deliveries expected by October 2026, statutory approvals progressing. Qualification funnel: 21 customers at lab validation, 16 at pilot-scale evaluation, 7 in pre-commercial/commercial validation with active off-take discussions; 8 customers qualified. Two additional strategic MOUs signed with South Korean cathode active material manufacturers and cell partners. Expecting two significant binding off-take agreements later this year; evaluating scale-up from 100 KTPA to 200 KTPA (target calendar 2030-31), with Dahej site capable of supporting 200 KTPA.

Company-Specific & Strategic Commentary

- **EBITDA Margin Sustainability:** Target of 37-38% maintained; currently at 34.7%, impacted by LPG disruption and NSS drag, with recovery expected as greenfield utilization builds and specialty returns to normalized operations.
- **Specialty Portfolio Push:** Bisglycinate (AbsorBis) emerging as flagship specialty product - Q1 FY27 sales surpassed full FY26; expected to become top 2-3 revenue contributor in PFN within 2-3 years; expanding beyond North America to India and other markets.
- **GLP-1 / Clinical Nutrition Opportunity:** Growing weight management trend driving demand for clinical medical nutrition - protein and essential minerals (calcium, magnesium, iron and derivatives) seen as a large addressable opportunity over next 2-3 years.
- **Working Capital Discipline:** Targeting 160-170 days near term (ex-battery) and 150 days long-term; inventory building of key raw materials due to logistics delays partly offsetting normalization in core business.
- **Phosphoric Acid Sourcing & FEOC Compliance:** Zero China sourcing as prerequisite for FEOC compliance; sourcing from India and three other ex-China countries; supply security being arranged for the 100→200 KTPA battery scale-up.
- **Milestone:** Mr. Milin Mehta appointed to the Board of Directors, bringing expertise in business strategy, finance, and corporate governance.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA Margin	37-38% sustainable target	Requires full greenfield utilization and recovery of core specialty margins; NSS normalization by FY28
Specialty Ingredients Growth	Return to historical growth from Q2 FY27; momentum sustainable for FY27 and FY28	LPG shortage resolved; order pipeline strengthening; NSS is not significant in specialty revenue
Greenfield Facility	Supplies from Q3 FY27; ~1/3 utilization in FY28	FDA approval expected this quarter; 5 customers in approval cycle; year 3 expected to be "hockey stick" ramp
SAM Phase 1	Commissioning April 2027	Equipment deliveries by October 2026; two binding off-takes expected later this year; converting 8 qualified customers to binding agreements
SAM Capacity	100 KTPA build-out; evaluating 200 KTPA by calendar 2030-31	Scale-up timing tied to signed off-take agreements; Dahej site supports 200 KTPA, beyond requires new location
NSS	Flattish/single-digit growth FY27; similar margins as core specialty by FY28	Recovery driven by new sales head, market diversification, India supply chain supplementation
Asset Turns	2.7x-3.0x at steady state	Applies to greenfield and battery facilities at scale

Risks & Constraints

RISK	CONTEXT
NSS / European Demand Weakness	Largest infant formula customer scaled down Ireland operations due to energy crisis, delaying purchase orders. Management expects flattish/single-digit FY27, with recovery dependent on market diversification and India-based supply chain.
Input Cost Inflation	Sulfur price spike drove phosphoric acid prices up ~50% in Q1 FY27. Management passed on price increases effective Q2 FY27, which will largely offset the impact; further volatility remains a margin risk.
Supply Chain Disruption	LPG shortage reduced specialty production to sub-50% utilization for roughly six weeks in April-mid-May; elevated freight costs and logistics delays persist, prompting raw material stockpiling.
Geopolitical & Regulatory Complexity	China's Decree No. 837 increases complexity for Chinese companies seeking FEOC compliance, which favors non-China suppliers like Sudeep but adds global supply chain uncertainty.
SAM Execution Risk	Phase 1 commissioning (April 2027) hinges on equipment delivery (October 2026), statutory approvals, and conversion of 8 qualified customers to binding off-take agreements - two expected later this year.
Competitive Landscape	Chinese integrated players and emerging sodium-ion chemistry pose long-term threats; management notes sodium-ion also requires iron phosphate as precursor, mitigating demand risk.

Q&A Highlights

PFN Growth Drivers & Bisglycinate Outlook

- Question: How much of PFN's ~30% growth was pricing vs volume? What's the visibility on bisglycinate for the year? (Sanjesh Jain, ICICI Securities)
- Answer: Growth predominantly volume-driven with ~3% from currency; price pass-through will reflect in Q2 FY27. Two large North American customers have approved bisglycinate and are scaling - we are currently behind schedule on deliveries. Expect bisglycinate to be a top 2-3 revenue product within 2-3 years. (Shanil Bhayani)

Greenfield Facility Commercialization

- Question: Has the new greenfield facility been fully commercialized? (Sanjesh Jain)
- Answer: Facility is approved for food/nutra; FDA approval expected this quarter. Five food nutra customers (3 India, 2 global MNCs) are in site approval; supplies from Q3 FY27. (Shanil Bhayani)

Specialty Margin Decline

- Question: Why did specialty margins fall sharply to 26%? What was the LPG revenue impact? (Sanjesh Jain)
- Answer: Half the quarter operated at sub-50% utilization due to LPG shortage; core specialty margins ex-NSS were still mid-30s. NSS's challenging quarter dragged consolidated specialty profitability down. (Shanil Bhayani)

SAM Capacity Scale-Up

- Question: Are we scaling from 25,000 to 200,000 metric tonnes by 2030? (Sanjesh Jain)
- Answer: 100→200 KTPA scale-up is actively evaluated, timed to two binding off-take agreements expected later this year; more visibility in next two quarters. Target 200 KTPA by calendar 2030-31. Dahej site supports 200 KTPA; beyond that requires new location. (Shanil Bhayani)

PFN Growth Sustainability

- Question: Is PFN's ~30% growth sustainable, or does it inch toward mid-30s? (Nirali Shah, Ashika)
- Answer: Only a couple percent further extractable from current capacity via asset sweating; greenfield (Q3 FY27) provides additional alpha. FY28 expected to sustain this growth level with full greenfield capacity. (Shanil Bhayani)

NSS Customer Issues & Margin Path

- Question: Nature of NSS customer issues - temporary? How to bring margins to core specialty levels? (Raj Shah, PGIM)
- Answer: Largest infant formula company scaled down Ireland operations due to energy crisis, delaying purchase orders; FY27 flattish/single-digit growth expected. New sales head expanding NSS beyond Ireland into developed markets, diversifying end markets; India supply chain supplementation is improving competitiveness. FY28 target is similar margins to core specialty. (Shanil Bhayani)

Battery Margins & Sodium-Ion Risk

- Question: What gives confidence for 100-200 KTPA? Qualitative margin range? Sodium-ion long-term risk? (Shreya Chatterjee, Ageless Capital)
- Answer: LFP will be dominant chemistry for next 5-7 years as storage scales; even if sodium-ion scales, it requires iron phosphate as precursor - dual application. Margins not disclosed, but asset turns of 2.7-3x at scale and strong ROCE profile justify capital allocation; technology provides operational competitiveness. (Shanil Bhayani)

Working Capital & Steady-State Utilization

- Question: Do inventory days normalize or stay elevated with capacity expansion? (Unidentified/Shreya Chatterjee, Ageless Capital)
- Answer: Core business inventory normalizing, but stockpiling key raw materials due to logistics delays offsets; battery inventory adds to consolidated days. Near-term target 160-170 days, long-term 150 days (ex-battery). Optimum utilization is 70-75% depending on product mix. (Shanil Bhayani)

Phosphoric Acid Sourcing & FEOC

- Question: Are we dependent on China for phosphoric acid? Risk of margin pressure? (Vinod, Vedant Investments)
- Answer: Zero China sourcing is a prerequisite for FEOC compliance. Sourcing from India (several large producers) plus three other ex-China countries; binding off-takes will also secure supply for 100→200 KTPA scale-up. (Shanil Bhayani)

Long-Term Growth Catalysts

- Question: What are the top products/sectors behind the 25-30% long-term growth target? (Jay Shah, Genuity Capital)
- Answer: Minerals (calcium, magnesium, iron) and derivatives - phosphates, carbonates, bisglycinates; GLP-1-driven clinical medical nutrition is a large emerging opportunity; encapsulated ingredients for shelf-life extension; infant nutrition premix business; battery materials as "North Star" with strong OEM/battery/cathode approvals. (Shanil Bhayani)

Key Takeaway

Sudeep Pharma delivered a robust Q1 FY27 with revenue of ₹158.3 crores (+27% YoY), EBITDA of ₹54.9 crores at a 34.7% margin, and PAT of ₹40.6 crores (25.6% margin), despite LPG supply disruption and ~50% phosphoric acid price inflation. Growth was volume-driven across PFN (+31%, bisglycinate Q1 sales surpassing full FY26) and

specialty (+19%), with price pass-through largely offsetting input costs from Q2 FY27. Strategic focus remains on scaling the greenfield Nandesari facility (supplies from Q3 FY27, ~1/3 utilization in FY28), converting SAM's 8 qualified battery-material customers into binding off-take agreements (two expected later this year ahead of April 2027 Phase 1 commissioning), and evaluating a 100→200 KTPA SAM scale-up. Management guides for 37-38% EBITDA margin sustainability, specialty returning to historical growth from Q2, and NSS reaching core specialty margin levels by FY28 as European demand normalizes. Key watch points are NSS European recovery, SAM off-take conversion timing, and continued logistics cost volatility.

Navin Fluorine International Ltd

Why read this call

This is a must-read because management is not just narrating optimism-they have laid out a dated, receipt-backed roadmap that will make FY27-FY29 structurally different from FY24-FY26. The advanced materials vertical is transitioning from incubation to commercial seeding with named customers and DRDO, the CDMO business is deepening with a specific 'API minus one' step and molecule pipeline, and HFC is moving to a contracted revenue model. The growth is broad-based and margin-accretive, with the balance sheet now net-debt-free to fund expansion. Investors who read only a few calls need to hear this one to understand the inflection in Navin Fluorine's business model.

The quarter

Revenue ₹1,044 cr (+44% YoY), EBITDA ₹357 cr (+73%), PAT ₹243 cr (+108%), EBITDA margin 34.2% (+566 bps). All three verticals grew: HPP +33% (₹540 cr), Specialty +48% (₹325 cr), CDMO +82% (₹180 cr). Company became net debt-free. Operating cash flow ₹173 cr.

The inflection

Multiple concrete developments point to a visible step-change over the next 2-3 years: (1) Advanced Materials vertical now funded with ₹90 cr adoption capex, 4-5 lab-qualified products moving to commercial-scale qualification, DRDO partnership for an indigenous defense material, and sole supplier to Chemours for liquid cooling fluids (Chemours reported \$1M sales from this product); (2) CDMO Phase 2 capex (₹125 cr) operational by Q4 FY27, moving to 'API minus one' with an existing European partner, three more molecules with FDA readouts in 8-12 months; (3) R32 capacity +15,000 MT given Q3 FY27 commissioning, with contractual offtake already signed and 35-45% of capacity targeted for 5-year contracts. The company is also net debt-free, enabling further investments.

The capexes are put in a very thoughtful manner. So the adoption capacities we are putting out in two phases with the idea that the first phase of the capex will be complete more towards the middle of last quarter of this financial year, and therefore that should allow us to start doing qualification of commercial sale quantities with customers, which then should open up the funnel further capexes and accelerate the growth.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue (consolidated)	₹1,045 crores	+44% YoY driven by growth across all three business verticals
HPP Business Revenue	₹540 crores	+33% YoY on healthy volume growth and improved realizations
Specialty Chemicals Revenue	₹325 crores	+48% YoY on sustained momentum, new molecule ramp-up (5 active molecules in campaign orders)
CDMO Revenue	₹180 crores	+82% YoY with strong full-year outlook and deepening European partner engagement
EBITDA	₹357 crores	+73% YoY
EBITDA Margin	34.2%	+566 bps YoY; partially impacted by ~100 bps gross margin dip on raw material inflation, offset by productivity gains
Operating PBT	₹283 crores	+101% YoY
PAT	₹243 crores	+108% YoY
Operating Cash Flow	₹173 crores	Robust for Q1; company became net debt-free during the quarter
Net Working Capital	81 days of sales	Within financial framework
Net Debt Position	Net debt-free	Achieved during Q1 FY27

Table Rules applied: Logical order from revenue → profitability → cash flow → working capital → balance sheet.

Geographic & Segment Commentary

HPP / Refrigerants (R32 & HFO): Revenue of ₹540 crores (+33% YoY). Constructive pricing environment supported by favorable demand-supply dynamics. R32 capacity expansion of 15,000 MT on track for commissioning in Q3 FY27; the additional capacity combined with existing 9,000-10,000 MT provides significant operating leverage. Management positioning for five-year contractual offtake (35-45% of capacity target), with two contracts already signed and two more near conclusion. HFO contract with Honeywell runs through at least FY29 with an auto-extension option for a further three years.

Specialty Chemicals: Revenue of ₹325 crores (+48% YoY) with strong order visibility across existing and new molecules. Strategy focused on participating in 4-5 new campaign molecules, including three patented molecules that avoid pricing pressure typical of the agrochemical space. MPP debottlenecking on track for Q3 FY27 completion, delivering ~2x asset turn without significant new capex. Management acknowledges LATAM pricing pressure persists but differentiating through innovator-pipeline penetration rather than commodity capacity.

CDMO: Revenue of ₹180 crores (+82% YoY) with improving order visibility. Balanced portfolio across therapeutic areas (oncology, respiratory, cardiovascular, neurology, animal health). New ₹125 crore Phase 2 CGMP-4 capex (approved as part of ₹288 crore program) dedicated to the European CDMO partner, deepening participation to API minus-one level and adding a new molecule MSA in the same supply chain. Management reiterated FY28 \$100M CDMO revenue target remains firmly on track; CGMP-4 capex expected to deliver 3x asset turn by FY29.

Company-Specific & Strategic Commentary

Advanced Materials - Adoption Capacity: Board approved ₹90 crore capex (funded through internal accruals) for adoption/commercial-scale qualification capacity at the Surat site, targeting data centers, electronics,

semiconductors, and defense applications. Pipeline comprises ~12 niche products, including 4-5 already lab-qualified by customers. The phased approach prioritizes commercialization of the five approved products first, creating a "wheel" model where new products enter as others graduate to commercial scale. Vertical targeted to become a material business unit by end of decade, positioned as a product-plus-service play (Chemours project as service; DRDO and electronic-grade HF as product plays).

DRDO Partnership: Technology development partnership with DRDO, Ministry of Defense, to localize a critical imported specialty material for Atmanirbhar Bharat. Confidential product has applications beyond defense, which management flagged as a material addressable opportunity. Represents strategic validation of Navin's fluorination chemistry capabilities.

Chemours Liquid Cooling Project: Navin is the only supplier to Chemours for two-phase liquid cooling products, with Chemours having reported ~\$1M sales in the quarter. The 15-month visibility window previously indicated by management remains valid for scale-up assessment.

Renewable Energy Initiative: ₹15.73 crore investment in a group captive hybrid renewable project (14.9 MW) to meet >60% of energy requirements from renewable sources upon operationalization, supporting both decarbonization goals and cost competitiveness for R32 production.

Capital Allocation Discipline: Sequential stage-gate approach (technical → commercial → financial) for all capex decisions; backlog of ₹3,000+ crores of planned capex over next 3-4 years on top of ~₹3,000 crores spent in last five years. Management emphasized premium-margin businesses need not be evaluated solely on asset turn, but on strategic value creation.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA Margin	32-33% +/- 1% (near-term run-rate)	Operating leverage from HFC capacity, debottlenecking, Chemours ramp; offset by raw material cost inflation and potential lag in price pass-through
CDMO Revenue	\$100M (FY28, on track)	Reinforced as a committed target; supported by Phase 2 CGMP-4 operationalization in Q4 FY27 and expanding European partner scope
CGMP-4 Asset Turn	~3x (by FY29)	Based on ₹288 crores total CGMP capex; Phase 1 operationalized in Q3 FY26, Phase 2 on track for Q4 FY27
Growth Visibility	FY28 largely baked in from existing capex	Advanced materials adoption capacity, Phase 2 CGMP, and Chemours to drive growth beyond FY28
HFC R32 Commissioning	Q3 FY27 (15,000 MT)	Additional capacity equivalent to 15,000 MT R32; on track
MPP Debottleneck	Q3 FY27	Progressing well
R32 Contractual Offtake	35-45% of total capacity over 5 years	Two contracts signed; two more in advanced negotiation; balanced approach to retain open-position optionality
Renewable Energy Project	Operational (no date given)	14.9 MW hybrid renewable, >60% energy requirement coverage

Risks & Constraints

RISK	CONTEXT
Raw Material Cost Inflation	Heightened global trade tensions are raising raw material costs; ~100 bps gross margin dip in Q1 FY27. Management expects a lag effect in passing through price increases but sees recovery through productivity initiatives.
HFC/Refrigerant Oversupply	India is expected to be oversupplied over the next five years as all domestic players expand; 2027 is a "free year" before quotas likely kick in from January 2028. Management mitigates via lowest-cost manufacturing position, integrated HF value chain, and renewable energy savings, but near-term R32 pricing remains outside company control.
CDMO FDA Readout Outcomes	One molecule readout did not come through as expected; three additional molecules expected FDA readouts in the next 8-12 months. Portfolio approach (30-40 molecules active) mitigates single-molecule failure risk.
Subsidiary Margin Compression (NFASL)	Consolidated minus standalone EBITDA margin dropped from 40-45% to ~32% sequentially. Management attributes to AHF transfer pricing (arm's-length transfers rather than value-added products) and campaign mix; group-level margins remain solid.
HFO Contract with Honeywell	Envelope extends to FY29 with auto-extension of three additional years at Honeywell's option; management does not consider this an immediate concern.

Q&A Highlights

Advanced Materials - Capex Details and Growth Path

- **Question:** What are the end-use applications for the ₹90 crore adoption capex, and how should we think about growth beyond FY28? (Ankur, Axis Capital)
- **Answer:** Verticals focused on data centers, electronics, semiconductors, defense - including chip fabrication support, two-phase cooling, OLED displays, fire suppressants, high-purity HF, and fluoroelastomer intermediates. Products are "niche chemistries" differentiated from me-too offerings; will be a mix of product and service plays. Growth to FY28 is largely baked in from existing capex; adoption capacity, Phase 2 CGMP, and Chemours drive growth beyond that. (Anish Ganatra)

R32 Contractual Pricing and India Oversupply

- **Question:** Should we assume contracted R32 pricing of \$5-6/kg based on the ₹600-825 crore peak revenue guidance for 15,000 MT? How does the India capacity scenario look for calendar 2027 before quotas? (Madhav, MLP)
- **Answer:** The asset-turn figures in the deck are unchanged from capex approval; the real competitive advantage is Navin's lowest-cost manufacturing position (integrated HF chain, renewable energy savings). India will be oversupplied for five years - analysis must be global, not India-specific. Customers increasingly seek 5-year contractual commitments; target is 35-45% of capacity contracted, balanced with open positions. Navin's operating leverage on R32, even in a weak pricing environment, will protect group EBITDA. (Anish Ganatra)

CDMO - Dedicated Capacity and Supply Chain Position

- **Question:** Is the new capacity entirely for the existing European contract, and does "API minus one" mean matching competition in supply chain? (Rohit Nagraj, 360 ONE)
- **Answer:** Yes, the new capacity (Phase 2 CGMP-4) is dedicated to the European partner, reflecting increasing demand on the molecule and an additional MSA for a second molecule in the same supply chain, effectively

reaching API-minus-one participation. Management did not confirm whether competitors hold similar roles. On ₹288 crores capex, asset turn of 3x is expected (by FY29); revenue potential is ~₹900 crores from this program. (Anish Ganatra)

CDMO Pipeline and FDA Readouts

- **Question:** After one readout disappoint, how are lateral entries looking for FY27-28? (Sanjesh Jain, ICICI Securities)
- **Answer:** Portfolio approach is key - three more molecules are expected to go through FDA readouts in the next 8-12 months, across different global majors. Pipeline of 30-40 active molecules, ~10 late-stage; "enough in the pipeline to not worry about an outlier." (Anish Ganatra)

Subsidiary Margin Compression (Consolidated minus Standalone)

- **Question:** Subsidiary EBITDA margin dropped from 40-45% to ~32% sequentially (12pp). Is there a call-out? (Sanjesh Jain, ICICI Securities)
- **Answer:** Two factors: campaign-based revenue mix varies quarter to quarter with different margin profiles; and AHF capacity commissioning at Dahej means arm's-length AHF transfers to Surat (raw material) instead of value-added product transfers. Group-level margins remain solid; downstream value-add capacity in the subsidiary will restore margin accretion over time. (Anish Ganatra)

Specialty Chemicals - Volume-led Growth Trajectory

- **Question:** After subdued FY25, is current growth predominantly volume-led with minimal pricing contribution, and what is the FY27 trajectory? (Jason, IDBI Capital)
- **Answer:** Growth is driven by participation in five new campaign molecules (three patented, less pricing pressure), which signals deepening and broadening of customer relationships. Management does not expect return of 30%+ EBITDA margins in Specchem; philosophy is productivity-driven and efficiency-driven. MPP debottlenecking delivers ~2x asset turn, "unheard of" in agrochemical space historically, reflecting differentiated navigation. (Anish Ganatra)

AHF Capacity / Utilization Disclosure

- **Question:** How much of the 60,000 MT AHF capacity is captive vs. external sales? (Jason, IDBI Capital)
- **Answer:** Management declined to disclose specific numbers; indicated interim downstream AHF sales will continue until own downstream capacities (advanced materials, etc.) absorb it. The 60,000 MT is sufficient for the next 4-5 years of planned growth; further expansion possible if required. (Anish Ganatra)

CDMO - Breadth vs. Depth of European Relationship

- **Question:** What evidence should investors look for that CDMO is broadening across customers, not just deepening one relationship? (Sajal Kapoor, Antifragile Thinking)
- **Answer:** Deepening the European relationship builds a strong base load. Watch for: FDA readouts converting to commercial volumes (3-4 molecules in next 8-12 months), new capacity announcements, and announcements of additional customers. Portfolio continuously refreshed across 30-40 molecules. "Walk-the-talk" execution track record is the demonstration. (Anish Ganatra)

R32 / HFC Contract Details and AHF Outlook

- **Question:** Is there a live or emerging contract for R32, and what's the AHF capacity utilization? (Archit Joshi, Nuvama)
- **Answer:** Two R32 contracts already signed; two more in advanced stage of conclusion. Beyond target of 35-45% of capacity contracted, management will refuse additional contracts to retain open-position flexibility. AHF utilization not disclosed; 60,000 MT sufficient for next 4-5 years. (Anish Ganatra)

Margin Outlook - Structural vs. Cyclical

- **Question:** Q4 FY26 to Q1 FY27 margins flat despite favorable mix shift (HPP+CDMO up from 62% to 69%). How should we interpret structural margin trajectory? (Vidrum Mehta, ASK Investments)
- **Answer:** Q1 FY26 benefited from high HF prices; today's environment has raw material cost inflation (global supply chain risk). Gross margins dipped ~100 bps QoQ but were offset by fixed-cost productivity. Guidance: 32-33% EBITDA margin +/- 1% is a fair normalized run-rate assumption, with operating leverage from new HFC capacity, debottlenecking, and Chemours ramp. (Anish Ganatra)

Capex Scale - Revenue Visibility and Asset Turns

- **Question:** With ~₹6,000 crores of cumulative capex over 7-8 years, what revenue visibility or order backlog underpins this? (Vidrum Mehta, ASK Investments)
- **Answer:** Capex pursued only when value-accretive (stage-gated: technical → commercial → financial clearance). Asset-turn metrics are less relevant for high-margin businesses; product plays (like adoption capacity) are backed by lab-scale customer qualifications, while service contracts (like Chemours) are backed by order projections. "Shades of gray" in product-side visibility; stage gates de-risk capital allocation. (Anish Ganatra)

Advanced Materials - Pilot vs. Dedicated Capacity

- **Question:** Is the ₹90 crore capex a pilot plant or dedicated commercial capacity? (Siddharth Gaddekar, Equirus)
- **Answer:** It's "adoption capacity" - distinct from pilot scale because products are already lab-qualified by customers. Creates two core platforms and augments analytical/equipment capabilities at Surat. Scale-up risk exists but managed through portfolio breadth. (Anish Ganatra)

HFO/Honeywell Contract

- **Question:** How should we think about the HFO revenue (₹460-470 crores annually) beyond FY27, given it was a 5-year contract? (Siddharth Gaddekar, Equirus)
- **Answer:** Original term is seven years (commercialized July 2022) with auto-extension of three years at Honeywell's option. Ample runway - not a near-term concern. (Anish Ganatra)

DRDO Order - Revenue and Margin Impact

- **Question:** What will the DRDO order mean for revenues and margins? (Hiral, Shatrunjaya Investment Managers)
- **Answer:** Confidentiality-bound; product name is public. Product has applications beyond defense, which is also a material opportunity. No quantitative guidance provided. (Anish Ganatra)

Key Takeaway

Navin Fluorine delivered a stellar Q1 FY27 with consolidated revenue of ₹1,045 crores (+44% YoY), EBITDA of ₹357 crores (+73%), and PAT of ₹243 crores (+108%), with all three verticals - HPP (₹540 crores, +33%), Specialty Chemicals (₹325 crores, +48%), and CDMO (₹180 crores, +82%) - contributing meaningfully. The company became net debt-free during the quarter, freeing up balance-sheet capacity for its next investment cycle. Strategically, the

quarter was defined by three structural announcements: a ₹90 crore adoption-capacity capex for advanced materials (targeting data centers, semiconductors, defense with 4-5 customer lab-qualified products), a ₹125 crore Phase 2 CGMP-4 capex deepening the European CDMO relationship to API-minus-one level, and a DRDO partnership for an indigenous specialty material. Management guided to a sustained EBITDA margin of 32-33% ($\pm 1\%$) while reiterating the \$100M CDMO revenue target for FY28 and 3x asset-turn on the ₹288 crore CGMP program by FY29. R32 capacity (15,000 MT) and MPP debottlenecking are both on track for Q3 FY27 commissioning, and two five-year R32 supply contracts are already signed against a 35-45% target. Key watch-points include raw-material inflation pass-through lag, India HFC oversupply through the decade (mitigated by lowest-cost position and contractual offtake), and translation of the CDMO FDA-readout pipeline (three molecules in the next 8-12 months) into commercial-scale contracts. The advanced-materials wheel - with ~12 niche products progressing from lab to commercial qualification - is positioned to become a material business vertical by the end of the decade.

Himadri Speciality Chemical Ltd

Why read this call

This is a genuine, dated multi-line inflection, not adjectives. The core business (Coal Tar Pitch) delivered a strong quarter at 22-24% EBITDA margins, while management laid out a battery-materials and specialty ladder with named commissioning quarters, named capex, customer approval stages (Sample A approved, Sample B supplied to India and global OEMs), and a strategic partner (IBC) that is already commercially consuming Himadri's LFP and anode material. The disconnect from the Chinese LFP incumbency and the self-funded ₹2,000 cr capex into a 200,000 tpa LFP ambition, CNT, and super specialty make the next 2-3 years visibly different from the last 3. This is exactly the 'several dated cathedrals under construction' profile that rewards a full read.

The quarter

Consolidated revenue INR 1,432 cr (+28% YoY), EBITDA INR 313 cr (+33%, 22% margin), PAT INR 228 cr (+27%, 16% margin). Standalone revenue INR 1,274 cr (+16%), EBITDA INR 301 cr (+29%, 24% margin), PAT INR 223 cr (+22%). Strong quarter with EBITDA/PAT growing faster than revenue.

The inflection

Himadri is executing a multi-pronged transformation from coal tar derivatives into advanced/energy materials, with every leg dated and capped: (1) CNT - in-house developed technology, ₹70 cr capex, 200 tpa plant commissioning Q4 FY27, first in India, few globally; (2) Super Speciality Carbon Black - converting 6,000 tpa existing capacity, ₹170 cr capex, niche 300,000 tpa global market at multifold realization vs specialty; (3) LFP Cathode - 2,000 tpa commissioning Q3 FY27, phase 1 of 40,000 tpa with ₹1,125 cr capex, ultimate 200,000 tpa target; sample A already approved, sample B trials starting, IBC partnership uses Himadri material commercially; (4) Anode - 200 tpa commissioned April 2026, backward-integrated with own pitch precursor; (5) Anthraquinone/Carbazole - India's first commercial plant, 2,600 tpa in Q2 FY27; (6) Birla Tyres - EBITDA break-even this fiscal, INR 3,000 cr top-line target in 4-5 years. All self-funded. ₹1,100 cr FY28 PAT reaffirmed: 'There is nothing negative.'

There is nothing negative. By God's grace, things are moving in the right direction. Things are positive only.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹1,432 Crores	+28% YoY from ₹1,118 Crores; driven by product mix shift towards higher-value segments and Birla Tyres volume ramp-up
Consolidated EBITDA	₹313 Crores	+33% YoY from ₹235 Crores; EBITDA margin 22%
Consolidated PAT	₹228 Crores	+27% YoY from ₹179 Crores; PAT margin 16%
Standalone Revenue	₹1,274 Crores	+16% YoY from ₹1,100 Crores
Standalone EBITDA	₹301 Crores	+29% YoY from ₹234 Crores; EBITDA margin 24%
Standalone PAT	₹223 Crores	+22% YoY from ₹183 Crores; PAT margin 18%
Announced Capex Pipeline	~₹2,000 Crores	₹1,125 Cr LFP + ₹368 Cr CNT/SSCB + ~₹500 Cr Birla Tyres; ~₹1,000 Cr each in FY27 and FY28
FY26 R&D Spend	₹125+ Crores	2.6% of revenue; similar run-rate planned in FY27
Coal Tar Distillation Utilisation	80%	Expected to reach 90%+ during FY27

Geographic & Segment Commentary

- **Coal Tar Pitch & Derivatives:** Operates the world's largest single-location fully integrated carbon complex with 600,000 MTPA coal tar distillation capacity and domestic market share above 65%; liquid Coal Tar Pitch terminals at Haldia and Mangalore strengthen global export capability. Forward integration into anthraquinone and carbazole (5,300 MTPA total; India's first commercial plant) progresses with initial 2,600 MTPA commissioning in Q2FY27 and balance 2,700 MTPA in Q2FY28.
- **Speciality Carbon Black:** 250,000 MTPA total capacity including 130,000 MTPA of speciality carbon black across 70+ grades; "lab-first, plant-later" approach ensures capacity expansion is backed by validated applications. New 6,000 MTPA super speciality conversion targets premium niche segments (lithium-ion batteries, engineered plastics, conductive black) with multi-fold higher value addition.
- **New Energy Materials:** 200 MTPA anode facility at Mahistikry commissioned April 2026 (₹120 Cr spent), designed with feedstock flexibility using in-house engineered pitch for backward integration; Sample B supplied to all Indian customers and global OEMs with qualification cycle of 1.5-2 years. LFP cathode initial 2,000 MTPA due Q3FY27 as first milestone of 40,000 MTPA Phase 1; 100% of current global LFP capacity rests in China.
- **Birla Tyres:** Commercial operations since May 29, 2025; Q1 FY27 sales ~₹127 Crores with quarter-on-quarter volume ramp-up; distribution network spans 49 distributors and 1,000+ dealers; launched 3 new agriculture SKU lines (AGRIWIN, AGRIPUS, AGRILEAP T40) with 400+ SKUs under development. TBB capacity progressively converting to OTR over 3 years; PCR facility targeted by FY28 for EV/SUV entry.
- **Mining (Other Segment):** Operations suspended during Q1 FY27 awaiting environmental clearance; segment EBIT fell to ~₹1 Crore from ₹25 Crores QoQ; management has no visibility on timeline (estimated 3-6 months).

Company-Specific & Strategic Commentary

- **Carbon Nanotube (CNT) Entry:** Developed indigenous CNT technology through in-house R&D; ₹70 Crores capex for 200 MTPA facility targeting Q4FY27 commissioning, positioning Himadri among a select group of global

manufacturers and first in India; CNT offers ~100x steel strength with copper conductivity, with applications in lithium-ion batteries, semiconductors, electronics, sensors, polymers, coatings and aerospace.

- **Super Speciality Carbon Black:** Converting 6,000 MTPA of existing commodity capacity with ₹170 Crores capex; high-purity segment serving lithium-ion batteries, engineered plastics, fabrics, fibers and conductive black; leverages same integrated feedstock base for significantly higher realisations; ~3x asset ratio revenue potential.
- **Battery Value Chain Integration:** Strategic investee Sicona secured AUD45 million to accelerate silicon-carbon anode commercialization; increased stake in International Battery Company (IBC), whose prismatic cells commercially use Himadri LFP, anode and silicon-carbon materials; IBC is setting up a 7 GWh India facility (expected Q4FY27) using Himadri raw materials.
- **Self-Reliant Battery Materials Platform:** Long-term vision to scale LFP cathode to 200,000 MTPA (₹4,800 Cr capex announced), targeting 2-3% global market share; Himadri was the first company globally to supply coal tar-based precursor to top Chinese anode players, underpinning its anode technology credibility; working across synthetic, natural and silicon-carbon anode chemistries.
- **Birla Tyres Strategic Transformation:** Modernising manufacturing infrastructure with automation upgrades; phased TBB-to-OTR conversion over next 3 years supported by additional capex; PCR commissioning by FY28 paves way for EV and SUV tyre segments; ₹3,000 Crores top line target in 4-5 years.
- **Sustainability & Global Credentials:** All plants operate on zero-liquid discharge basis; EcoVadis Platinum rating reaffirmed, placing Himadri among top 1% of globally assessed companies; management notes sustainability credentials are increasingly commercial prerequisites in global value chains.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Consolidated PAT (FY28)	₹1,100 Crores	Reaffirmed; management cites positive momentum with no negative assumption changes
LFP Cathode Capacity	2,000 MTPA commissioning Q3FY27; 40,000 MTPA by FY28	Phase 1 milestone; ₹1,125 Cr capex; 40,000 MT ≈ ₹3,000 Crores top line at current prices; 200,000 MTPA long-term vision
CNT Facility	200 MTPA commissioning Q4FY27	₹70 Cr capex; initial revenue potential ₹50-70 Crores; scale-up decision after market evaluation
Super Speciality Carbon Black	6,000 MTPA by FY28	₹170 Cr capex; ~₹500 Crores revenue potential (3x asset ratio); margins significantly above speciality carbon black
Total Capex	~₹1,000 Crores in FY27; ~₹1,000 Crores in FY28	Self-funded through free cash flow; no incremental debt
Coal Tar Utilisation	90%+ during FY27	Up from current 80%
Birla Tyres	EBITDA breakeven and cash positive in FY27; ₹3,000 Crores revenue in 4-5 years	Ramping quarterly; PCR facility by FY28; no quarterly or annual revenue guidance provided by management

Risks & Constraints

RISK	CONTEXT
Mining licence delay	Mining operations suspended pending environmental clearance; "Other" segment EBIT fell from ₹25 Crores to ₹1 Crore QoQ; timeline uncertain at 3-6 months
FX volatility	Currency volatility drove forex losses in Q1 FY27 despite unchanged hedging policy; management states Q1 is the last quarter of negative FX impact
Chinese LFP dominance	100% of global LFP capacity resides in China, with top 5-6 players holding 75-80%; Himadri pricing at par with China while building scale; mitigation via India-based production, proprietary technology and raw material independence
Customer qualification cycles	Battery material approvals take 1.5-2 years across sample stages A-D; Himadri mitigating by sampling from commercial-scale 200 MT anode plant so approvals align with larger capacity commissioning
Birla Tyres turnaround execution	Not yet EBITDA positive; ~₹500 Crores capex and 3-year TBB-to-OTR conversion required; breakeven targeted in FY27
Geopolitical / supply chain (West Asia)	April-May West Asia tensions tested supply chains; management cites diversified supply chain with no dependence on West Asia or China for core products

Q&A Highlights

Mining Suspension Hit "Other" Segment EBIT

- Question: Other segment EBIT fell from ₹25 Crores to ~₹1 Crore QoQ despite flat revenue - what changed? (Sanjesh Jain, ICICI Securities)
- Answer: Mining operations were idle awaiting licensing; revenue line was offset by Birla Tyres ramp-up (Anurag Choudhary)

CNT & Super Speciality Carbon Black - New Growth Vectors

- Question: What is the market size, application profile and competitive positioning for CNT and super speciality carbon black? (Sanjesh Jain, ICICI Securities)
- Answer: CNT is graphene rolled into a seamless cylinder - 100x steel strength with copper conductivity; global market ~30,000 MT and growing; very few global producers, first in India, targeting global customers. Super speciality market is ~300,000 MT vs 1 million+ MT for speciality; value addition is multi-fold; converting commodity capacity (not speciality) as customers require a full product portfolio (Anurag Choudhary)

Revenue Potential of New Capex Projects

- Question: What is the revenue potential at optimum utilisation for the five new capex projects? (Deepak Poddar, Sapphire Capital)
- Answer: 40,000 MT LFP = ₹3,000 Crores; anthraquinone/carbazole = ₹250-300 Crores; super speciality carbon black = ~₹500 Crores (3x asset ratio); CNT = ₹50-70 Crores initially with scale-up later; 200 MT anode = ₹120-130 Crores (Anurag Choudhary)

Competing with Chinese LFP Producers

- Question: How do the economics work competing with Chinese players with massive capacity at par pricing? (Sagar Jethwani, PhillipCapital PMS)

- Answer: No dependence on China for raw materials; India production base and proprietary in-house technology provide cost advantage; pricing at par with China. IBC partnership validates quality - Himadri LFP is commercially used in IBC cells, putting technology outside China with supply chain positioned outside China (Anurag Choudhary)

LFP Cost Feasibility Challenged

- Question: Our workings show negative gross spread at China pricing - where is lithium carbonate sourced? (Tanvi Warekar, Anand Rathi Institutional Equities)
- Answer: Excel-based calculations cannot determine actual margins; sourcing details are confidential (Anurag Choudhary)

Anode Sampling & Qualification Progress

- Question: What is the customer response, sample status and approval timeline for anode material? (Sanjesh Jain, ICICI Securities; Bhavika, Niveshaay)
- Answer: Sample A complete; Sample B supplied to all Indian customers and many global OEMs; approval process normally takes 1.5-2 years but is already advanced; commercial 200 MT plant positions Himadri to secure approvals ahead of larger capacity commissioning. Strong customer traction in India and globally; Himadri is the first in India with a pilot plant (Anurag Choudhary)

Capex Phasing & Self-Funding

- Question: What is the year-wise consolidated capex for the next 2-3 years? (Bhavin Chheda, Enam Holdings)
- Answer: ~₹2,000 Crores total announced (₹1,125 Cr LFP + ₹368 Cr CNT/SSCB + ~₹500 Cr Birla Tyres); ~₹1,000 Crores in FY27 and ~₹1,000 Crores in FY28; fully funded by free cash flow with no incremental debt (Anurag Choudhary)

Birla Tyres Ramp-Up Trajectory

- Question: What are Birla Tyres' quarterly sales, EBITDA breakeven level and revenue target? (Bhavin Chheda, Enam Holdings)
- Answer: Q1 FY27 sales ~₹127 Crores; not yet EBITDA positive but will reach EBITDA breakeven and cash positive in FY27; ₹3,000 Crores top line target in 4-5 years; ramping volumes quarter-on-quarter; PCR facility by FY28 (Anurag Choudhary)

FX Losses & Other Income Drivers

- Question: What caused the forex swing and higher other income - is there a hedging policy change? (Isha Agarwal, VT Capital)
- Answer: No hedging policy change; currency volatility drove losses - Q1 is the last quarter of negative FX impact. Other income from FD arbitrage (bank/CP borrowings deployed in FDs), mutual fund investments and MTM gains on IBC, Sicona and Birla Tyres NCDs; will vary 30-40% QoQ (Anurag Choudhary)

FY28 PAT Guidance Reaffirmed

- Question: Have assumptions underlying the ₹1,100 Crores PAT by FY28 changed? (Parth Sodha, Trinetra Asset Managers)
- Answer: Nothing negative - things are moving in the right direction; guidance unchanged at ₹1,100 Crores (Anurag Choudhary)

Key Takeaway

Himadri Speciality Chemical delivered a strong Q1 FY27: consolidated revenue rose 28% YoY to ₹1,432 crores, EBITDA grew 33% to ₹313 crores (22% margin), and PAT grew 27% to ₹228 crores (16% margin), driven by higher-value product mix and Birla Tyres ramp-up. Management unveiled Carbon Nanotube (₹70 crore capex, 200 MTPA, Q4FY27 commissioning) and Super Speciality Carbon Black (₹170 crore capex, 6,000 MTPA) as new growth platforms, while battery materials advanced - a 200 MTPA anode plant commissioned April 2026 (₹120 crore spent) and 2,000 MTPA LFP cathode due Q3FY27, scaling toward 40,000 MTPA with ₹1,125 crore capex. The ₹1,100 crore FY28 PAT target and ~₹2,000 crore self-funded capex plan (₹1,000 crore annually over FY27-28) remain intact. Key watch items: mining licence suspension, FX volatility, Chinese LFP competition, and 1.5-2 year customer qualification cycles.

Pondy Oxides & Chemicals Ltd

Why read this call

This call is a must-read because the company is at a clear inflection point: the copper cathode expansion is a large, dated, and funded capacity addition that will fundamentally change the revenue mix and margin profile over the next 2-3 years. The quarter itself is strong (revenue +56%, copper volumes tripled), and management provides specific numbers on capacity, commissioning dates, and margin guidance (₹60-65k/ton cathode EBITDA). The lead supply chain disruption is temporary and management is managing it via value-added mix. This is not a sleepy quarter; it's a launchpad for a step-change in scale and profitability.

The quarter

Q1 FY26 (standalone): revenue ₹931 cr (+56% YoY), EBITDA ₹56 cr (+30%), PAT ₹36 cr (+32%). Copper volumes +3x YoY, copper EBITDA/ton ₹48,488 (+66% YoY). Lead volumes down due to supply chain disruptions, but lead EBITDA/ton hit record ₹21,595 with value-added mix at 85% (vs 55% last year). Consolidated revenue +55%, EBITDA +33%, PAT +43%.

The inflection

The 36,000 tpa copper cathode plant (₹200 cr capex, fully internal accruals) is the inflection. Phase 1 (18,000 tpa) commissioning Dec 2025, Phase 2 by Q3 FY27. Management guides FY27 cathode utilization at 80-90% (i.e., >30,000 tons) with blended EBITDA/ton of ₹60,000-65,000. This will transform the business from a lead recycler to a major copper cathode producer, with copper already contributing ~45% of revenue in FY26. The project is on schedule with ₹25 cr spent, equipment orders finalized, and trial runs in Q4 FY26.

In FY27, we are confident we'll be able to utilize over 80-90% of the capacity of 36,000 metric tons.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹931 crores	+56% YoY, driven by copper volumes growing 3x YoY on new capacity ramp-up; consolidated revenue +55% YoY
EBITDA	₹56 crores	+30% YoY, margin 6%; highest-ever lead EBITDA/ton of ₹21,595 offset lower lead volumes
PAT	₹36 crores	+32% YoY, margin 3.9%; consolidated PAT +43% YoY
Lead EBITDA/ton	₹21,595	Highest ever; driven by 85% value-added mix vs ~55% in prior-year quarter; sustainable range guided at ₹18,000-20,000
Copper EBITDA/ton	₹48,488	+66% YoY; efficiency gains from 6,000 MT capacity addition, better working capital cycle, and selling premium from tight scrap availability
Value-added mix (lead)	85%	Versus ~55% in Q1 FY26; prioritized high-margin products amid supply constraints; annual run-rate expected 65-70%
Copper capacity utilization	~75%	Includes old and new capacity; new 6,000 MT line commissioned Q4 FY25 ramping well
Lead capacity utilization (Thervoykandigai)	Below 50%	Pure-lead product facility; lower volumes aligned with value-added priority
Working capital days	46 days	Improved from 53 days; payment cycle tied to port arrival, positive cash flow
Sales mix	55% domestic / 45% export	Lead export mix 55%, copper export mix 25%

Geographic & Segment Commentary

- **Lead:** Volumes moderated due to supply chain disruption from Middle East/Hormuz shipping route delays, with ~97% of sourcing import-based and Middle East procurement below 5%. Management deliberately prioritized value-added products (85% of segment revenue) rather than procure at uneconomic domestic prices, achieving a record EBITDA/ton of ₹21,595. Domestic sourcing for Q2 is being evaluated as local prices have become more competitive.
- **Copper:** Volumes grew more than 3x YoY, supported by the 6,000 MT recycling line added in Q4 FY25, now at ~75% overall utilization. EBITDA/ton rose 66% YoY to ₹48,488. Copper is expected to contribute ~45% of overall revenue as the cathode project comes on stream. Domestic copper scrap sourcing is being increased toward 25-30% of requirements to broaden supply diversity.
- **Plastics & Aluminum:** Plastic division turned profitable in the quarter (~₹15 lakh net profit, ~800 tons processed), with value-added initiatives planned going forward. Aluminum remains at a small scale (~300 tons per quarter) with no near-term expansion communicated.

Company-Specific & Strategic Commentary

- **Copper cathode expansion:** Establishing a 36,000 MTPA LME-grade copper cathode facility at Thervoykandigai, Tamil Nadu with a ~₹200 crore investment fully funded through internal accruals; ~₹25 crores incurred to date. Phase 1 (18,000 MT) on track for commissioning by December 2025 with trial runs in Q4 FY26, Phase 2 (18,000

MT) targeted for Q3 FY27. Blended EBITDA/ton guided at ₹60,000-65,000, using lower-grade captive scrap (70-80% of recycled output) plus imported scrap, with high-purity scrap sold outright at >₹40,000/ton.

- **CRISIL rating upgrade:** Outlook upgraded to A/Positive from A/Stable, reflecting strong balance sheet and sustained performance.
- **Target 2030 roadmap:** Targets include 15%+ volume growth, 20%+ CAGR in revenue and profitability, EBITDA margins above 8%, ROCE exceeding 20%, and 60%+ revenue from value-added products.
- **Lithium-ion battery recycling:** Still in monitoring/pilot stage; LFP chemistry in India offers only 1.5-2% lithium recovery with low-value iron phosphate byproduct; company evaluating strategic technical partnerships.
- **EPR credits:** Not yet monetized; limited domestic procurement in Q1 minimized EPR impact; Q2 domestic purchases may enable monetization and modest margin support.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Lead volumes FY27	~1.25-1.3 lakh tons	Management confident of getting close to previously committed volumes despite Q1 supply chain constraints; Q2 trajectory "optimistic" with first month better
Lead EBITDA/ton	₹18,000-20,000 sustainable	Higher quarterly figure (₹21,595) reflected 85% value-added mix; normalized as volumes recover
Copper EBITDA/ton	>₹40,000	Revised upward from ₹35,000-40,000 on efficiency gains from higher capacities and machine additions
Copper cathode blended EBITDA/ton	₹60,000-65,000	Lower-grade captive scrap + imported scrap blend; efficiencies expected to push higher
Copper recycling EBITDA/ton	>₹40,000	For direct sales of higher-grade scrap not consumed in cathode plant
Capex FY27	₹175 crores	₹20-25 crores maintenance, ₹140-150 crores copper cathode plant
FY27 copper cathode production	>30,000 tons	80-90% utilization of 36,000 MT capacity; recycling base of ~12,000 tons fully utilized with possible expansion
Copper revenue share FY27	~45%	As capacity ramp-up progresses through the year
Annual value-added mix (lead)	65-70%	Versus 85% in Q1, which was elevated due to prioritization under supply constraints

Risks & Constraints

RISK	CONTEXT
Lead scrap supply chain disruption	Middle East/Hormuz shipping route delays constrained Q1 volumes; status quo persists with no immediate resolution. Management sees Q2 "a little better" but cannot commit to guidance attainment; alternative sourcing from Southeast Asia and South America being developed, with domestic prices currently uneconomic (~97% import dependence).
Raw material cost inflation	Other expenses rose 16% YoY and 44% QoQ on fuel prices and additive cost spikes; freight logistics only a small component. Management expects these costs to find balance but no mitigation quantified.
Copper scrap supply tightening	Global scrap retention policies and tighter supply raise sourcing risk as cathode capacity scales. Domestic sourcing target of 25-30% is being built; model must remain dynamic between domestic and import channels.
Copper cathode commissioning execution	Phase 1 commissioning slated for December 2025 with trial runs in Q4 FY26, and Phase 2 by Q3 FY27. Any slippage would delay the ₹60,000-65,000 blended EBITDA/ton ramp; major equipment orders finalized and construction on schedule per management.
Competitive risk on lead volumes	A market leader reported ~10% YoY lead volume decline versus POCL's steeper reduction (~25% implied), reflecting prioritization of margins over volumes; sustained share shift could pressure market position.
EPR/monetization uncertainty	EPR credits not yet monetized; benefit depends on improving domestic procurement (Q2), which remains price-dependent versus imported scrap.

Q&A Highlights

Lead Volume Guidance and Supply Chain

- Question: Prior lead volume guidance was ~1.25-1.3 lakh tons for FY26. Can this still be achieved given Q1 run rate? (Neeraj Ram, 360 ONE Capital)
- Answer: Supply chain constraints persist; management is confident of getting "close up to the numbers that we had committed," contingent on supply chain normalization over the next 1-2 months. (Ashish Bansal)

Lead Demand vs. Supply

- Question: Is there a demand slowdown in Western markets? (Sagar Shah, Spark PWM)
- Answer: No demand softness; the issue is a supply gap from shipment delays. Exports go predominantly to Southeast Asia, not Europe. (Ashish Bansal)

Cost Pressures

- Question: Other expenses rose 16% YoY and 44% QoQ - is this logistics? (Sagar Shah, Spark PWM)
- Answer: Logistics is a small part; the major increase is from fuel prices and additive costs that shot up over the last three months. (Ashish Bansal)

EBITDA/ton Durability

- Question: Is the lead EBITDA/ton of ₹21,595 sustainable? (Naman Parmar, Niveshaay)
- Answer: Sustainable level is ₹18,000-20,000/ton when volumes normalize; the higher figure reflects the 85% value-added mix. (Vijay Balakrishnan, CFO)

Copper Cathode Capex Timeline

- Question: How is the cathode capex progressing, and will it start in September? (Naman Parmar, Niveshaay)
- Answer: ~₹25 crores spent; machine installations start late September through November, with trial production in December 2025 as committed. (Ashish Bansal)

Sourcing Mitigation

- Question: Middle East procurement is <5%, so why the disruption? How to mitigate? (Kush, Geojit PMS)
- Answer: The disruption is from Hormuz shipping route delays, not direct Middle East sourcing. Alternative suppliers in Southeast Asia and South America are being pushed; similar pricing expected depending on inward freight costs. (Ashish Bansal)

Capex Breakdown

- Question: Of the ₹175 crores FY26 capex, what is growth vs. maintenance? (Pawan Kumar, Global Consultant Reports)
- Answer: ₹20-25 crores maintenance; ₹140-150 crores for the copper cathode plant addition. (Ashish Bansal)

Copper EBITDA Guidance Revision

- Question: Prior copper EBITDA guidance was ₹35,000-40,000/ton; current quarter shows ₹48,488. What is the new guidance? (Jigar Jani, Nuvama)
- Answer: Guidance revised to >₹40,000/ton, driven by efficiencies from increased capacity, working capital compression, and premiums from tight scrap availability. (Ashish Bansal)

Cathode Forward Integration

- Question: Are there plans to forward-integrate from copper cathode into busbars, wire rods, or other value-added products? (Jigar Jani, Nuvama)
- Answer: Plans are being finalized but not yet announced; further communication will come closer to reaching final production stages on cathode. (Ashish Bansal)

Value-Added Mix Rationale

- Question: Was the 85% value-added mix in lead due to supply constraints or customer demand? (Saransh Gupta, Swarn Investments)
- Answer: Customers were requested to take pure lead from other suppliers-since value-added products are supplier-specific-while POCL sold its available material into higher-margin value-added products. Pure lead volumes dropped, raising the mix percentage. (Ashish Bansal)

Working Capital and Receivables

- Question: What is the status of the ~₹110-115 crores receivables mentioned last quarter, and current working capital cycle? (Saransh Gupta, Swarn Investments)
- Answer: The receivable was received on April 5th; the negative cash flow was a vessel-delay timing issue. Working capital is now 46 days, improved from 53 days, with positive cash flow. (Ashish Bansal)

Cathode Margin Architecture

- Question: What is the EBITDA/ton when using captive recycled copper vs. externally sourced pre-melt? (Dev, iThought PMS)

- Answer: The cathode plant will consume 70-80% of in-house recycled material (lower grade), with higher-grade scrap sold outright. Blended cathode margin guidance of ₹60,000-65,000/ton; recycling direct sales at >₹40,000/ton. (Ashish Bansal)

Q2 and FY27 Copper Outlook

- Question: Will supply chain issues hamper Q2, and what copper volumes to expect in FY27? (Darshil Jhaveri, Crown Capital)
- Answer: Q2 first month has been "a little better" than the last three months; optimistic the disruption ends. FY27 cathode volumes expected over 30,000 tons (80-90% utilization of 36,000 MT), with recycling at ~12,000 tons and possible expansion. (Ashish Bansal)

Domestic Sourcing and EPR

- Question: Why wasn't more domestic sourcing used despite the lead disruption, and what is the EPR impact? (Dev, iThought PMS; Aniket Garad, Investor)
- Answer: Domestic scrap prices were uneconomic even after factoring EPR benefits, so ~97% of sourcing remained import-based. EPR credits remain unmonetized; Q2 domestic procurement could enable monetization and modest margin support. (Ashish Bansal; Vijay Balakrishnan)

Key Takeaway

Pondy Oxides delivered a strong start to FY27 with revenue up 56% YoY to ₹931 crores, EBITDA up 30% to ₹56 crores, and PAT up 32% to ₹36 crores (6% and 3.9% margins respectively), driven by copper volume growth of 3x YoY and a record lead EBITDA/ton of ₹21,595 on an elevated 85% value-added mix. The copper cathode project-36,000 MTPA at ₹200 crores funded internally-remains on schedule, with Phase 1 commissioning in December 2025 and Phase 2 by Q3 FY27, supported by revised copper EBITDA guidance above ₹40,000/ton and blended cathode margins of ₹60,000-65,000/ton. Management guided lead volumes close to the previously committed 1.25-1.3 lakh tons despite Hormuz shipping disruptions persisting, maintained sustainable lead EBITDA at ₹18,000-20,000/ton, and reaffirmed Target 2030 goals of 20%+ revenue CAGR, >8% EBITDA margin, and >20% ROCE. Key watch points include lead scrap supply chain normalization, Q2 domestic sourcing economics and EPR monetization, copper cathode commissioning execution, and raw material cost inflation (fuel, additives) that lifted other expenses 44% sequentially.

Aarti Pharmalabs Ltd

Why read this call

This is a genuine inflection call. The xanthine business is not just riding a commodity spike - China's rebate removal and quota cuts are structural, and Aarti is doubling capacity to capture share, becoming the #2 global producer. The CDMO segment is also at a tipping point with a dedicated block and a 40-50% growth guidance backed by 37 commercial projects. The quarter itself was strong (42% revenue growth, record xanthine sales), and management gave concrete numbers on capacity, capex, and project counts. The next 2-3 years will look materially different from the last 3 as the new capacity ramps and CDMO scales. This is exactly the kind of call where an investor should read the full transcript to gauge the durability of the xanthine pricing and the credibility of the CDMO ramp.

The quarter

Q1 FY27 standalone revenue ₹535cr (+42% YoY), EBITDA ₹133cr (+40%), PAT ₹71cr (+49%). Xanthine derivatives hit record quarterly sales (57% of revenue, volume +25% YoY). CDMO at 7% of revenue with 22 customers and 57 active projects (37 commercial). API/intermediates at 30% of revenue, impacted by a 1.5-month debottlenecking shutdown.

The inflection

Xanthine capacity is expanding from ~6,000t to 9,500t (brownfield site commercialized in Q1, ramping to 80%+ utilization by FY28), making Aarti the world's second-largest producer. Structural tailwinds: China removed export rebates and imposed production quotas, permanently lifting xanthine pricing. Management targets 20-25% global market share in 2 years. Separately, CDMO is scaling with a ₹149cr dedicated block (400+ KL, groundbreak Q3 FY27, commissioning in ~12-15 months) to support a ₹1,000cr CDMO revenue goal; 37 commercial projects already provide visibility.

We are aiming towards 20 to 25% global market share with the enhanced capacity in next 2 years' time.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹535 crores	+42% YoY vs ₹375 crores; driven by exceptional xanthine pricing and volume growth
EBITDA	₹133 crores	+40% YoY vs ₹95 crores; margin at 24.9%, at upper end of guided 22-25% range
PAT	₹71 crores	+49% YoY vs ₹48 crores
Xanthine Revenue	~₹305 crores (57% of revenue)	Highest ever quarterly sales; 74% beverage customers / 26% others; 79% export / 21% domestic
API & Intermediates Revenue	~₹160 crores (30% of revenue)	Impacted by ~6-week shutdown for steroid block debottlenecking; 58% regulated, 14% RoW, 28% non-regulated
CDMO-CMO Revenue	~₹37 crores (7% of revenue)	22 customers, 57 active projects (37 commercial, 20 development); H2-weighted year expected
Gross Margin	~50-56% (quarter)	Elevated due to low-cost inventory sold at higher prices; normalized ~50%
Xanthine Production Capacity	9,500 MT (from ~6,000 MT)	+50% capacity expansion commissioned; target >80% utilization by FY28

Geographic & Segment Commentary

- **Xanthine Derivatives (57% of revenue):** Record quarter with ₹305 crores revenue. Volume grew ~25% YoY. Pricing remains elevated above pre-war levels despite easing from peak. China rebate removal is structurally supportive of pricing. Management targeting 20-25% global market share within 2 years; company now has second-largest xanthine capacity globally. Mix shifting toward beverage (cola) customers.
- **API & Intermediates (30% of revenue):** Revenue of ~₹160 crores was impacted by a 1.5-month shutdown for steroid block debottlenecking at Unit 4, Tarapur (USFDA-approved). Pricing pressures persist in existing molecules; process intensification project underway to reduce costs. Anti-cancer block debottlenecking planned for new launches next year. FY25-level revenue (~₹780 crores) nearly achievable but not expected to be crossed.
- **CDMO-CMO (7% of revenue):** Revenue contribution lower but management confident in 40-50% growth guidance. 37 commercial projects (up from 21 three years ago) provide strong growth visibility. Revenue will be H2-skewed; new Attali Block 2 dedicated block (₹149 crores capex, 400+ KL) for 3-4 mature projects. Business has grown ~10x over 5.5 years, evolving from KSM supply to GMP API supply for tox/clinical batches.

Company-Specific & Strategic Commentary

- **Capacity Expansion:** Q1 FY27 marks completion of steroid debottlenecking (Unit 4, Tarapur - +33% capacity), commercialized xanthine brownfield expansion (6,000→9,500 MT, trial production ongoing), and Attali Block 1 (440 KL) becoming fully operational in Q2 FY27.
- **Capital Allocation - CDMO:** Announced ₹149 crores capex for Attali Block 2 (400+ KL, expandable by 200 KL) dedicated to specific CDMO projects - more cost-effective than multipurpose blocks. Civil works readiness for additional 200 KL expansion. Total CDMO-related capex ₹600+ crores targeting asset turnover of ~1x and ₹1,000 crores CDMO revenue goal (FY29-FY30).

- **Talent & R&D:** Hired CSO, CTO, and segment CEOs; 250+ scientists across 3 R&D centers (Navi Mumbai innovation center with 100+ scientists, Dombivali API R&D, Vapi scale-up R&D). New capabilities in peptides and oligonucleotides; geographically distributed BD teams (Europe, US, Japan).
- **Cost Optimization:** Process intensification and cost reduction special project initiated for existing API molecules to mitigate pricing pressure; xanthine capacity ramp-up expected to dilute fixed costs.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA Margin (Standalone)	22-25% for FY27	Dependent on pace of operationalizing expanded capacities; CDMO ramp-up (higher margin) to support
CDMO-CMO Growth	40-50% growth in FY27	Confident; H2-heavy revenue profile; 37 commercial projects underpinning visibility
Xanthine Revenue	₹900-1,100 crores for FY27	Range depends on commodity price normalization; Q1 exceptional, pricing already easing
Xanthine Capacity Utilization	>80% by FY28	New capacity of 9,500 MT being ramped up through next few quarters
Global Market Share (Xanthine)	20-25% within next 2 years	Enhanced capacity positions company as second-largest global producer
CDMO Revenue Target	₹1,000 crores by FY29 or FY30	Supported by existing + new dedicated blocks; all 3 segments targeted to cross ₹1,000 crores
API Revenue	~₹170-190 crores quarterly run-rate	Normalized from shutdown impact; anti-cancer launches next year; no further capex needed for ₹1,000 crores+
Gross Margin (Company)	~50% sustainable	CDMO commercial small molecule gross margins at 60-65%; API at 45-50%

Risks & Constraints

RISK	CONTEXT
Raw Material Price Volatility	Middle East crisis drove raw material prices up 50-100% at peak, now eased to 25-50% above normal. Pass-through to customers skews EBITDA margins. Management attributes ~50% of current price increases as temporary.
Xanthine Price Normalization	Spot prices declining from peak; Q1 exceptional top-line unlikely to sustain. Management guided ₹900-1,100 crores range for FY27 - a wide band reflecting uncertainty.
Chinese Competition	China remains dominant with 80-90% of xanthine capacity. However, export rebate removal and production quotas are structurally supportive. Trade policy reversal remains a risk.
Pre-Operative Expenses Drag	Attali Block 1 and xanthine L99 site expenses to hit P&L from Q2 onwards; could pressure H1 margins before volumes ramp up.
API Pricing Pressure	Continued erosion in existing molecules; mitigation through process intensification and new launches (anti-cancer, anti-diabetic) with medium-term patent expiries.
CDMO Revenue Lumpiness	H2-heavy profile creates quarterly volatility; any project delays could shift revenue trajectory. Management cited accounting-standard-related postponement of some Q1 sales.

Q&A Highlights

Xanthine Business Dynamics

- **Question:** What is the domestic vs. export split, global market share, and competitive landscape in xanthine? (Dru, Vyomara Capital)
- **Answer:** Export is 79% and domestic 21%; split will remain export-heavy as capacity ramps. Targeting 20-25% global market share within 2 years. China holds 80-90% of global xanthine capacity, making it the primary competitor. (Rashesh Gogri)
- **Question:** What is the volume vs. realization growth in xanthine? (Raj Agarwal, Nivesh Asset Management)
- **Answer:** Volume grew ~25% YoY. Realizations were elevated due to the Middle East crisis but have started declining - realization per kg will decline while overall sales grow with additional capacity. (Rashesh Gogri)
- **Question:** How much of the current price increase is structural vs. temporary? (Shubham Agarwal, Burman Capital)
- **Answer:** Roughly 50-50 split. The China export rebate removal is a structural, multi-year change; raw material increases tied to the West Asia crisis are temporary. Quota tightening in China is structurally improving industry margins. (Rashesh Gogri)

Margin Sustainability

- **Question:** Is the 56% gross margin and 25.4% EBITDA margin sustainable? (Ankit Gupta, Bamboo Capital)
- **Answer:** Absolute gross margin should sustain as higher volumes offset price normalization. Company operating at ~6,000 MT; new capacity of 9,500 MT will drive higher sales. Management reiterates 22-25% EBITDA guidance for FY27. (Rashesh Gogri)
- **Question:** What is the sustainable gross margin range? (Yash Doshi, Unifi Capital)
- **Answer:** Gross margin ~50% plus/minus few percentage points; company-level EBITDA margin in 20-25% range. CDMO commercial small-molecule gross margins at 60-65%; API at 45-50%. (Rashesh Gogri)

CDMO Strategy and Capacity

- **Question:** Is the ₹149 crore dedicated block based on customer commitments or internal visibility? (Shubham Aggarwal, Burman Capital)
- **Answer:** Block will serve 3-4 projects across multiple customers with good visibility. Dedicated design is more cost-effective than multipurpose - tailored to specific process needs. Won't comment on per-molecule revenue potential. (Rashesh Gogri)
- **Question:** How should we think about CDMO gross margins as the business scales toward ₹1,000 crores? (Unidentified, Aarti Pharmalabs participant)
- **Answer:** Not expecting 70-75% gross margins in small molecules; company at 60-65% on commercial side. Higher margins possible if moving into peptides/oligonucleotides. CDMO should exceed 25-30% of company sales as all segments cross ₹1,000 crores. (Rashesh Gogri)

API Business Outlook

- **Question:** Can API revenue recover to ₹200 crores quarterly run-rate? (Ankit Gupta, Bamboo Capital)

- **Answer:** Q1 was impacted by shutdown for steroid debottlenecking - normalized run-rate should be ₹170-190 crores. Anti-cancer block debottlenecking and new anti-diabetic product ramps will support growth. No additional capex needed for ₹1,000 crores+ API revenue. (Rashesh Gogri)

Gross Margin Impact Timing

- **Question:** When will pre-operative expenses hit the P&L? (Raj Agarwal, Nivesh Asset Management)
- **Answer:** Attali Block 1 expenses will start hitting from Q2 FY27; xanthine L99 site trial production started end-June with expenses from current quarter. Management sees no significant P&L hit as capacity ramp-up offsets increased costs. (Rashesh Gogri)

Key Takeaway

Aarti Pharmalabs delivered a record Q1 FY27 with revenue of ₹535 crores (+42% YoY), driven by exceptional xanthine pricing and 25% volume growth amid the West Asia crisis and structural Chinese rebate removal. The company completed multiple expansions - steroid debottlenecking (+33% capacity), xanthine brownfield expansion to 9,500 MT, and Attali Block 1 nearing full operational status - with a new ₹149 crores dedicated CDMO block announced to support the ₹1,000 crores CDMO revenue ambition. Management guided 40-50% CDMO growth with H2-heavy revenue, FY27 EBITDA margins of 22-25%, and xanthine revenue of ₹900-1,100 crores. Key watch points include xanthine price normalization (currently 25-50% above pre-war levels), pre-operative expense drag in H1, and API pricing pressure mitigation through process intensification and anti-cancer launches. The strategy focuses on scaling all three segments toward ₹1,000 crores each, leveraging structural improvements in xanthine economics and maturing CDMO commercial portfolio of 37 projects.

Senores Pharmaceuticals Ltd

Why read this call

This call reveals a small pharma company executing a visible step-change: nearly doubling its regulated-market product shelf, launching dedicated US commercial infrastructure, and securing regulatory access to new geographies - all with dated milestones and specific numbers (58 ANDAs, 35 planned launches, 900 registrations filed). The guidance is not vague; it is tied to named catalysts. An investor reading this call gets concrete proof of a multi-year growth engine taking shape, not just management optimism. The transition from emerging-market-heavy to regulated-market scale is exactly the kind of inflection worth studying.

The quarter

Q1 FY27 revenue ₹180cr (+36% YoY), regulated markets +42%, emerging markets +30%. EBITDA ₹54cr (+87%, margin ~30%, +810bps YoY). PAT ₹31cr (+56%). ANDA portfolio nearly doubled to 58 approved (23 commercialized); 35 launches planned over next 18-20 months. Emerging markets cash flow positive (₹18cr operating cash this quarter). FY27 guidance: revenue +30-40%, PAT +50-60%.

The inflection

The company is mid-inflection: ANDA portfolio doubled in 12 months (30 to 58), with 35 more commercial launches planned on a dated timeline. Two US sales/distribution subsidiaries (Zuraya, Amerisource) operational from Q3 FY27. Apnar facility ramping (80-90% utilization, 3rd line under construction, 4th planned). EU PIC/S approval for Chhatral due Q2-Q3, opening Vietnam/South Africa/Mexico. Management targets ₹2,500-3,000cr revenue in 3-4 years from current ~₹700cr annualized run-rate - a 3-4x scale-up backed by concrete product counts, filings, and capacity.

We feel in about 3 to 4 years, that's a solid roadmap for us to achieve 2500 to 3000 crore kind of a revenue with what we have currently in our pipeline.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from operations	₹180 crores	+36% YoY; driven by robust regulated market growth.
Regulated markets revenue	+42% YoY	Strongest growth engine; supported by portfolio expansion and differentiated sales channels.
Emerging markets revenue	+30% YoY	Steady momentum; business turned cash-flow positive.
India branded generics revenue	₹8 crores	~2% YoY decline; strategy shifted to profitability over sales build-up.
EBITDA	₹54 crores	+87% YoY; strong operating leverage.
EBITDA margin	~30%	+810 bps YoY; gross margin improved ~1% QoQ.
PAT	₹31 crores	+56% YoY; prior quarter had ~₹14-15 crores forex fluctuation, absent this quarter.
Emerging markets EBITDA margin	14% in Q1	Down from 20% in Q4 FY26 due to H1 seasonality; full-year guided at 18-20%.
Operating cash flow - emerging markets	₹18 crores	Quarterly cash generation, confirming cash-flow positive status.
Approved ANDAs	58	Nearly doubled from 30 in June 2025; 23 commercialized.
ANDA pipeline	39 molecules, 110+ strengths	Under various development stages; excludes approved but unlaunched products.
Apnar facility production	~30 million units (Q1)	Six products commercialized; utilization ~80-90%, including validation and launch batches.
Capex guidance FY27	₹100-120 crores	Oral solids capacity expansion and injectable pilot plant.

Geographic & Segment Commentary

- **Regulated Markets:** Revenue grew 42% YoY, driven by an expanded ANDA portfolio (58 approved, 35 mapped for commercialization over next 18-20 months) and a four-pronged go-to-market model-Zuraya (own label), Amerisource (government business), B2B licensing, and CDMO/CMO. Apnar facility is ramping with six products commercialized, and Zuraya/Amerisource operations begin September-October 2026.
- **Emerging Markets:** Revenue grew 30% YoY; EBITDA margins improved to mid-teens and the business is cash-flow positive with ₹18 crores operating cash generated in Q1. Q1 margin came in at 14% (vs 20% in Q4 FY26) due to H1 seasonality, but management is confident of 18-20% full-year EBITDA margins. PIC/S approval for Chhatral facility expected in Q2-Q3, unlocking markets such as Vietnam, South Africa, and Mexico.
- **India Branded Generics:** Revenue was ₹8 crores in Q1, roughly flat YoY, reflecting a deliberate pivot toward profitability (35-40% EBITDA target) rather than aggressive sales growth. Management expects ₹50-60 crores revenue for FY27.

Company-Specific & Strategic Commentary

- **ANDA Portfolio Expansion:** Approved ANDAs nearly doubled from 30 (June 2025) to 58 (June 2026); 23 are commercialized. Another 39 molecules / 110+ strengths are in development, providing multi-year growth visibility.

- **Apnar Facility Ramp-Up:** The Baroda-based US FDA-approved plant produced ~30 million units in Q1; six products commercialized and 18 products mapped. Third and fourth production lines are being added to support capacity expansion.
- **US Commercial Infrastructure:** Zuraya (own-label products) and Amerisource (government-generic sales) subsidiaries are slated to commence operations in September-October 2026, structurally advancing the US business.
- **IPO Proceeds Reallocation:** Management scaled down the sterile injectables project and reallocated proceeds to oral solid capacity expansion; a smaller injectable pilot plant is being pursued, subject to shareholder approval.
- **PIC/S Certification:** Chhatral facility inspection completed; approval expected Q2-Q3, expanding access to mid-tier regulated markets like Vietnam, South Africa, and Mexico, with peak sales estimated at \$15-20 million.
- **Emerging Market Profitability:** The segment is now cash-flow positive, with EBITDA margins guided at 18-20% for FY27 despite Q1 seasonality.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 revenue growth	30-40%	Based on current business outlook and visible commercial launches over coming quarters.
FY27 PAT growth	50-60%	Similar growth trajectory expected thereafter.
Long-term revenue	₹2,500-3,000 crores in 3-4 years	Based on existing approved/pipeline products; excludes NDA opportunities.
Emerging markets EBITDA margin	18-20% for FY27	Q1 at 14% due to H1 seasonality; H2 historically strong.
India branded generics revenue	₹50-60 crores for FY27	Focus on profitability (35-40% EBITDA) over absolute sales.
Capex	₹100-120 crores FY27; ₹60-70 crores FY28 run-rate	Oral solids capacity, Apnar lines 3-4, injectable pilot.
PIC/S approval	Chhatral facility by Q2-Q3	Unlocks Vietnam, South Africa, Mexico, and other markets.
Zuraya/Amerisource operational	September-October 2026	US-specific sales and distribution subsidiaries.

Risks & Constraints

RISK	CONTEXT
US generic import tariffs	Potential tariffs flagged for 2028; management is awaiting the India-US trade agreement for clarity. Mitigation exists via US manufacturing capability, making the company relatively neutral.
ANDA launch execution	35 approved ANDAs are planned for commercialization over 18-20 months; success depends on FDA approvals, plant capacity, and commercial partnerships. Delays could impact the FY27 growth trajectory.
Sterile injectable scale-down	Reallocation of IPO proceeds to oral solids reduces near-term injectable upside; pilot approach may defer meaningful contribution from injectables.
H1 seasonality / margin volatility	Q1 emerging market margin (14%) trailed Q4 (20%); full-year guidance of 18-20% relies on a strong H2. Forex fluctuations can distort quarterly comparatives.
Regulatory approvals in new markets	PIC/S and 900+ pending MOH registrations are subject to approval timelines; delays would shift revenue contribution from emerging and new markets.

Q&A Highlights

Emerging Market Margin Trajectory

- Question: Why did emerging market EBITDA margin decline from 20% in Q4 FY26 to 14% in Q1 FY27? (Rushikesh Vrajesh Shah, Alchemy Capital)
- Answer: H1 is seasonally weak; Q1 FY26 was in single digits. Full-year margin guidance remains 18-20%. Gross margin actually improved ~1% QoQ. (Swapnil Shah)

ANDA Portfolio, Gross Margins and Commercial Mapping

- Question: Is the sharp jump in ANDAs due to acquisitions? Where do gross margins settle? (Siddharth Nigam, CWC)
- Answer: Portfolio growth includes acquisitions plus in-house development and CDMO/CMO expansion. Every ANDA is commercially mapped through Zuraya, Amerisource, B2B licensing, or CDMO/CMO. Sequential margin dip was largely due to ₹14-15 crores forex fluctuation in Q4, not operational weakness. (Swapnil Shah; Deval Shah)

Launch Cadence and FY27 Guidance

- Question: Seven products launched this quarter but no visible sequential top-line jump-should we expect QoQ improvement? (Pranav Chawla, JM AMC)
- Answer: Launches this quarter were not yet material to revenue. Management is sticking to FY27 guidance of 30-40% revenue growth; a revision could be discussed after a couple of quarters if needed. (Swapnil Shah)

IPO Proceeds Reallocation / Sterile Injectables

- Question: Update on the sterile injectable project with ~₹100 crores IPO proceeds unutilized. (Parth Soda, Trinetra Asset Managers)
- Answer: The project has been scaled down and proceeds reallocated to oral solid capacity; injectables will proceed as a smaller pilot plant. Change in object is subject to shareholder approval. (Swapnil Shah; Deval Shah)

Apnar Commercialization and US Tariffs

- Question: How many products have been commercialized from Apnar, and what about US API import tariffs? (Aanchal Maheshwari, Niraadhi Investment)

- Answer: Six products commercialized to date; ~30 million units produced in Q1, with 18 products mapped. Tariff risk is mitigated by US manufacturing footprint; management is waiting for the India-US trade agreement for clarity. (Swapnil Shah)

US Subsidiary Ramp-Up and Capex

- Question: When will Zuraya start operations? What is Apnar utilization and capex outlook? (Umesh Laddha, Ambit Capital)
- Answer: Zuraya and Amerisource will be operational from September-October 2026. Apnar is at 80-90% utilization including validation/qualification batches. FY27 capex is ₹100-120 crores; next year's run-rate is ₹60-70 crores. (Swapnil Shah; Deval Shah)

PIC/S-Driven New Markets and NDA Pipeline

- Question: How large is the EU/PIC/S opportunity and are NDA products included in guidance? (Divyam Ketan Doshi, 923 Capital)
- Answer: 100-120 products are expected to be filed in these markets; peak sales estimated at \$15-20 million. NDA opportunities exist but are premature; they are not included in the ₹2,500-3,000 crores long-term target. (Swapnil Shah)

FY28 Growth and Long-Term Trajectory

- Question: Can we expect similar PAT growth in FY28? (Utkarsh Somaiya, EcoQuantum Solutions)
- Answer: No specific FY28 number yet; management's aim is ₹2,500-3,000 crores revenue in 3-4 years, sustaining ~30% EBITDA as a minimum. (Swapnil Shah)

Key Takeaway

Senores Pharmaceuticals delivered a strong Q1 FY27, with consolidated revenue of ₹180 crores (+36% YoY), EBITDA of ₹54 crores (+87% YoY, ~30% margin), and PAT of ₹31 crores (+56% YoY), driven by 42% growth in regulated markets and 30% in emerging markets. The company nearly doubled its approved ANDA portfolio to 58 (23 commercialized) and reiterated FY27 guidance of 30-40% revenue growth and 50-60% PAT growth, backed by a ₹2,500-3,000 crore revenue target over 3-4 years. Strategically, management is ramping Apnar (six products commercialized, ~30 million units in Q1), operationalizing Zuraya and Amerisource in H2 FY27, and reallocating IPO proceeds toward oral solid capacity while keeping injectables as a pilot. Emerging markets are cash-flow positive, with full-year EBITDA margins guided at 18-20%. Key watch points include timely execution of 35 planned ANDA launches, potential US generic tariffs in 2028, and H2-weighted seasonality. Management remains confident of sustaining a similar growth trajectory beyond FY27.

Granules India Ltd

Why read this call

This is a genuine inflection: Granules is transitioning from a commodity API/FDF player to a high-margin complex-generics and CDMO company, with a near-term regulatory catalyst (Gagillapur clearance) that unlocks 9 launches waiting in a \$11B market. The numbers already show the shift (50% complex mix, 60% PAT growth, 18% ROCE), and management backs it with specific dated milestones (peptide \$50M target, launch timing, capacity utilization). The next 2-3 years will look structurally different from the past 3 - this call tells you exactly how and with receipts.

The quarter

Q1 FY27 revenue INR1,477cr (+22% YoY), EBITDA INR339cr (+37%, margin 22.9% +256bps), PAT INR180cr (+60%), gross margin 65.6% (+74bps), ROCE 18%, net debt/EBITDA 0.07x, operating cash flow INR387cr. Complex generics now 50% of finished dosages (vs 39% a year ago), US generic ranking up to #27 from #74 in 5 years, #4 in controlled substances, peptide CDMO grew >100% YoY, CHF5m quarterly revenue.

The inflection

Company is pivoting from volume-led API maker to innovation-led complex generics + CDMO platform. Evidence: (1) Complex generics mix jumped from 39% to 50% of finished dosages, driving margin expansion; (2) Gagillapur FDA remediation essentially complete - 7 of 8 facilities clean EIR, 9 ANDAs ready to launch as soon as clearance arrives (market size ~\$11B); (3) Peptide CDMO scaling with target of \$50M revenue and 30%+ EBITDA in ~3 years, backed by 3 new projects, 2 re-engagements, 2 sole first-to-file products including sodium oxybate; (4) Genome Valley facility adds 40% formulation capacity, cross 50% utilization within a year; (5) Oncology pipeline of 9-13 products from Vizag starting FY28-29. Net debt nearly zero, deleveraging done, capex cycle for major projects complete.

Granules today is no longer a company defined by volume and cost alone. It is becoming an innovation-led complex and differentiated pharmaceutical platform that turns scientific depth into durable, high return cash-backed earnings.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,476.8 crores	Up 22% YoY, broadly flat QoQ; led by finished dosages, complex generics, North America and Europe.
Gross Margin	65.6%	+74 bps YoY; supported by complex generic mix; Q1 insulated from RM inflation by U.S. opening inventory.
EBITDA	₹338.9 crores	+37% YoY; margin 22.9% (+256 bps YoY, -99 bps QoQ).
PBT (pre-exceptional)	₹240.4 crores	+41% YoY, supported by gross margin expansion.
PAT	₹180 crores	+60% YoY; strongest Q1 ever per management.
R&D Expenses	₹88 crores (6% of sales)	+30% YoY; up from 5.3% of sales in Q4 FY26; focused on CNS, oncology, MUPS and complex formulations.
Operating Cash Flow	₹387.4 crores	vs ₹100.3 crores in Q4 FY26; aided by lower receivables, higher U.S. sales and stable working capital.
Net Debt	₹101.2 crores	vs ₹402.1 crores at FY26 close; Net Debt/EBITDA at 0.07x.
ROCE	18%	vs 17.6% in Q4 FY26; improving on steady trajectory.
Capex	₹89 crores in Q1	FY27 guidance unchanged at ₹600 crores; Genome Valley major investment completed.
Working Capital / Sales	29%	vs 30% in Q1 FY26 and Q4 FY26; inventory build supports growth while receivables managed well.
Complex Generics % of Finished Dosages	50%	vs 39% a year ago; reflects mix shift toward differentiated products.
Peptide CDMO Revenue	CHF5 million	+100% YoY; in line with expectations, moderated sequentially after strong Q4.

Geographic & Segment Commentary

- **Complex Generics / Finished Dosages:** Complex generics rose to 50% of finished dosages vs 39% YoY. Growth was led by finished dosages and supported by North America and Europe, making the revenue base more diversified. 9 launches are expected in FY27 pending FDA clearance of Gagillapur.
- **Peptide CDMO:** Q1 revenue of CHF5 million grew >100% YoY; 3 new customer projects initiated (1 pharma, 2 cosmetics) and 2 discontinued products re-engaged. Zurich and Hyderabad now operate as an integrated R&D organization; TAG-assisted peptide synthesis work has commenced. FY27 focus is delivering annual PAT-positive performance with H2 expected stronger.
- **Oncology:** Contribution is currently minimal; Vizag has been used for CMO and API sales. First self-developed, fully backward-integrated oncology product launches in FY28-29 with global expansion. 9-13 products are in various development phases; 2 U.S. ANDAs, 2 EU dossiers and ~14 country extensions filed.
- **North America / Controlled Substances:** GPI is now the 27th largest U.S. generic company vs 74th five years ago, and the 4th largest in controlled substances. GPI utilization is ~70% with expansion needed by end-2028; quota is sufficient to reach target market shares. 1-2 new controlled launches expected in the next 1.5-2 years, plus ~5 IP-based products.

- **Europe & ROW:** Strong YoY growth ex-Senn, driven by both API and finished dosages from past European filings. Sequential softness was caused by cost pressures on legacy 5, intentional supply holds on pricing, and pending approvals-not an underlying demand trend.

Company-Specific & Strategic Commentary

- **Gagillapur Remediation:** Remediation is essentially complete; FDA meeting held in January and no concerns raised on adequacy or pace. 7 of 8 facilities now carry clean EIRs; 330+ customer/regulatory audits over 2 years without a single critical observation. 9 applications are ready to launch once clearance is received.
- **Complex Generics & First-to-File:** 2 sole first-to-file products are in the public domain with litigation expected; sodium oxybate is cited as a capability-driven sole FTF filing. R&D investments are concentrated on high-barrier areas-CNS, oncology, MUPS and complex formulations.
- **Peptide Platform Expansion:** Senn's peptide CDMO is being scaled across Swiss and India operations; Zurich infrastructure upgrades (solid-phase reactors, purification columns, lyophilization) are underway and land has been earmarked for a peptide facility at Vizag. Medium-term goal is 5x revenue over 5 years, with a \$50 million revenue run-rate at 30%+ EBITDA as an intermediate proof point.
- **Genome Valley:** Facility adds ~40% to formulation capacity; utilization expected to cross 50% by year-end. Capex is shifting from major builds to digitalization and modular growth projects.
- **Balance Sheet & Capital Allocation:** Net debt/EBITDA is 0.07x, with ₹387.4 crores Q1 operating cash flow. Dividend payout policy is under review for a potential increase, per management.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth FY27	Continue strong growth trajectory	No quantitative guidance given; management expressed confidence in sustained growth.
EBITDA Margin	22-23% expected to continue	Supported by complex generic mix; RM inflation offset partly by mix and pricing actions.
Capex	₹600 crores for FY27	₹89 crores spent in Q1; spend to pick up on digitalization and modular growth projects.
R&D Expense	5.5-6% of sales	Majority of spend directed toward complex generics.
Genome Valley Utilization	>50% by FY27 year-end	Ramp-up progressing; new filings/product transfers supporting utilization.
U.S. Launches	~9 launches in FY27	Pending FDA clearance of Gagillapur; plus IP-linked approvals as they mature.
Peptide CDMO	PAT positive for FY27; H2 stronger than H1; annual revenue at least Q1 run-rate annualized	Project-driven variability expected; medium-term milestone of \$50M revenue at 30%+ EBITDA by mid-5-year journey.
Oncology Ramp-up	First product launch in FY28-29	9-13 products in development; global geographic expansion planned.

Risks & Constraints

RISK	CONTEXT
FDA clearance timing at Gagillapur	Remediation is complete and no concerns raised to date, but FDA visit timing is unknown. 9 ready-to-launch applications remain blocked until clearance; delay would push back the U.S. launch pipeline.
Raw material / input cost inflation	West Asia geopolitical tensions are driving inflation in select raw materials, packing inputs, freight and supply chain costs. Q1 was insulated by U.S. opening inventory; sustained pressure could impact margins, partially mitigated via pricing actions and cost pass-throughs.
Peptide CDMO revenue lumpiness	Project-driven business posted negative EBITDA in Q1 after a positive Q4; long lead times and project mix cause quarterly swings. FY27 PAT-positive target depends on second-half project timing and execution.
Litigation / IP risk on complex launches	First-to-file and controlled substance products (e.g., Dyanavel, Adzenys) are subject to ongoing litigation; management will not disclose timing. Outcomes could affect launch schedules.
Working capital expansion	Growth in the U.S. and non-U.S. markets may increase receivable days; management expects to stay within a range but working capital-to-sales could rise above the current 29%.

Q&A Highlights

Growth Trajectory and Margin Sustainability

- Question: Can the 22% YoY growth and 22-23% EBITDA margin continue? (Nishita Shanklesha)
- Answer: Management is confident growth will continue and EBITDA margins will remain in the 22-23% range (K. P. Chigurupati).
- Question: Will favorable mix offset RM pressures in the next 1-2 quarters? (Shashank Krishnakumar)
- Answer: RM pressures are high, but the complex generic mix is helping and is expected to continue (K. P. Chigurupati).

Gagillapur Remediation and U.S. Launch Pipeline

- Question: Did production stop at Gagillapur? Are GLS product extensions risk mitigation? (Tushar Manudhane)
- Answer: Production never stopped except an intentional 2-day pause; only new approvals are blocked. GLS transfers are both risk mitigation and new filings to keep sites regulatory ready (Priyanka Chigurupati).
- Question: What is the pending approval count? (Tushar Manudhane)
- Answer: 9 approvals pending facility clearance (~\$11B market), 9 IP-linked products, and 5 more in the U.S.; total 23-24 filings pending approval (Priyanka Chigurupati).

Genome Valley Ramp-up and Filings

- Question: How is GLS utilization ramping and are new filings coming from this facility? (Shashank Krishnakumar)
- Answer: Utilization should cross 50-60% by year-end; if full capacity were used today, another plant would already need to be built. Most new filings are still from GGP, while GLS has product extensions and some new filings for risk mitigation (K. P. Chigurupati, Priyanka Chigurupati).

Peptide CDMO - Milestones and FY27 Outlook

- Question: What milestone would prove the peptide platform is structurally self-sustaining? (Sajal Kapoor)
- Answer: A \$50 million revenue run-rate with 30%+ EBITDA margin, around the middle of the 5-year journey, plus 3 customer wins of \$10M+ annual potential (Sanjay Kumar).

- Question: How should FY27 peptide revenues be modeled? (Rashmi Shetty)
- Answer: Annual revenue should be at least the Q1 run-rate annualized, with H2 stronger; the goal is PAT-positive for the year (Sanjay Kumar).

Peptide CDMO - Capex and EBITDA Volatility

- Question: What is the India peptide capex and why was Q1 EBITDA negative? (Krisha Kansara)
- Answer: Initial estimates are ~₹100 crores for the intermediate side and ~₹200 crores for the API side. Q1 EBITDA loss is due to project/product mix, opex timing and long cycle times-not a one-off (Sanjay Kumar).
- Question: What was the remediation expense in Q1? (Krisha Kansara)
- Answer: Not significant; less than \$1 million per quarter for the last couple of quarters (Mukesh Surana).

Oncology Pipeline and Filings

- Question: Where does the oncology business stand? (Rashmi Shetty)
- Answer: Vizag is currently CMO; first self-developed, fully backward-integrated product launches in FY28-29 with global expansion. 2 U.S. ANDAs, 2 EU dossiers and ~14 extensions filed; 9-13 products in development (Priyanka Chigurupati).
- Question: How many oncology filings are targeted this fiscal? (Sameer Baisiwala)
- Answer: No specific guidance; run-rate is improving (Priyanka Chigurupati).

Controlled Substances and GPI Capacity

- Question: What is the controlled substance launch pipeline for FY27/FY28? (Ritwik Sheth)
- Answer: No new launches in FY27; 1-2 launches expected in the next 1.5-2 years, plus ~5 IP-based products. Growth will come from existing molecules gaining share (Priyanka Chigurupati).
- Question: What is GPI's utilization and growth potential? (Sameer Baisiwala)
- Answer: ~70% utilization, with significant leeway given the low-volume, high-value product mix; expansion will be needed by end-2028 (K. P. Chigurupati, Priyanka Chigurupati).

Working Capital, Cash Flow and Dividend

- Question: What drove the large jump in operating cash flow? (Tushar Manudhane)
- Answer: No incremental working capital investment, substantially reduced receivables from higher U.S. sales, and modest capex (Mukesh Surana).
- Question: Should working capital be modeled at 29% or 33%? (Vignesh Iyer)
- Answer: We remain within a range; receivable days could rise with growth but will be managed tightly (Mukesh Surana).
- Question: Is the dividend payout policy being revisited? (Ritwik Sheth)
- Answer: The policy has been conservative; internal discussions are underway to potentially increase it (Mukesh Surana).

Europe Sequential Softness

- Question: Is Europe's QoQ softness demand-related or timing? (Suhani Singh)

- Answer: Not a demand trend; cost pressures on legacy 5 led to intentional supply holds on pricing, combined with pending approvals. New areas such as controlled substances will drive sequential growth (Priyanka Chigurupati).

Key Takeaway

Granules India delivered its strongest Q1 ever, with revenue up 22% YoY to ₹1,476.8 crores, EBITDA up 37% to ₹338.9 crores (22.9% margin), and PAT up 60% to ₹180 crores. ROCE improved to 18%, net debt/EBITDA fell to 0.07x, and operating cash flow reached ₹387.4 crores. Complex generics rose to 50% of finished dosages (from 39%), and the peptide CDMO grew over 100% YoY to CHF5 million. Management reaffirmed confidence in sustained growth, guided for FY27 EBITDA margins of 22-23%, capex of ₹600 crores, R&D at 5.5-6% of sales, ~9 U.S. launches pending FDA clearance, and peptide PAT-positive status for FY27 with a stronger H2. Key watch points include Gagillapur clearance timing, West Asia-driven cost inflation on gross margins, and peptide project lumpiness. Strategy centers on complex generics and first-to-file opportunities, controlled substances, oncology ramp-up from FY28-29, and scaling the peptide platform toward a \$50 million revenue milestone.

OneSource Specialty Pharma Ltd

Why read this call

This is a textbook inflection: a company that was capacity-constrained is adding multiple lines with dated commissioning, backed by contracted customers and visible market share gains. The GLP-1 generic opportunity is one of the biggest pharma stories, and OneSource is a key bottleneck player. The FY28 guidance implies near-doubling of revenue from current levels, and management provides concrete capacity milestones to track. The quarter itself is strong (37% revenue growth, 39% EBITDA growth) and the call is full of specifics - sterile day math, customer names, market share stats, FTF filings. Any investor exposed to semaglutide supply chains or Indian CDMOs should read this in full.

The quarter

Revenue INR 4,490 million, +37% YoY; EBITDA INR 1,233 million, +39% YoY and +34% QoQ. Growth driven by semaglutide commercial launch, new MSA contracts, and new customer wins. 9 new launches, 6 new logos, 12 regulatory/customer inspections passed including 2 surprise FDA audits. DDC (drug-device combination) margin mix lifted profitability; base business (soft gel, injectables) is H2-heavy.

The inflection

Capacity inflection in drug-device combination (GLP-1 pens): second cartridge line commercially online this quarter, third line within FY27, fourth line in FY28 - sterile days tripling from 225 to 675. Demand already exceeds capacity (all current DDC capacity fully utilized). Strong proof points: 3 of 3 Canadian semaglutide approvals are with OneSource customers, >40% of India generic pens manufactured at their site, tirzepatide first-to-file status for two customers, first new GLP-1 customer onboarded last quarter with more to follow as capacity frees. Biologics scaling with Formycon contract and RFP funnel 4x year-ago. Reiterated FY28 revenue outlook of \$400M (vs. current annualized run-rate ~\$240M) and 40% EBITDA margin - implies a step-change in scale.

As of June 26, more than 40% of the generic pens market sold in India are manufactured at our site.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹4,490 million	+37% YoY; driven by semaglutide commercial launch, new MSA contracts, and new customer wins
EBITDA	₹1,233 million	+39% YoY, +34% QoQ; margin expansion driven by higher contribution from drug device combination (DDC) business
Revenue (USD terms)	~Flat QoQ	Margin improvement despite flat USD revenue driven by mix shift toward DDC business
Capex (DDC program)	US\$100 million	~80% committed; balance to be deployed in current year
Sterile days (Line 1)	~225 days/annum	Line 1 at full utilization; Line 2 coming online this quarter, Line 3 by end FY27
India generic pens market share	>40%	As of June 26, more than 40% of generic pens sold in India manufactured at OneSource site
New customer wins	6 new logos	Added during the quarter
New product launches	9 launches	Across injectables and soft gelatin businesses
Inspections completed	12	Including 2 surprise FDA audits across two sites; exemplary compliance record maintained

Geographic & Segment Commentary

Drug Device Combination (DDC): Strongest growth driver with significant margin contribution. All three approved semaglutide products in Canada (largest off-patent market) are with OneSource partners; two partners have launched. India market share exceeds 40% of generic pens. Capacity fully utilized with demand outpacing supply; new line coming online this quarter doubling sterile days, with third line expected within FY27 and fourth line by FY28. New GLP customer onboarded last quarter, with customer additions resuming after capacity constraints.

Biologics: Added Formycon (marquee global biotech major) as customer in biosimilars pillar; also secured additional animal health contract. RFP funnel now ~4x year-ago levels spanning innovators, biosimilars, and animal health companies. Business expected to be significant contributor beyond FY28 as commercial revenues commence FY29 onwards. End-to-end value chain proposition (gene to final patient-ready product) with integrated drug substance and drug product capabilities.

Soft Gelatin: Capacity expanded from 800 million to 2.4 billion units; transitioning from captive Strides IP-led model to CDMO services. Tech transfers from European customers underway; capacity expected to be fully taken over in next 12-15 months. Greenfield site process initiated (current site at capacity limit). First oncology soft gel NDA secured with top 10 US generic; customer launch expected current quarter (small market, limited near-term revenue contribution).

Injectables (SteriScience): Focused scarcity play portfolio including penicillin (one of few FDA-approved plants globally) and products perpetually on FDA shortage list. Adding pre-filled syringe capability and significantly expanding lyophilization capacity. Site shutdown planned Q2-Q3 FY27 to install new capacity; will be significant contributor to FY28 numbers. Customers value supply reliability over price.

Company-Specific & Strategic Commentary

Capacity Expansion Program: US\$100 million capex across sites, ~80% committed. Line 2 (second cartridge line) commercializing this quarter, doubling sterile days. Lines fully fungible across customers and products; batch sizes increasing from 200L to 500L (approvals expected quickly in most geographies). Third line ready within FY27, fourth line later in FY28.

Semaglutide Commercialization: Despite Dr. Reddy's temporary supply disruption, OneSource capacities remain full due to diverse customer base spanning markets and companies. Demand pulled forward from other customers; no anticipated impact on supplies. Canada has three-on-three approvals with OneSource.

Biologics Capacity Expansion: Based on pipeline visibility, management sees need to expand both mammalian and microbial capacity beyond current levels. Additional capex will be "significantly lower" than DDC investment. Expansion driven by customers converting from development MSAs to commercial revenues FY29 onwards.

Compliance Track Record: 12 successful inspections including two surprise FDA audits across two sites. Compliance record described as "exemplary" and a key competitive differentiator.

Tirzepatide First-to-File: Two customers successfully achieved first-to-file status in US with tirzepatide, demonstrating complex peptide development and drug-device combination capabilities.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue (FY28)	US\$400 million organic	Reiterated; supported by DDC capacity additions, biologics traction, soft gel capacity fill, injectable new capabilities
EBITDA Margin (FY28)	40%	Reiterated; operating leverage expected as new lines come online with limited incremental opex (already upfronted)
Revenue/EBITDA trajectory	Sequential QoQ improvement in FY27	New line revenue ramping in H2; opex leverage to play in as lines install
Sterile days (FY28)	~675 days	Three lines fully available; fourth line later in FY28
Soft gel capacity fill	12-15 months	Tech transfers from European customers underway; greenfield site being initiated
DDC markets opening	FY28-FY30	Emerging markets volumes for FY28; Europe opens FY29-30; US opens with FTF customers thereafter

Risks & Constraints

RISK	CONTEXT
Dr. Reddy's Supply Disruption	Temporary disruption announced by DRL; OneSource has pulled demand from other customers and capacities remain full. Management believes DRL timeline for resumption; new capacity will support DRL demand plus other customers when resumed.
Geopolitical/Freight Challenges	Middle East situation impacting freight via Suez and Strait of Hormuz closures; longer routes via Cape of Good Hope increase shipment time and container supply constraints. Impact muted for OneSource due to ex-works contracts (costs borne by customers).
US Tariff Announcement	Recent US administration announcement on generics tariffs; management believes pattern of changes/backdowns will repeat, no long-term harm expected to OneSource or customers.
Capacity Ramp-Up Risk	New lines coming online require scaling; management confident of filling capacity given clear demand visibility and customer commitments.
Competitive Landscape (Biologics)	Domestic players entering CDMO biologics space; management views as opportunity given demand growth (>50% of drug discovery in biologics), China push-out, and India's insignificant current share. OneSource differentiated by integrated drug substance + drug product offering.

Q&A Highlights

Soft Gelatin Business Growth

- Question: Capacity expanded from 800M to 2.4B units but business hasn't grown as expected; is ibuprofen issue impacting? (Rupesh Tatiya)
- Answer: Business transitioning from captive Strides IP-led model to CDMO services; tech transfers take time but process underway. Capacity expected to be fully taken over in 12-15 months. Greenfield site process initiated as current site at capacity limit. Confident in soft gel as strong growth driver for FY28 and beyond. (Neeraj Sharma)

Injectable Margin Improvement & Shutdown

- Question: Any update on SteriScience margin improvement program? (Rupesh Tatiya)
- Answer: Focused scarcity play portfolio (penicillin, FDA shortage products); customers value supply reliability over price. Adding pre-filled syringe capability and lyophilization capacity; site shutdown in Q2-Q3 FY27 to install capacity. Will be significant contributor to FY28. (Neeraj Sharma)

Sequential Margin Improvement Drivers

- Question: USD revenues flat QoQ but margins improved significantly - what drove this? (Abdulkader Puranwala)
- Answer: Primarily mix-driven; higher contribution from DDC business. Base business (soft gel, injectables) is H2-heavy with flu season pickup. (Neeraj Sharma)

DRL Disruption Impact

- Question: Assessing temporary disruption from DRL pulling out? (Abdulkader Puranwala)
- Answer: No anticipated impact due to diverse customer base (Canada, India, MSA customers). Demand pulled forward into this quarter. Capacities full; new capacity coming online. When DRL resumes, sufficient capacity for all customers. (Neeraj Sharma)

FY28 Order Book Visibility

- Question: Do we have order book visibility to achieve \$400M FY28 revenue? (Abdulkader Puranwala)
- Answer: Yes. Multiple pillars: DDC (Canada 3-on-3, India 40% market share, new markets opening in 6-9 months), biologics (new contracts, strong funnel converting), soft gel (new customers, capacity filling), injectables (new capacity available full year FY28). Each business contributing to guidance. (Neeraj Sharma)

Line Fungibility & Customer Allocation

- Question: Can line one customers be added to line two? Who takes the call on capacity allocation? (Girish Bakhru)
- Answer: Lines are fungible across customers and products. Existing customers will be serviced from both lines; batch sizes increasing from 200L to 500L for significant output increase. Batch size changes should get quick regulatory approval in most geographies. (Neeraj Sharma)

MSA vs CSA Mix

- Question: Will we see significant mix change between MSA and CSA? (Girish Bakhru)
- Answer: Mix will be significantly more commercial sales (CSA) than MSAs. Capacity constrained till now prevented new customer onboarding; new lines enable customer additions. First new GLP customer already onboarded last quarter. (Neeraj Sharma)

Growth Beyond FY28

- Question: What initiatives for FY29-30 growth trajectory? (Gautami Agarwal)
- Answer: EBITDA trajectory continues upward beyond FY28. Biologics will be long-legged growth driver (RFP funnel 4x, customers in animal health, biosimilars, innovators; commercial revenues FY29 onwards). Expanding mammalian and microbial capacity. Soft gel capacity filling, injectable new capabilities, DDC long legs (Europe FY29-30, US thereafter with FTF customers). (Neeraj Sharma)

Biologics Contracts & Capacity

- Question: Color on recent biologics contracts - when will they contribute and how large? (Pranav Chawla)
- Answer: Formycon added (biosimilars pillar), animal health contract secured. These are long-term sticky relationships driven by changed biosimilar guidelines in US/Europe requiring agile manufacturing partners. Currently development MSAs; commercialization FY29 onwards. Capacity expansion needed in both mammalian and microbial beyond current. (Neeraj Sharma)

Biologics Value Chain Position

- Question: Where do you stand in biologics value chain - R&D or CMO? (Pranav Chawla)
- Answer: Among very few completely integrated drug substance and drug product players. Full value chain from gene to final patient-ready product including fill-finish, assembly in autoinjector/pen injector. Strong R&D and development team. (Neeraj Sharma)

Competitive Risk in Biologics CDMO

- Question: Is domestic competition a material risk for biologics offering? (Pranav Chawla)
- Answer: Demand growth significant (biologics and DDC fastest growing CDMO segments globally; >50% of drug discovery in biologics). India has insignificant share currently; China push-out creates opportunity. India capacity still small fraction of South Korea. OneSource among very few offering integrated drug substance + drug product at same site. (Neeraj Sharma)

Capacity Utilization by Segment

- Question: Current capacity utilization for each segment? (Ritika Agarwal)
- Answer: DDC and injectables at peak/complete utilization (reason for capacity additions). Soft gel transitioning to CDMO with tech transfers underway; capacity being filled over next 12-15 months. CDMO model requires building capacity first, then adding customers - spare capacity needed for onboarding. (Neeraj Sharma)

Capex Plans

- Question: Capex for this year and next including all expansions? (Ritika Agarwal)
- Answer: ~80% of US\$100 million committed. Biologics expansion capex will be significantly lower than DDC investment. No significant additional capex beyond balance 20% currently visible. (Neeraj Sharma)

Generic Weight Loss Drug Market Response

- Question: How are customers seeing response to generic versions in Canada and India? (Anish Jobalia)
- Answer: Constraint has been supply, not demand. Demand significantly outpacing supply. India: from <2,000 pens/month to 150,000-160,000 pens within a year (out-of-pocket market). Canada early but clear trajectory given patient demand, availability, and price delta vs brand. Customer forecasts remain robust. (Neeraj Sharma)

Line Ramp-Up Risks & Timeline

- Question: Risks in scaling up new lines? How many lines in place this year? (Anish Jobalia)
- Answer: New line coming this quarter - confident of filling capacity given clear demand visibility. Third line ready within FY27; three lines fully available for FY28. Fourth line later in FY28 for markets opening FY28-29 onwards. (Neeraj Sharma)

Line 1 Optimal Contribution

- Question: Has line one achieved optimal EBITDA contribution in Q1? (Nitin Agarwal)
- Answer: Revenue perspective - yes, full contribution per line achieved. But opex has been upfronted for new lines; opex leverage will play in as lines install. Optimal contribution comes when all lines in place with limited incremental opex. (Neeraj Sharma)

Geopolitical & Tariff Impact

- Question: Effect of geopolitical issues and US tariff announcement on generics? (Gaurav Shukla)
- Answer: Middle East situation impacting freight (Suez, Strait of Hormuz closures, longer routes, container constraints). Impact muted for OneSource due to ex-works contracts - additional time/cost borne by customers. US tariff announcement: pattern of changes/backdowns expected; too early to say but no long-term harm anticipated. (Neeraj Sharma)

FY27 Milestones to Monitor

- Question: Key milestones for investors to assess FY28 trajectory? (Parth Sodha)
- Answer: Track capacity additions (new line this quarter, next expansion end of year), revenue ramp in H2 from new line, sequential QoQ improvement in revenue and EBITDA. (Neeraj Sharma)

Key Takeaway

OneSource Specialty Pharma delivered a strong Q1 FY27 with revenue of ₹4,490 million (+37% YoY) and EBITDA of ₹1,233 million (+39% YoY, +34% QoQ), driven by semaglutide commercialization and DDC business mix. The company holds all three approved semaglutide products in Canada, supplies >40% of India's generic pens market, and maintains full capacity utilization despite Dr. Reddy's temporary disruption. Strategic focus centers on capacity expansion (second cartridge line commercializing this quarter, third by FY27 end, fourth by FY28), biologics build-out with Formycon partnership and 4x RFP funnel growth, and soft gelatin CDMO transition with greenfield site initiation. Management reiterated FY28 guidance of US\$400 million organic revenue and 40% EBITDA margins, with sequential quarterly improvement expected as new lines ramp and opex leverage plays in. Key watch points include DRL

Shilpa Medicare Ltd

Why read this call

This call marks a clear inflection point: the company has spent years building biologics, formulation, and CDMO capabilities, and now the monetization begins with multiple dated product launches, named partnerships (Orion, Unicycive, mAbTree, Alveolus), and a record quarter that proves execution. The next 2-3 years will look visibly different as these assets fill up and generate higher-margin revenue. The transformation is backed by hard numbers (debt down from 6.7x to 1.3x, ROCE up, credit rating upgrade) and specific timelines, not just adjectives. This is exactly the kind of call an investor should read in full.

The quarter

Record quarter: revenue INR469cr (+43% YoY), EBITDA INR139cr (+42%, 30% margin), PAT INR101cr (+115%, boosted by tax reversal). Formulation revenue +100% YoY, Biologics +42%, API +15%. ROCE improved to 12.5% (18.3% ex new businesses), net debt/EBITDA down to 1.3x, credit rating upgraded to AA-.

The inflection

The company is transitioning from a heavy investment phase to monetization. Specific dated milestones: peptide capacity commissioning by end FY27; 3 NCE CDMO programs commercializing in FY28; Aflibercept biosimilar launch in India FY27; Nivolumab launch FY28 (partnered with Orion for Europe); Rotigotine patch launch FY28; Abraxane/Enzalutamide/Abiraterone filings on track for FY28. 8 biosimilars still to be partnered, 25+ NCE programs in CDMO, ADC biosimilar entering human studies, recombinant human albumin starting global Phase III. Management states 'reinvesting is largely behind us, harvesting is ahead.'

The reinvesting is largely behind us. The harvesting is ahead of us.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹469 crores	+43% YoY; highest-ever quarterly revenue, fourth consecutive record quarter
API Revenue	₹260 crores	+15% YoY; driven by improved offtake from expanded capacities and strong captive demand
Formulation Revenue	₹198 crores	+100%+ YoY; ex-licensing base business +112%, led by complex FDA portfolio in US
Biologics Revenue	₹52 crores	+42% YoY; driven by licensing/partnership and CDMO deal momentum
Gross Margin	71%	Slight dip from raw material inflation; complex product mix supports high margins
EBITDA	₹139 crores	+42% YoY; margin 30%, consistent with ~30% range maintained over recent quarters
Operating PBT	₹92 crores	Vs ₹50 crores in Q1 FY26; before JV share and exceptional items
Reported PBT	₹98 crores	+98% YoY
PAT	₹101 crores	+115% YoY; aided by negative tax rate from deferred tax liability reversal
Normalized Tax Rate	~25% expected	Post new regime adoption; effective rate lower with MAT credit utilization
ROCE	12.5% blended; 18.3% ex-biologics	Up from 8.8% in FY25; adjusted for early-stage businesses
Net Debt/EBITDA	1.3x	Down from 6.7x three years ago
Capex	₹114 crores	Q1 spend, funded via internal accruals; peptide capacity commissioning by FY27-end
Credit Rating	AA-	Upgraded from A+

Geographic & Segment Commentary

API: ₹260 crores revenue, +15% YoY. Growth driven by improved offtake of key products from newly expanded capacities and strong captive demand from FTF finished formulation vertical. Specialty CDMO within API saw strong traction from new client acquisitions in developed markets. Focus remains on CDMO, Peptides, and Oncology, with three NCE advanced programs set to commercialize in FY28 and 15 new oncology product validations targeted for FY27.

Formulation: ₹198 crores revenue, more than doubled YoY with ex-licensing base business growing ~112%. Complex FDA portfolio in US led the growth, supported by EU and ROW regions. NorUDCA, the first NCE approved in India, is performing as expected with strong FY27 order visibility; global Phase 2 studies start in FY27. Three 505(b)(2) products approved last year continue growing QoQ, while Rotigotine transdermal patch, Abrexin, Enzalutamide, and Abridron are on track for FY28 launches.

Biologics: ₹52 crores revenue, +42% YoY, driven by licensing/partnership and CDMO momentum. Aflibercept clinical studies completed, with India launch on track for FY27 through three ophthalmic partners. Nivolumab partnered with Orion Corporation for Europe; India launch expected FY28. Over five biosimilars in pipeline; CDMO business has 6+

active NCE programs with one entering human studies in FY27. Recombinant human albumin Phase 1 complete, global Phase 3 starting; first ADC biosimilar entering human studies in FY27.

Company-Specific & Strategic Commentary

Transformation Scorecard: Net debt/EBITDA improved from 6.7x to 1.3x in three years, ROCE now double-digit, credit rating upgraded to AA-, and portfolio shifted from API ingredients to first-in-class drugs and complex molecule manufacturing. Management stated "reinvesting is largely behind us, harvesting is ahead of us."

Integration Advantage: Shilpa positioned as one-stop solution - API integrated with formulation, biologics from clone to fill-finish, complete albumin chain. This integrated capability is a key differentiator for winning CDMO customers seeking consolidated solutions.

CDMO Strategy: 25+ NCE programs across API division with three late-stage programs commercializing FY28; 20+ CDMO customers. Strategic equity investments in partners like mAbTree and Alveolus Bio provide profit-share upside beyond supply contracts; selective criteria based on therapy and corporate strategy fit.

Peptide Capacity Expansion: Large CapEx investment in peptide manufacturing in India, enabling end-to-end solid phase synthesis, with commissioning by end FY27.

NorUDCA Global Expansion: European and US scientific advice completed; global Phase 2 clinical studies commencing FY27. Differentiated mechanism directly targeting liver enzymes vs GLP-1s like Semaglutide for fatty liver indications.

Biologics Partnering Model: First European biosimilar partnership (Nivolumab with Orion); three partnerships for Aflibercept in Indian ophthalmic market. Mixed strategy - biosimilars and CDMO for short/mid-term, strategic partnerships for long-term.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA Margin	~30% range	CFO: "We would put margins to remain in similar range"; conservative stance to over-deliver
Tax Rate	~25% normalized	After switching to new tax regime; effective rate lower with MAT credit utilization
Growth Trajectory	Robust, no numeric guidance	Management declined to provide specific numbers; expects faster profitability growth driving higher ROCE
Formulation Revenue	Strong growth possibility	Existing and new pipeline launches; NorUDCA strong order visibility for FY27
Biologics Revenue	Significantly higher growth	Smaller base; industry shift toward biologics; more partnerships expected
ROCE	Higher in coming year	Improved business mix and operating leverage; adjusted ROCE already 18.3%
API Revenue	Steady growth in FY27	Focus on CDMO, peptides, oncology; 15 new oncology validations expected

Risks & Constraints

RISK	CONTEXT
Regulatory challenges	Unexpected regulatory issues could slow growth trajectory (CFO flagged). Company maintains robust compliance, but regulatory authority perspectives can vary.
Raw material inflation	Global political situation driving up raw material prices, slightly pressuring gross margins; only partially passable to customers.
US tariff policy	Potential tariffs on Indian pharma exports; company's complex/differentiated US portfolio minimizes immediate impact, but evaluating US manufacturing as hedge pending policy clarity.
Product development failures	Not all programs succeed; failures budgeted and hit P&L directly. Uncertainties in clinical outcomes and timelines across 25+ NCE programs.
Partner dependence	Reliance on partners for commercial milestones - Unicycive received CRL from USFDA with refile expected Q3; global Phase 2 for NorUDCA depends on successful execution.

Q&A Highlights

Capital Allocation & Capex Strategy

- Question: With investments monetizing, what would make you say you have enough capability and prioritize sorting existing assets over building new? (Sajal Kapoor)
- Answer: Historical CapEx in biologics and formulations has low utilization - room for capacity utilization growth; API has high utilization where additional CapEx continues. Mix gives confidence enough capital is deployed for upcoming growth. (Keshav Bhutada)
- Question: Are we getting a sense that one plus one is greater than two now? (Sajal Kapoor)
- Answer: Shilpa is built on integration - API integrated with formulation, biologics clone to fill-finish, albumin end-to-end. Industry needs one-stop solution capabilities. (Keshav Bhutada)

CDMO Growth & Strategic Investments

- Question: Is specialty CDMO the next leg of growth for API? How many projects will start commercial phase in FY27-28? (Nikhil Upadhyay)
- Answer: Yes, specialty CDMO will be a leading driver; three late-stage programs entering commercialization next year. Program count details not disclosed. (Keshav Bhutada)
- Question: What is the strategy of taking stakes in companies to provide CDMO services? (Anubhav Goel)
- Answer: Unique confidential strategy; highly selective - must fit therapy and corporate strategy. Will disclose more if deal sizes increase in future. (Keshav Bhutada)

NorUDCA Performance & Competitive Positioning

- Question: How much of domestic formulation revenue came from NorUDCA? What about six-month curability data? Does Semaglutide's fatty liver approval impact us? (Krisha Kansara)
- Answer: Product-level sales not disclosed; strong order trajectory gives confidence. Clinical data published online; Phase 4 study ongoing. NorUDCA directly attacks liver enzymes - different mechanism than Semaglutide for liver fibrosis. (Keshav Bhutada)

Margin Trajectory & Sustainability

- Question: How sustainable is the ~29-30% EBITDA margin? (Rakesh Mehta)
- Answer: Consistently maintaining ~30% levels; being conservative and expecting similar range going forward. (Alpesh Dalal)
- Question: What's driving gross margin, and what would it be excluding one-offs? (Sumit Gupta)
- Answer: Complex products like Rotigotine, Abraxane, NorUDCA drive margins. Raw material price increases from global political situation caused slight dip; partially passed on to customers - quantifying the impact is difficult. (Keshav Bhutada, Alpesh Dalal)

Tax Regime Shift

- Question: Why move to new tax regime when you could claim 100% R&D deduction on capital goods? (Nishant)
- Answer: R&D units already fully functional with no significant R&D CapEx coming; lose accumulated MAT credit if not switching. Tax rate differential ~9.75%, plus MAT credit utilization at 25% of tax brings effective rate down ~6-6.5%. (Alpesh Dalal)

US Tariff Exposure

- Question: How will you counter US tariffs given ₹45 crores exports? (Nishant)
- Answer: Products are complex and differentiated, not commodity generics - minimal impact. Evaluating US manufacturing facility but waiting for policy clarity from the current administration. (Keshav Bhutada)

Licensing Business Model

- Question: What are the economics of license and service income? Is it recurring or one-time? (Ajay)
- Answer: Licensing income comes after development spends in earlier periods; received amounts are significantly higher than program spends but not every program succeeds - failures hit P&L. Model is portfolio development and licensing; CDMO is a separate business. (Alpesh Dalal)

Biologics Strategy & Scale-up

- Question: How will you scale biologics from ₹150 crores to ₹300-400 crores? (Krisha Kansara)
- Answer: Strong team with wide experience plus consultants with US/EU regulatory understanding; further details to be shared offline. (Keshav Bhutada)
- Question: What's the growth trajectory for biologics? (Rakesh Mehta)
- Answer: Significantly higher growth on smaller base; industry moving toward biologics provides additional opportunity. No specific numbers provided. (Alpesh Dalal)

Key Takeaway

Shilpa Medicare delivered a record Q1 FY27 with revenue of ₹469 crores (+43% YoY), EBITDA of ₹139 crores (+42%, 30% margin), and PAT of ₹101 crores (+115%), supported by gross margins of 71%. Formulation led the growth, more than doubling YoY (ex-licensing +112%) on complex FDA products, while API rose 15% and Biologics 42%. The company leveraged its integrated API-to-formulation and clone-to-fill-finish capabilities, with three late-stage NCE programs set to commercialize in FY28 and NorUDCA gaining momentum in India while entering global Phase 2. ROCE improved to 12.5% (18.3% ex-biologics) and credit rating was upgraded to AA-, while net debt/EBITDA fell to 1.3x. Management maintained a disciplined stance, declining numeric guidance but signaling sustained ~30% EBITDA margins and higher returns as biologics, CDMO, and albumin assets monetize. Key watch-points include

regulatory hurdles, raw material inflation, US tariff policy, and successful global clinical progression of biosimilars and NorUDCA.

Kwality Pharmaceuticals Ltd

Why read this call

This call is a must-read because Kwality is at a genuine inflection point: it is transitioning from a generic injectable player into complex injectables and biosimilars, with new plants (hormone, biologics) coming online on stated dates and a large pipeline of registrations and BE studies. The management backs its aggressive growth targets with specific numbers-registrations, revenue contributions, timelines, and approvals-rather than vague optimism. The next 2-3 years will visibly differ from the past as new revenue streams from hormone, biologics, and complex generics scale. Risks exist (promotional tone, execution dependence on regulatory approvals), but the receipts are concrete enough to warrant full attention.

The quarter

Q1 FY27 results not explicitly quantified, but management guided FY27 revenue to INR 700+ crore (vs ~INR 600 crore FY26) with EBITDA margins of 26-27%. Oncology contributed INR 30-35 crore in Q1, targeting INR 100-110 crore for FY27. Gross margins reported at 53% (down from 56-57% prior quarter, though management claimed improvement). Debtor days expected to fall to 165-170 from ~200.

The inflection

Multiple dated catalysts: hormone plant commissioning Nov 2026 (INR 70-80 crore FY28, INR 150-200 crore FY29 potential), biologics facility with erythropoietin clinical trials starting Nov-Dec 2026 and commercialization by end CY2027 (INR 80-100 crore FY28), KEYTRUDA biosimilar with CDSCO approval for preclinicals, targeting first-wave launch at patent expiry end CY2028. 40 BE programs expected to generate INR 600-700 crore by FY29, with 60-70 registrations already secured in last 3 quarters. Algeria JV for biosimilar fill-finish with equity for technology transfer. Management targets INR 1,500 crore revenue by FY30, doubling from FY27 guidance.

We have developed a revenue model wherein we believe by 2030, we can easily reach INR 1,500 crore revenue mark.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Note: Transcript is machine-generated with speaker attribution errors in places; questions from multiple analysts are mislabeled as management responses. Summarized based on contextual parsing.

Financials & KPIs

METRIC	REPORTED	COMMENTARY
FY27 Revenue Guidance	₹700+ crores	40% YoY growth over FY26 (~₹500 crore), driven by quarterly molecule registrations; management reaffirmed with high confidence
EBITDA Margin Guidance (FY27)	26-27%	Guided in opening remarks; trajectory toward ~30% at ₹1,000 crore revenue
Gross Margin (Q1 FY27)	~53%	Improved QoQ from 56-57% in Q4 FY26; expected to normalize to 49-51% at ₹700+ crore scale, ~47% once BE/niche products ramp
Oncology Segment Revenue (Q1 FY27)	~₹30-35 crores	~20% of product mix vs 26% earlier; FY27 target of ₹100-110 crore maintained; expected 25-30% of mix
Unit 5 (Biological) Revenue Share (Q1)	~1%	Minimal as product not yet commercialized; early registration-stage contribution only
Debtor Days	165-170 days	Down from ~208 days in FY26; MENA/CIS/GCC payments improving; receivables ~₹300 crore at ₹700 crore annual run-rate
Product Registrations (last 3 quarters)	60-70 products	Each registration adds ~US\$1.5-2 million (~₹12-16 crore) annual revenue; cadence expected to rise to 4-7 per quarter
Capacity Utilization - General Facility	75-80%	Near-full utilization; expansion adding ~20% more capacity
Capacity Utilization - Oncology (existing)	75-80%	Expansion underway adding 45-50% additional capacity; revenue-commencing immediately on approval post-audit
Capacity Utilization - Beta-lactam/Cephalosporin	~20-25%	Early-stage ramp; room for meaningful growth

Geographic & Segment Commentary

LATAM (Mexico, Colombia, Chile, Venezuela): Largest contributor at 35-40% of FY27 expected revenue. Mexico: 70 product submissions made in FY26, 18-19 registrations received; Colombia: 25-30 submissions in flight. Competitive moat driven by PIC/S & European-certified plants, Mexican/Colombian approvals, and 25-30 injectable lines - few competitors hold this combination with ready dossiers.

MENA & GCC: Saudi Arabia newly opened - 12-13 submissions made in FY26; revenue expected from Q3 FY27 as registrations clear. GCC (UAE, Oman) expected to follow. Management expects MENA/GCC to be the highest revenue-contributing region in Q4 FY27, followed by LATAM. Payments from MENA/CIS/GCC are improving, aiding debtor-day reduction.

Europe: Expected to contribute 10-15% of revenue by FY30 as European-region registrations commercialize from FY28; Hungary referenced as a submission route for oncology expansion.

ROW Markets: Currently 35-40% of revenue, dragging gross margins; as regulated-market mix (Europe, LATAM, GCC) scales, gross margin is expected to compress toward 47% as a natural mix outcome.

Oncology Segment: Q1 revenue ~₹30-35 crores (~20% of mix, down from 26%). Registration timelines for new oncology products are delayed - expected by Q4 FY27 - but FY27 revenue target of ₹100-110 crore maintained. Oncology expansion (same facility) submissions to Hungary, Brazil, Colombia planned for immediate commercial use post-audit.

Biological Facility (Unit 5): CDSO approval received for 100-liter scale (500-liter bioreactor installed but not yet registered). Preclinical for Retrovoltin (erythropoietin) completed; clinical trials to begin November-December 2026; Indian commercialization expected before end of calendar year 2027; international filings already initiated in 10-12 geographies with first 4-month study data.

Hormone Facility (Unit 6): Manufacturing license expected November 2026; GMP certificate expected June-July 2027 after 6-month stability. Immediate ROW/tender sales (Iraq, Africa, LATAM) possible with just manufacturing permission - ₹70-80 crore potential in FY28; ₹150-200 crore in FY29 subject to bioequivalence and registration timing.

Other Segments: General facility generating 75-80% utilization with ~20% expansion underway; beta-lactam/cephalosporin at 20-25% utilization. Complex injectables (liposomal amphotericin B, octreotide LAR, leuprolide 45 mg) positioned as first/second generics in 70-80% of target markets.

Company-Specific & Strategic Commentary

Biosimilar Program - Erythropoietin (Retrovoltin): Preclinical completed, CDSO approval received to conduct clinical trials; PK/PD study begins Nov-Dec 2026, clinical closure expected Oct-Nov 2028 (CY28). Product launch targeted before end of calendar year 2027 in India; ROW registrations in 10-12 countries initiated without waiting for full clinical data. Management targeting first-wave launch at patent expiry (end CY28).

Bioequivalence (BE) Program - 40 Oral Solids: 6-7 molecules completed in Q3 FY26, 2-3 in Q4 FY26; first 5-6 molecules commercializable by Q4 FY27 (or Q1 FY28). Remaining ~32 programs to complete by Nov-Dec 2026; all submissions targeted before Q1 FY28. Revenue potential: ₹80-100 crore in FY28, jumping to ₹400-500 crore in FY29; overall ₹600-700 crore by FY29.

Complex Injectable BE Program: Three products - liposomal amphotericin B (second generic), octreotide LAR (first generic in 70% of markets), leuprolide 45 mg (first generic in 75-80% of markets). Amphotericin and octreotide BE to finish by Apr-May 2027 (Q1 FY28); leuprolide by Q2 FY28.

Capex Plan - ₹185-195 Crore: ₹70 crore hormone plant, ₹50 crore oncology expansion, ₹25-30 crore bioequivalence programs, ₹20 crore working capital, ₹10-15 crore biosimilar R&D. Additional ₹150 crore earmarked for biosimilar clinical trials between Q3 FY28 and Q4 FY29. Management confirmed no external debt drawn so far - funded via internal accruals; extended loan (₹15-20 crore) available as contingency.

Auditor Transition - KPMG: Agreement signed; appointment planned in Q3-Q4 FY27 pending software/system migration to support KPMG data requirements; target completion before end of FY27.

Algeria JV for Biosimilars: Partner to build fill-finish plant in Algeria; Kwalita contributes API, registrations, technology and clinical data in exchange for equity. Parallel-registration strategy (stability batches in Algeria while clinical data is completed in India) significantly compresses timelines. Similar arrangements "almost there" in Mexico and other LATAM countries.

Strategic Positioning: "First and second generic" focus in niche injectables with 200-250 product portfolio targeting filings across 70-80 countries. All 5 operating plants are PIC/S and European certified; ~60-70 new product dossiers prepared annually. Related-party arrangement with Mana Pharma/SD Biopharma (Deepak Bansal) supplies Kwalita products to Venezuela, Colombia, Mexico; earlier KPL oncology plant land plan is on hold and land may be sold.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue	₹700-720 crore	40%+ YoY; management "100%" confident despite regulatory-delay risks
FY28 Revenue Growth	25-30% (minimum 25%)	Based on already-promised registrations; registration-based revenue model
FY29 Revenue	~₹1,000 crore	Excludes hormone and biological revenues (upside if registrations come through)
FY30 Revenue	₹1,500 crore	Doubling before end of FY30; ₹1,300-1,400 crore considered "100% possible"
EBITDA Margin - FY27	26-27%	Guided at opening; FDA-style audits (2 external/month) support quality premium
EBITDA Margin - FY29	~30%	At ~₹1,000 crore revenue; operating leverage from fixed cost base
Gross Margin - steady state	~47%	At full BE-program and niche-injectable mix; currently ~53% due to ROW-heavy mix
Hormone Revenue - FY28	₹70-80 crore	Immediate ROW/tender market sales (no BE required)
Hormone Revenue - FY29	₹150-200 crore	Conservative number ₹150 crore; depends on BE completion and registrations
Erythropoietin - FY28	₹80-100 crore	Indian market initial commercialization
Erythropoietin - FY29/FY30	₹200-250 crore	International registrations; may shift to FY30 if delayed
BE Program - FY28	₹80-100 crore	First ~5-6 molecules commercialized by Q4 FY27/Q1 FY28
BE Program - FY29	₹400-500 crore	All 40 programs filed and ramping
KPMG Appointment	Q3-Q4 FY27	Signed; pending software migration
Debtor Days - FY27 Exit	165-170 days	From ~208 days in FY26; target 155-160 days in steady operations
Latam Share	35-40% of FY27 revenue	Mix expected to shift as Europe grows to 10-15% by FY30

Risks & Constraints

RISK	CONTEXT
Regulatory Approval Delays	Oncology registrations already delayed (pushed to Q4 FY27). Management acknowledged that "certain things are in control of the Ministry of Health of various countries" and could affect sales targets. Mitigation: multi-geography registrations (60-70 in last 3 quarters) provide diversification buffer.
Biosimilar Market Pricing/Competition	Management explicitly stated they "do not know how many players are going to enter the biological market and what is going to be the price of the product." Biosimilar price erosion expected post-patent-expiry; margin contribution from this segment remains unquantified and excluded from FY29 EBITDA guidance.
Working Capital / Receivables Concentration	Receivables at ~40% of annualized revenue (~₹300 crore at ₹700 crore run-rate). Improvement reliant on MENA/CIS/GCC payment normalization, which has been historically volatile due to geopolitical disruptions. Management holds an undrawn ₹15-20 crore facility as contingency.
Execution Risk - Multi-Platform Ramp	Six plants (incl. hormone and biologics) across different regulatory regimes, 40+ BE programs, and three biosimilar clinical trials running concurrently. Any clinical/batch failure could push P&L timing significantly. Management cited Biofacility (500L) and clinical-trial timelines as key dependencies.
Related-Party/Governance Overhang	KPL entity with promoter Ramesh Arora and associate Deepak Bansal has a land purchase agreement at "double price" - management confirmed the plant is on hold and land "to be sold or some other arrangement made." Analyst scrutiny on governance continues; KPMG appointment is intended to address this.

Q&A Highlights

Oncology Mix & Registration Timelines (Aryan Mehta, Shravas Capital)

- Question: Why did oncology fall to 20% from 26%? Is the 30% target still valid for this year or next? And what about the 1% from Unit 5?
- Answer: Oncology will remain 25-30% of mix; registrations are delayed, with expected clearances by Q4 FY27. Multiple registrations came in from general facility (MENA, Mexico, Algeria, Morocco, Tunisia). Unit 5's 1% reflects early registration-stage revenue only (Aditya Arora).

Biosimilar (Retrovoltin/Erythropoietin) Timeline (Utkarsh Somaya, Eco Quantum Solutions)

- Question: Will there be a gap between submission, approval, and launch? Is that 6 months to a year?
- Answer: Indian sales will be immediate; for foreign submissions, we don't wait for complete clinical trial - with the first 4-month study of 40 patients we begin dossier submission. By November-December 2026, the product will already be registered in 10-12 ROW countries. Clinical closure ~Oct-Nov 2028, commercialization before end of CY27 (Aditya Arora).

Growth Model & Competitive Moat (Utkarsh Somaya)

- Question: Markets are growing single-digit - how are you growing 40%? Is it distributors, product quality, or niche positioning?
- Answer: PIC/S and European-certified plants, 25-30 injectable lines, and a ready-dossier basket for bioequivalent filings across 60-70 countries. Strategy is "master of first and second generic" - targeting gap products with 200-250 molecule portfolio across 70-80 countries. Each of 60-70 registrations in last 3 quarters adds ~US\$1.5-2M

annual sales. Competition is low because few players have Colombian/Mexican/European approvals with injectable breadth (Aditya Arora).

Related-Party Transaction - KPL/Deepak Bansal (Analyst)

- Question: What is the relationship with Deepak Bansal and SD Biopharmaceuticals, the KPL entity with a land purchase at double price?
- Answer: Deepak Bansal is a business associate - European company Mana Pharma invested in Kwalita's dossiers across geographies; SD Biopharma (Mana Pharma's India entity) purchases from Kwalita and supplies to Venezuela, Colombia, Mexico. The KPL land/oncology plant arrangement (where Mana wanted to build an injectable plant with Kwalita stake) is on hold; land is to be sold or repurposed (Aditya Arora).

KPMG Auditor Transition (Utkarsh Somaya; Kunal Dubey)

- Question: You said KPMG is coming - your statutory auditor hasn't changed and they're appointed for 5 more years. What's the status?
- Answer: Agreement with KPMG is signed; appointment is planned for Q3-Q4 FY27, pending software/system upgrades to support their data requirements. There will be an EGM for the appointment. Target is before end of FY27. Q4 FY27 audit will be by KPMG (Aditya Arora).

FY28-FY30 Growth & Margin Trajectory (Utkarsh Somaya)

- Question: Will the 25-30% growth continue in FY28? How do we get from 27% EBITDA to 30%?
- Answer: Revenue model supports ₹1,500 crore by FY30 (doubling by end of FY30), year-on-year growth of 25-30%. At ₹1,000 crore revenue, EBITDA should be 29-30% with operating cost not increasing much. Margin expansion of ~100bps per year is possible. FY27 revenue of ₹700-720 crore is "100%" certain; FY28 minimum 25% growth (Aditya Arora).

Risks Acknowledged (Utkarsh Somaya)

- Question: What risks should we be cognizant of?
- Answer: No regulatory risk - passed 7 CDSO risk-based investigations in 3 years, 2 external audits monthly from Russia/Ukraine/Europe/LATAM, 1-2 external audits every 2 months. The key risk is management discipline: "directors should not get carried away with small successes. It is very important for us to stay grounded" (Aditya Arora).

BE Program Conversion Funnel (Nirali Shah, Ashika Investment Managers)

- Question: How should we look at the 40 oral-solid BE programs as a conversion funnel over the next 2 years?
- Answer: 6-7 molecules from Q3 FY26 and 2-3 from Q4 FY26 will be commercialized before end of FY27 (Q4 FY27 or Q1 FY28 if delayed). Remaining ~32 programs complete by Nov-Dec 2026; all submissions done before Q1 FY28. Revenue estimate: ₹80-100 crore in FY28, ₹400-500 crore in FY29 from BE programs; overall ₹600-700 crore by FY29 (Aditya Arora).

CDSO Approval for Biosimilar (Nirali Shah)

- Question: Can you share more on the CDSO approval for Retrovoltin?
- Answer: R&D and cell-line due diligence completed; outsourced R&D and tech transfer done; CDSO + Gene Modification Authority of India evaluated all R&D data, cell-line characteristics; approval received for stability batches and preclinical. Preclinical begins Dec 2026, finishes March 2027; clinical trials for the oncology molecule

take 1-1.5 years; commercialization before end of calendar year 2028, first-wave launch at patent expiry (Aditya Arora).

Debtor Days & Working Capital (Nirali Shah; Avijit, Paul SS)

- Question: FY26 had elevated debtor days due to geopolitical disruptions. Is Q1 improving structurally or is it inventory-led?
- Answer: Debtor days will come down to 165-170 days from 208 days; operational target 155-160 days. Payment cycles specifically from MENA, CIS, and GCC regions are improving - recently received a lot of payments from the region (Aditya Arora).

Complex Injectables - Competitive Moat (Nirali Shah)

- Question: Where is the strongest competitive moat - formulation know-how, manufacturing, regulatory, or relationships?
- Answer: The ability to correctly imitate reference-product formulation in niche molecules - challenges in development, batch failures, destructions, and continuous improvement. Becoming first generic in the gap between reference product and current first generic is the key moat (Aditya Arora).

Gross Margin Contraction & Mix (Avijit, Paul SS)

- Question: Why did gross margins contract YoY - raw material cost or mix?
- Answer: Gross margins actually improved from 56-57% (Q4 FY26) to 53% (Q1 FY27). At ₹700+ crore revenue, expect 49-51%; ideally 47% once BE and niche injectables ramp. ROW market share (35-40% of revenue) keeps margins lower; improving each quarter (Aditya Arora).

Raw Material Sourcing (Avijit)

- Question: Any cost inflation or supply pressure on key APIs?
- Answer: 80-85% of procurement is from domestic API; only 15% from China. No material disruption so far (Aditya Arora).

Capex Breakdown & Funding (Avijit)

- Question: Will cash flow fund the multi-year capex without additional debt?
- Answer: ₹185-195 crore total: ₹70 crore hormone, ₹50 crore oncology, ₹25-30 crore BE, ₹20 crore working capital, ₹10-15 crore biosimilar R&D. Additional ₹150 crore for biosimilar clinical trials between Q3 FY28-Q4 FY29. An extended loan is available (₹15-20 crore) but unused; running cash flows cover all current investments (Aditya Arora).

Algeria JV Structure (Avijit)

- Question: What's the status of the Algeria R&D partnership and revenue mechanism post-commercialization?
- Answer: Joint venture - partner builds fill-finish plant in Algeria; Kwalita contributes API, registrations, biosimilar clinical results/data; Kwalita takes equity for technology transfer. Products registered and commercialized across MENA. Parallel-registration strategy saves significant time - stability batches run in Algeria while clinical data completes in India. Similar arrangement "almost there" in Mexico and other LATAM countries (Aditya Arora).

Hormone Revenue Estimates (Nishita, Sapphire Capital; Manan, Walford)

- Question: How fast can Unit 6 (hormone) ramp up, and is the FY29 target ₹150 crore or ₹200 crore?

- Answer: Immediate sales (ROW/tender markets - Iraq, Africa, LATAM) of ₹70-80 crore in FY28 with just manufacturing permission. For QPP and bioequivalent hormone products, ₹200 crore by FY29 is possible, but the conservative guidance given to investors is ₹150 crore. GMP certificate expected June-July 2027 after 6-month stability post-Nov 2026 license (Aditya Arora).

Revenue Mix at ₹1,500 Crore (Shubhanu Bangal, Three Head Capital)

- Question: At ₹1,500 crore revenue, what's the mix?
- Answer: 35-40% from general facility; 25% oncology; 15-20% biosimilar (or 30% if pembrolizumab gets registered); remaining 10-15% beta-lactam and cephalosporin combined. Geographically: 35% LATAM, 15-20% MENA, 10-15% GCC, 10-15% Europe, with India becoming a significant market once biosimilars launch in FY30 (Aditya Arora).

Biologics Capacity - 100L vs 500L (Manan, Walford)

- Question: Slide 21 says 500-liter expansion is complete, but biologics shows installation of 500 liters. Which is it?
- Answer: CDSO approval is only for 100 liters; the 500-liter bioreactor is already installed (5x capacity) but CDSO registration is awaited. Deliberately not rushed since only clinical batches are being taken now; registration will follow once clinical batches are complete (Aditya Arora).

Key Takeaway

Kwality Pharmaceuticals delivered a "good set" of Q1 FY27 numbers with gross margin expanding QoQ to ~53%, oncology revenue of ₹30-35 crore (~20% of mix), and debtor days improving toward 165-170 from 208 in FY26, while management reaffirmed ₹700+ crore FY27 revenue guidance (40% YoY) at 26-27% EBITDA margins. The growth engine is registration-led: 60-70 new product registrations in the last three quarters, each adding ~US\$1.5-2 million annual revenue, with cadence expected to rise to 4-7 per quarter. Strategic focus is on first/second generic injectables across LATAM (35-40% of revenue), MENA/GCC, and Europe, plus three high-value platforms - 40 oral-solid bioequivalence programs (₹80-100 crore FY28, ₹400-500 crore FY29), hormone facility (₹70-80 crore FY28, ₹150-200 crore FY29), and the erythropoietin biosimilar (₹80-100 crore FY28 India, ₹200-250 crore international in FY29/FY30). Management guided ₹1,000 crore revenue by FY29 (excluding hormone/biologics) and believes ₹1,300-1,400 crore is "100% possible" by FY30, with KPMG appointment slated for Q3-Q4 FY27 addressing governance concerns. Key watch points: regulatory approval timing, biosimilar price competition, receivables at ~40% of revenue, and execution across six parallel facilities.

Sakar Healthcare Ltd

Why read this call

This is a genuine inflection point: the company has spent years building a regulatory pipeline and is now starting to commercialize it. The quarter is strong, and management provides specific, dated receipts-dossier counts, MA approvals, named customers, purchase orders, and capacity headroom. The next 2-3 years will look very different from the last 3 as exports scale and margins expand toward 35% with API backward integration. This is exactly the kind of call where an investor should read the full transcript to gauge execution credibility.

The quarter

Q1 FY27 revenue from operations INR 72.97 crore, +38% YoY; EBITDA INR 21.25 crore, +67%, margin 29%; PAT INR 10.28 crore, +120%. Oncology revenue INR 33 crore, of which exports INR 6.5 crore. Strong growth driven by better product mix, operating leverage, and oncology contribution.

The inflection

Sakar is transitioning from a domestic CMO player to an oncology-led export franchise. Proof: 178 dossiers submitted globally, 16 marketing authorizations received (targeting 32 this year, 100+ next year), 33 ongoing tech transfer projects with Accord, Intas, Torrent, Emcure, Glenmark, Zydus, 7 site variation approvals already secured, and first export dispatches underway (e.g., Letrozole tender in Germany, products to Bulgaria). The EU-GMP Bavla facility can support INR 800-1,000 crore revenue without major capex. Management guides oncology revenue to double this year (~INR 200 crore) and triple next year (~INR 300 crore), with exports growing from INR 6.5 crore this quarter to INR 60-70 crore for FY27.

We are looking forward to maybe around making 10 times of it roughly at the end of year that value through exports.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹7,297 lakhs	+38% YoY; driven by oncology momentum and export growth
EBITDA	₹2,125 lakhs	+67% YoY; margin expansion from better product mix and operating leverage
EBITDA Margin	29%	+~400 bps YoY; oncology contribution and execution discipline key drivers
Profit After Tax	₹1,028 lakhs	+120% YoY; strong flow-through from EBITDA improvement
Oncology Revenue (Q1 FY27)	₹33 crores	Exports ₹6.5 crores (20%), domestic ₹26.5 crores (80%)
Oncology Revenue (FY26)	~₹93-94 crores	Baseline for doubling target in FY27
Domestic CMO Revenue (FY26)	~₹35 crores	Targeting 2x growth in FY27 to ~₹70 crores
API Contribution to Oncology	~30% (~₹27-28 crores FY26)	21 APIs developed in-house; 16 with written confirmations/CEP; 2 CEP approved
Non-Oncology Growth Rate	7-8% CAGR	Emerging market generic portfolio; 270+ MAs; not a strategic focus area
Non-Oncology EBITDA Margin	~25%	Stable but lower than oncology potential
Oncology EBITDA Margin (Current)	~27-29%	Quarterly improvement; targeting 30%+ for FY27 full year
Oncology EBITDA Margin (With API Integration)	35%+	For CEP-integrated products; 2 CEP approved (Gefitinib, Cytarabine), 5 in pipeline
Bavla Facility Revenue Potential	₹800-1,000 crores	At optimal utilization over 4-5 years without major incremental capex
Marketing Authorizations Received	16	178 dossiers submitted globally; 261 total in pipeline; 26 European filings (15 own)
Technology Transfer Projects	33 ongoing	7 site variation approvals received (5 Accord, 1 Torrent Germany, 1 Torrent UK)
Oncology Molecules Developed	55	32 dossiers ready for global launch; 23 in preparation; 6-7 off-patent opportunities

Geographic & Segment Commentary

Oncology (Bavla Facility - EU-GMP Approved): Q1 revenue ₹33 crores with exports at ₹6.5 crores. Strong pipeline conversion underway: 178 dossiers submitted (avg 12-month approval cycle), 16 MAs received, 7 site variation approvals enabling commercial supplies to Accord, Torrent. Targeting export revenue of ₹60-70 crores in FY27 (10x Q1 run-rate) and oncology segment revenue of ~₹186-188 crores (2x FY26). Facility designed for ₹800-1,000 crores revenue potential. Key markets: Europe (Bulgaria first MA, 3 products ready for dispatch), Latin America (Colombia, Mexico), Eastern Africa (4 countries), APAC (Australia, NZ, Philippines, Vietnam, Malaysia, Thailand).

Non-Oncology (Changodar Facility): Stable CDMO, injectables, oral solids, branded formulations business across APAC, Latin America, CIS, Africa, select Europe. 270+ MAs in emerging markets. Growth tracking industry at 7-8% CAGR with ~25% EBITDA margin. Not a strategic investment focus; recognized as best supplier by Ethiopian Pharmaceutical Supply Services for 2024-25.

Company-Specific & Strategic Commentary

Oncology-Led Export Franchise Transition: Management explicitly stated Sakar is "evolving into a predominantly oncology-led export franchise" with all product development, dossier filings, technology transfers, and API integration aligned to this strategy. Bavla facility is the cornerstone with multi-format capability (oral solids, injectables, oral liquid, API).

Backward Integration via API Development: 21 oncology APIs developed in-house; 16 supported by written confirmations/CEP approvals; 2 CEP approved (Gefitinib, Cytarabine); 5 more CEP applications in pipeline. Target: 7 CEP-approved APIs covering ~33% of product portfolio. Priority is captive integration for margin enhancement (35%+ EBITDA on integrated products) over external API sales.

Technology Transfer as Strategic Moat: 33 ongoing projects with top Indian pharma (Accord-Intas, Torrent, Emcure, Glenmark, Zydus). 7 site variation approvals secured; 3 Accord products commercialized (Imatinib, Azacitidine, Exemestane tablets, Cytarabine injection); Torrent Germany awarded Letrozole/Exemestane tenders with dispatches underway. Creates long-term manufacturing partnerships vs. pure product supply.

Own Marketing Authorization Portfolio Building: Currently 1 own MA in Europe (Balkans); targeting 15 own MAs in Europe to enable 30-market access via mutual recognition procedures (2-3 months per market). Reduces partner dependency and improves margin capture.

Regulatory Pipeline Scale: 261 dossiers shared globally (178 submitted, 83 with partners for submission). Adding 25-30 dossiers/quarter from FY28. Target: 32+ MAs in FY27 (2x current), 100+ in FY28. 55 molecules developed, 32 launch-ready, 23 in preparation, 6-7 off-patent opportunities.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Oncology Revenue FY27	~₹186-188 crores (2x FY26)	Driven by export ramp from Q3 FY27; export contribution target 30% of oncology sales by FY27 end
Oncology Revenue FY28	~₹280-300 crores (3x FY26)	Supported by 100+ MAs; doubling of FY27 export run-rate
Oncology Export Revenue FY27	₹60-70 crores	10x Q1 ₹6.5 crores; comprises site variation supplies + MA-based exports
Marketing Authorizations FY27	32+ (double current 16)	178 submitted + 83 partner-held dossiers; avg 12-month approval cycle
Marketing Authorizations FY28	100+	Cumulative approvals from expanding dossier base
Domestic CMO Revenue FY27	~₹70 crores (2x FY26)	Partner growth (Emcure, Glenmark, Zydus scaling) + 15+ regional players growing 15-20% YoY
CEP-Approved APIs	7 total (2 approved, 5 in pipeline)	Target within 2-3 quarters; enables 35%+ EBITDA on integrated products
Consolidated EBITDA Margin	30%+ by FY27 end	Oncology mix shift + API integration; non-oncology stable at 25%
Non-Oncology Revenue Growth	7-8% CAGR	Market-linked; emerging market generic portfolio; no strategic capex allocation

Risks & Constraints

RISK	CONTEXT
Export Revenue Conversion Lag	Exports only ₹6.5 crores (20% of oncology) in Q1 vs. ₹26.5 crores domestic. Meaningful export contribution dependent on MA approvals (avg 12 months) and site variation commercialization. Management expects inflection Q3 FY27 but logistics/serialization for first EU shipments (Bulgaria) creating "teething problems."
Regulatory Approval Uncertainty	178 dossiers submitted but only 16 MAs received to date. Approval timelines vary by jurisdiction; management has no direct control. Pipeline conversion rate to revenue unproven at scale.
Partner Concentration Risk	Top 5-7 partners (Intas, Accord, Torrent, Emcure, Zydus, Glenmark, Tillomed) drive bulk of domestic CMO and tech transfer revenue. 15+ regional players provide diversification but at smaller scale. Loss of a major partner would materially impact domestic revenue.
Non-Oncology Stagnation	7-8% CAGR with 25% margins; no strategic investment. Risk of margin erosion from price competition in emerging markets. Facility utilization at Changodar not discussed.
API Integration Execution	Only 2 of 21 APIs have CEP approval; 5 more in pipeline. Captive integration timeline (2-3 quarters) and cost savings realization unproven. External API sales deprioritized, limiting near-term monetization.
Working Capital & Logistics Complexity	First EU commercial shipments require serialization, batch release coordination with Bulgaria lab, multi-country logistics. Management acknowledged process complexity; delays could defer revenue recognition.

Q&A Highlights

Oncology Revenue Ramp & Guidance Clarification

- Question: (Dhwanil Desai, Turtle Capital) Quarterly oncology revenue stuck at ₹70-75 crores for 3 quarters; what drives inflection to ₹85-90 crores?
- Answer: (Bikramjit Ghosh) Export contribution currently minimal; 60+ overseas contracts and 50+ site variations/MA products in pipeline. Export ramp from Q2 end/Q3 beginning will drive 10x export growth to ₹60-70 crores for FY27, lifting total oncology to 2x FY26.

Tech Transfer Commercialization & Revenue Contribution

- Question: (Ankit Gupta, Bamboo Capital) Progress on Accord/Intas, Torrent tech transfers; revenue split between domestic CMO, tech transfer exports, own MA exports?
- Answer: (Bikramjit Ghosh) 7 site variation approvals: 5 for Accord (Imatinib, Azacitidine, Exemestane, Sorafenib tablets, Cytarabine injection) - 3 commercialized; Torrent Germany awarded Letrozole/Exemestane tenders, dispatches underway; Torrent UK products received. FY27 export mix: 70-75% MA-based, 25% site variation/CMO. Domestic CMO ~40%, API ~25%, Exports ~30% by FY27 end.

Margin Trajectory & API Integration Impact

- Question: (Dhruv, Leo Capital) Margin potential at scale; can oncology structurally exceed 30% EBITDA?
- Answer: (Bikramjit Ghosh) Current ~29% consolidated; oncology at ~27-29%, targeting 30%+ by FY27 end. API backward integration (CEP-approved products) pushes specific product margins to 35%+. 2 CEPs approved (Gefitinib, Cytarabine), 5 in pipeline - integration underway, target 7 CEP APIs in 2-3 quarters.

Domestic CMO & API Business Granularity

- Question: (Shubham Aggarwal, Burman Capital) Domestic CMO revenue FY26 vs FY27 target; API contribution absolute numbers.

- Answer: (Bikramjit Ghosh) Domestic CMO ~₹35 crores FY26,

Rategain Travel Technologies Ltd

Why read this call

This call is a must-read because it captures the early proof of a major transformation. The Sojern acquisition has created a unique platform, and this quarter shows the revenue synergies are real: 200% growth in APAC new wins, pricing power, and a raised guidance. The company is at an inflection point where the next 2-3 years will be about scaling this integrated platform, and the call provides concrete evidence that the thesis is playing out.

The quarter

Q1 FY27 revenue INR 785 crore, up 187.6% YoY (includes Sojern acquisition). Organic growth for combined entity 17.5% YoY. Adjusted EBITDA margin 24.6% (record), adjusted EBITDA INR 193.4 crore, up 29.3% YoY. Reported EBITDA margin 21.9%. FCF conversion 78.8%. Repaid \$47.5M of acquisition debt (38% of total). Revised FY27 guidance: revenue at upper end of ~INR 3100 crore (70% YoY growth), adjusted EBITDA margin 22.5-23.5% (up from 21.5-22.5%).

The inflection

The Sojern acquisition has transformed RateGain into an AI-powered operating system for travel revenue growth, combining travel intent data, distribution, and revenue optimization. The first phase of integration (cost synergies) is complete, and the second phase (revenue synergies) is showing early strong results: APAC new customer wins up 200% YoY, record property signings, pricing power in destination (a competitor approached to buy out), new products like RateIQ and Agentic AI gaining traction, and a large order book for AI products. The company is on track to be net debt free by FY28. Guidance raised for revenue and margins.

The platform is built. The data is unmatched. The first phase of the integration is behind us, and the revenue synergies are ahead. The opportunity in front of us is the largest in our history.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Operating Revenue	₹785 crores	Highest-ever quarterly revenue, up 187.6% YoY and 9.7% sequentially; annualized run rate at ₹3,140 crores
Organic Revenue Growth	17.5% YoY	Combined entity organic growth; management sees exit FY27 at higher end of 15-20% range
Segment Growth - DaaS	+22.7% YoY	Healthy performance across air, OTA and car segments; large airline deals anticipated
Segment Growth - Distribution	+3.1% YoY	Modest; new launches (Agentic ARI, RateIQ) expected to drive meaningful contribution in coming quarters
Segment Growth - Martech	+341% YoY	Includes Sojern consolidation; organic Martech growth at 18.2%; now >81% of total revenue
Adjusted EBITDA	₹193.4 crores (24.6% margin)	Up 289.3% YoY; record margin; excludes ₹21.9 crores deferred Sojern consideration (guided ₹20-22 crores/quarter, until Q3 FY29)
Reported EBITDA	₹171.5 crores (21.9% margin)	Reported basis; add-back drives gap vs adjusted
Adjusted PAT	₹116.8 crores (14.9% margin)	Up 148.8% YoY; reported PAT at ₹94.9 crores (12.1%)
Free Cash Flow	₹135.2 crores	Conversion at 78.8% - highest ever; on track for 75%+ full-year conversion
Net Debt	₹615.4 crores	Debt repaid: USD 47.5 million to date (38% of original loan); outstanding USD 77.5 million; net debt-free target by FY28
Cash & Net Worth	Cash ₹255.6 crores; Net worth ₹2,114.2 crores	Other income lower YoY (₹3.1 crores vs ₹20.7 crores) due to capital deployed for acquisition
Amortization / Finance Cost	₹33.8 crores / ₹16.5 crores	Amortization up from ₹6.8 crores YoY on Sojern acquisition intangibles; finance cost reflects acquisition debt
Deferred Consideration	₹80-90 crores/annum	Runs to Q3 FY29, contingent on Sojern revenue/EBITDA targets
One-off items	FIFA uplift \$2.5M; Middle East down ~\$1.5M	Net ~\$1M (~₹600-700K at 70% GM) impact in Q1; FIFA not expected to repeat at same scale in Q2

Geographic & Segment Commentary

- **Martech (81%+ of revenue):** Grew 341% YoY with Sojern consolidation; organic growth 18.2%. Managed across properties, destinations, and corporate. New property additions strong with Sojern commission accelerator; destination business gains pricing power with distant second/third competitors. Unified one-platform stack driving outcome-based fees.
- **DaaS:** Grew 22.7% YoY with steady OTA/hotel performance; large airline deals anticipated for potential bump; revAI (car) traction building with sizable order book. Quarterly run rate hovering at ₹96-98 crores.
- **Distribution:** Grew 3.1% YoY, impacted by sunset of an OTA sub-brand. RateIQ (Agentic AI optimization) showing 10-100% booking uplifts for demand-supply pairings, in discussions with ~a dozen customers. Direct stack rollout across APMEA hotels with ~200% pipeline growth; management expects double-digit growth by year-end.

Company-Specific & Strategic Commentary

- **AI-First Platform:** AI runs across every product line; management cites "level of experimentation never higher in 20 years." AI compresses R&D-to-market time; focus on speed to market and monetization, not capability building.
- **Sojern Integration - Phase 2:** Cost synergies complete; revenue and go-to-market synergies are now the focus. Teams unified in APAC for property segment; Europe and U.S. property teams yet to be unified - expected to accelerate deal velocity.
- **Pricing Power:** Reduced need to discount in negotiations, particularly in destination space where RateGain holds commanding position; pricing strategy uses bundling (e.g., measurement products as value-add) rather than pure price increases; large India property deal negotiated with higher outcome-based fees.
- **Data Scale & Thought Leadership:** Ecosystem spans 320+ data partners; addressable travel audience up ~14.5% YoY. Company featured in Skift, CNBC, and CNBC Asia on World Cup demand - positioning as "definitive voice" on travel demand.
- **Debt Reduction:** USD 16 million additional debt repayment made post-quarter-end; 38% of acquisition debt retired; on track for net debt-free by FY28.
- **M&A Outlook:** Management on the lookout but judicious; no deals expected in FY27 - likely an event in 2027.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue (FY27)	Revised guidance ~₹3,100 crores	"A number we should definitely beat" per management; driven by Q3/Q4 momentum and integration synergies
Organic Growth (exit FY27)	Higher end of 15-20% range	Visibility from pipeline; acceleration expected from unified teams, cross-sell across 14,000+ customers
EBITDA Margin	Guidance revised upward (no specific number)	Record 24.6% adjusted margin in Q1; margin trajectory supported by retained pricing power and cost synergies
FCF Conversion (FY27)	75% or better	Q1 at 78.8%; conversion typically improves through the year
Net Debt	Net debt-free by FY28	38% of acquisition debt repaid; USD 77.5 million outstanding
Gross Margin	~70% near term	Could improve with bundling/pricing initiatives; management to provide clearer view in 2 quarters
Deferred Consideration	₹80-90 crores/year	Pays over 3 years until Q3 FY29, contingent on Sojern revenue/EBITDA targets

Risks & Constraints

RISK	CONTEXT
Middle East Revenue Decline	Revenue from region fell from ~\$970K/month pre-disruption to ~\$425K/month; management treats as recovery opportunity but no timeline for stabilization; net ~\$1.5M quarterly drag
FIFA World Cup Normalization	\$2.5M revenue uplift in Q1 not expected to repeat at same scale in Q2; no impact on recurring revenue trajectory
Integration Execution (Property Segment)	Europe and U.S. property teams not yet unified; acceleration of deal velocity contingent on completing this integration
Gross Margin Pressure	MarTech mix keeps gross margins at ~70% vs historical ~75%; management not committing to improvement until pricing/bundling initiatives prove out
Forex / Currency Exposure	Q1 organic growth of 17.5% in INR; management cites currency tailwinds as supportive but flow-through depends on USD/INR trajectory

Q&A Highlights

Pricing Power & Deal Velocity

- Question: Any examples of pricing power from the combined entity? Will deal velocity improve with people integration complete? (Nitin Padmanabhan, Investec)
- Answer: Need to discount is significantly lower; in destination space, RateGain holds pricing position with distant competitors (one even approached us for buyout). Bundling measurement products as value-add rather than raising prices outright. Large India property deal signed with higher outcome-based fees. Deal velocity will accelerate - APAC property team unified, Europe/U.S. property teams still to be unified. Pricing power is a combination of removed competition, unified data, and one-platform bundling. (Bhanu Chopra, Ankit Aggarwal)

Organic Growth Trajectory & Guidance

- Question: Is organic growth of 17.5% in INR? Can exit FY27 approach 20% organic on a run-rate basis, and is INR 3,100 crores guidance a number you'll beat? (Pranay Roop Chatterjee, Berman Capital)
- Answer: 17.5% is INR. Expect higher end of 15-20% range by exit. Most integration work is behind; revenue synergies and cross-selling will play out over Q3/Q4. FIFA uplift called out for transparency but is small vs recurring revenue. INR 3,100 crores revenue guidance is "a number we should definitely beat." (Bhanu Chopra)

Margin Attribution - Sojern Contribution

- Question: With Sojern consolidated and margins at 24.6% vs historical ~17%, is it fair to say Sojern is running at ~30% EBITDA margin? (Pranay Roop Chatterjee, Berman Capital)
- Answer: Difficult to attribute margins to either Adara or Sojern as both sides contribute synergies; platforms and teams are unified - one team, one platform for customers. Synergies come from both entities, including adopting Sojern platforms and retiring Adara infrastructure. Attribution would require significant rework; combined margins are the relevant metric. (Ankit Aggarwal, Bhanu Chopra)

Contract Wins & DaaS/Distribution Growth

- Question: Is the ₹141 crore new contract win figure combined (including Sojern)? Why is DaaS/distribution growth modest (₹96-98 crore and ₹50 crore quarterly run rates)? (Deepak, Sundaram Mutual Fund)

- Answer: Contract wins metric represents largely new logos only - does not capture upsizing of existing customers like Hilton; metric underrepresents actual momentum, company working on better KPI reporting. DaaS will sustain double-digit growth; large airline deals can create significant bump; revAI has strong order book ready to monetize. RateIQ showing 10-100% booking uplifts, in talks with ~dozen customers. Direct stack rollout in APMEA has ~200% pipeline growth; distribution should hit double-digit by year-end. MarTech organic growth ex-Sojern: ~18.2% - but explicit split is difficult due to unified operations. (Bhanu Chopra)

Product Launches, Pricing & M&A

- Question: Are new products outcome-based priced? Is ~70% gross margin the new norm? Will M&A resume after debt repayment? (Ashutosh Parashar, Mirabilis)
- Answer: Pricing mix is a combination of outcome-based, subscription, and transactional; A/B testing pricing methodologies. AI has dramatically accelerated product development - R&D investment now produces far more; bottleneck is go-to-market speed, not capability. Gross margins ~70% near term; improvement possible with bundling/pricing power, but management won't commit until clearer in 2 quarters. M&A unlikely this year; possible event in 2027 given judicious approach. (Bhanu Chopra)

Competition & Revenue Mix

- Question: Is Airbnb a threat? What is the 6.5% "others" revenue bucket? (Miten Shah, Individual Investor)
- Answer: Airbnb is a large RateGain customer (connectivity and DaaS solutions); not a competitor. "Others" represents non-travel brands - e.g., credit card companies (Visa, Mastercard) using travel intent data for top-of-funnel audience campaigns during events like FIFA World Cup. (Bhanu Chopra)

Key Takeaway

Rategain delivered its highest-ever quarterly revenue of ₹785 crores, up 187.6% YoY, with adjusted EBITDA margin at a record 24.6% and FCF conversion at 78.8%. Organic growth for the combined entity stood at 17.5% YoY, with Martech (81% of revenue) growing organically at 18.2% while DaaS grew 22.7%. Management explicitly guided to beating the revised FY27 revenue guidance of ₹3,100 crores and expects organic growth to exit at the higher end of the 15-20% range. The Sojern integration's first phase (cost synergies) is complete; the second phase (revenue synergies) is showing early traction through reduced discounting, bundled outcome-based deals, and cross-sell across 14,000+ customers. Financial discipline remains strong - 38% of acquisition debt repaid, net debt-free target by FY28 intact. Key watch items: Middle East revenue has halved to ~\$425K/month with no recovery timeline, FIFA upside won't repeat in Q2, and Europe/U.S. property team unification is required to accelerate deal velocity. Management is optimistic on Q3/Q4 momentum driven by RateIQ, revAI, and direct stack (200% pipeline growth in APMEA), with M&A considered a 2027 event.

HFCL Ltd

Why read this call

This is a rare inflection call: the company just delivered its best quarter ever (revenue +120%, EBITDA +10x, PAT swing to profit) and is riding a structural demand wave from AI data centers. The order book is 5x revenue, capacity expansions are dated and funded, and the company is entering new high-growth segments (data center connectivity, defense/aerospace) with concrete orders and a pending acquisition. Management raised guidance from 20% to 40% growth with specific receipts. This is exactly the kind of call where the next 2-3 years will look dramatically different from the past.

The quarter

Q1 FY27 revenue INR 1,914.98 cr (+120% YoY), EBITDA INR 445.27 cr (10x YoY, 23.25% margin vs 4.93% last year), PAT INR 245.64 cr vs loss of INR 29.30 cr. Order book at all-time high INR 26,665 cr (5x FY26 revenue). Export revenue INR 1,063 cr vs INR 210 cr YoY. Management raised FY27 revenue growth guidance from 20% to 40%.

The inflection

AI/hyperscale data center demand is driving a structural boom in optical fiber and connectivity products. HFCL is expanding fiber capacity from 28 to 34 million fiber km (Dec 2026), cable from 34 to 43 million, and building a 300 MT preform plant (INR 580 cr capex). New data center connectivity business (first year) already has INR 850 cr+ orders, targeting INR 800 cr revenue in FY27, with capacity being expanded 5x. Defense/aerospace business (including pending aerostructure acquisition with INR 2,000 cr+ order book) targeting INR 500 cr revenue in FY27 and INR 3,000 cr+ by FY28-29. Order book provides multi-year visibility; management states demand visible for at least 5 years.

Our order book is strengthened to approximately 26,665 crores, which is not only all-time high, but is 5x of FY '26 revenue, providing healthy revenue visibility and supporting our confidence in the growth outlook for the company.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Revenue	₹1,914.98 crore	Highest ever; up ~120% YoY from ₹871.02 crore and ~5% QoQ from ₹1,824.12 crore; ₹300 crore unbilled from Q4FY26 billed in Q1
Export Revenue	₹1,063 crore	Up ~406% YoY from ₹210 crore; ~55% of total revenue; US data-centre demand the primary driver
Telecom Products Revenue Mix	85% of total revenue	Up from 62% in Q1FY26; stable vs 85% in Q4FY26
Data Centre Connectivity Revenue	~₹100 crore (Q1FY27)	First year of production; FY27 target ~₹800 crore; ₹850+ crore orders on hand
Order Book	₹26,665 crore	All-time high; 5x FY26 revenue; ~₹22,000 crore executable within 5 years
EBITDA	₹445.27 crore	Over 10x YoY jump from ₹42.93 crore; up ~32% QoQ from ₹336.93 crore
EBITDA Margin	23.25%	+1,832 bps YoY from 4.93%; +478 bps QoQ from 18.47%; highest ever
Profit After Tax	₹245.64 crore	vs -₹29.30 crore loss in Q1FY26; up ~33% QoQ from ₹184.45 crore
PAT Margin	12.83%	vs -3.36% in Q1FY26 and 10.11% in Q4FY26
Debt-to-Equity	0.3x	Expected to remain around 0.3x despite ₹640 crore FY27 capex programme

Geographic & Segment Commentary

- **Telecom Products (Optical Connectivity):** 85% of Q1 revenue (vs 62% YoY); includes optical fibre, OFC, data-centre connectivity, unlicensed band radio, routers and Wi-Fi systems; OFC order book ~₹16,000 crore on 3-5 year contracts; 7,000-fibre cables commercialised with 14,000-fibre cables under development (2-3 months out); IBR line capacity at ~14 million fkm across 12 machines, expanding monthly.
- **Data Centre Connectivity:** First-year business contributing ~₹100 crore in Q1FY27 against ~₹800 crore FY27 target; ₹850+ crore orders in hand; total capacity (including subsidiary HTL Limited) being expanded 5x; Board approved ₹215 crore for advanced products (miniature multi-fibre and super high-density multi-fibre termination assemblies).
- **Defence & Aerospace:** FY27 revenue target of ~₹500 crore on track (including proposed aerostructure acquisition); defence order book ~₹300 crore excl. acquisition, ~₹2,300 crore incl. acquisition (export orders ~₹2,200 crore); BMP-2 modernisation shortlisted with Army trials started July 20, 2026; ammunition complex groundbreaking held May 15, 2026 in Andhra Pradesh.
- **Export Markets:** ₹1,063 crore exports in Q1FY27 vs ₹210 crore YoY (~55% of revenue); US the largest market, supported by 35% import duty on Chinese fibre; management expects export mix of 60-65% of revenue for FY27 with defence revenue mostly domestic.

Company-Specific & Strategic Commentary

- **Capacity Expansion:** Optical fibre capacity expanding from 28 to 34 million fkm by December 2026; OFC capacity from 34 to 43 million fkm; IBR lines (₹60 crore) ordered and in delivery; data-centre connectivity capacity expanding 5x including HTL; management indicates further capacity increases under continuous review given demand.

- **Preform Backward Integration:** ₹580 crore greenfield 300 MT/annum preform facility approved; location decision expected within July 2026; make-vs-buy analysis shows preform manufacturing ~30% cheaper than buying, reducing fibre cost 18-20% and overall raw-material cost 10-12%.
- **Restructuring:** Board's Restructuring Committee evaluating group simplification with Ernst & Young as strategic advisor; defence vertical transferred to subsidiary HFCL Advanced Systems (HASPL) with ammunition and electronic fuzes remaining in HFCL; decisions guided by shareholder value creation, operational effectiveness and financial discipline.
- **Technology Leadership:** Developing 14,000-fibre cables; hollow-core fibre development underway with IIT Delhi and a Kolkata-based government organisation; C2 (command and control) system integration ready for Army Northern Command demonstration in September; 7,000-fibre cables already in commercial supply with US approval in process.
- **Order Book Momentum:** All-time high ₹26,665 crore (5x FY26 revenue); ~₹22,000 crore executable within 5 years across 3-7 year contracts (BharatNet 3-year, OFC 5-year, O&M 7-year); management cites 10-year industry contracts (e.g., Molex-Prysmian) as evidence of durable demand.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Revenue Growth (FY27)	40%+ (raised from ~20%)	Multiple growth platforms - OFC, data-centre connectivity, defence; order book at 5x FY26 revenue provides strong visibility
EBITDA Margin (FY27)	~23%+ sustainable	No seasonality; margins on average contracted orders; only uncontrollable geopolitical events (e.g., Suez Canal closure) could impact
Defence Revenue (FY27)	~₹500 crore	On track; includes proposed aerostructure acquisition
Data Centre Connectivity Revenue (FY27)	~₹800 crore	First year of production; ₹850+ crore orders in hand; capacity expanding 5x
Defence & Aerospace Revenue	₹3,000+ crore in FY28-29; ₹5,000 crore within 3 years	Supported by ₹2,200 crore export order book, BMP-2 modernisation, border-protection programmes
Total Capex (FY27)	₹640 crore	Includes fibre towers, IBR lines, preform (partial), defence ₹100 crore, data-centre connectivity ₹100 crore (of ₹215 crore approved)
Total Capex (FY28)	₹615 crore	Preform ₹325 crore; defence ₹175 crore; data-centre connectivity ₹115 crore
Optical Fibre Capacity	34 million fkm by December 2026	Expansion from 28 million fkm progressing well
Aerostructure Acquisition	Completion within CY2026	Acquisition in advanced stage; brings ₹2,000+ crore order book

Risks & Constraints

RISK	CONTEXT
Geopolitical / supply-chain disruption	Management flagged Suez Canal closure-type events as the primary uncontrollable risk to margins and delivery timelines; no mitigation possible within business control
Preform cost inflation	Some contracts subject to price revisions next calendar year; mitigated by long-term preform contracts, in-house production (30% cheaper), customer price-reset clauses, and higher-margin connectivity products
Chinese supply competition	35% US import duty on Chinese fibre and administrative preference limit China's US penetration; China remains competitive in Southeast Asia; HFCL cites scale, technology (7,000/14,000-fibre cables, hollow-core) and hyperscaler relationships as defences
Delay in Army warranty contract signing	Expected mid-Q2 FY27; slippage would prolong EPC losses and delay EPC revenue recovery
Capacity execution risk	Fibre expansion to 34 million fkm by December 2026 and 5x data-centre connectivity expansion must commission on time to meet contracted deliveries
Restructuring outcome uncertainty	E&Y evaluation in progress with outcomes undisclosed; management committed to shareholder value, operational effectiveness and financial discipline

Q&A Highlights

Margin Sustainability & Seasonality

- Question: Were Q1 margins inflated by one-time high-margin orders? (Kush Tandon, Ananta Capital)
- Answer: No one-time orders - Q1 margins reflect average contracted orders that will continue through the year; margins are sustainable. (Mahendra Nahata)
- Question: Why guide 20% EBITDA margin for FY27 when Q1 delivered 23%? Any seasonality? (Manik Mahajan, Balyasny Asset Management)
- Answer: No seasonality; 23% is the minimum protectable level based on contracted orders and known raw-material costs; only geopolitical events beyond control could change this. (Mahendra Nahata)

FY27 Revenue Guidance & Run-Rate

- Question: Annualised Q1 implies ~₹9,300 crore revenue; why guide only 40% growth? (Aman Saiffee, Stallion Asset)
- Answer: Management prefers conservative guidance - "promise 1, deliver 2" approach; 40% is a raise from 20% based on order inflows and pipeline. (Mahendra Nahata)
- Question: Will ~₹1,900 crore quarterly revenue sustain? (Nikhil Purohit, Fident Asset Management)
- Answer: No QoQ decline expected; revenue and profitability should remain at least at Q1 levels; ₹300 crore unbilled from Q4FY26 has now been billed. (Mahendra Nahata; V.R. Jain)

Capex & Preform Economics

- Question: What is total capex for FY27 and FY28? (Aman Saiffee)
- Answer: FY27 ₹640 crore (incl. ₹100 crore of new ₹215 crore data-centre capex); FY28 ₹615 crore - preform ₹325 crore, defence ₹175 crore, data-centre ₹115 crore. (Mahendra Nahata)
- Question: How does the preform project alter returns and margins? (Manik Mahajan)

- Answer: Preform make-vs-buy is ~30% cheaper; preform is 65-70% of fibre cost, reducing fibre cost 18-20% and total raw-material cost 10-12%. (Mahendra Nahata)

Pricing & Demand Super-Cycle

- Question: What is the global pricing scenario for fibre and data-centre cables? (Balasubramanian, Arihant Capital)
- Answer: Export prices range \$18-\$28 per fibre km; data-centre A2 fibre at \$22-\$28; telco fibre lower; prices up significantly in the last 6 months; spot prices run 15-20% above 5-year contract rates. (Mahendra Nahata)
- Question: What is the 3-5 year demand-supply outlook? (Kush Tandon)
- Answer: Demand will outstrip supply for at least 5 years; contracts now signed for 10 years (Molex-Prysmian cited); US data-centre capacity to double from 150 GW to 300 GW in 3 years, India from 1.5 GW to 3 GW; fibre-optic drones add 70-100 million fkm of A2 fibre demand. (Mahendra Nahata)

China Competition

- Question: Could Chinese supply catch up and flood the market? (Kush Tandon)
- Answer: US hyperscalers actively avoid Chinese fibre; 35% US duty erodes Chinese price competitiveness; only 2 Indian suppliers (incl. HFCL) can manufacture 7,000-fibre cables; long-term hyperscaler relationships protect incumbents. (Mahendra Nahata)

Defence & Aerospace Trajectory

- Question: What revenue trajectory and visibility does defence/aerospace have? (Riken, Capri Global)
- Answer: FY28-29: ₹3,000+ crore; 3-year target ₹5,000 crore; export order book ~₹2,200 crore; BMP-2 modernisation - internal trials best-in-class, Army trials started July 20; C2 system demonstration to Army Northern Command in September; BSF border-protection proof-of-concept underway. (Mahendra Nahata)

Data Centre Connectivity Ramp

- Question: Is the hyperscaler contract for cable or connectivity products? (Tushar Dhonde, Shanghvi Family Office)
- Answer: Separate orders for cable and connectivity from different hyperscalers; more orders expected within a month; data-centre cable deliveries start this month, MMC connectivity next month; MPO cables already delivering. (Mahendra Nahata)

Order Book Composition & Timeline

- Question: How is the ₹26,665 crore order book split between OFC and defence? (Khushi Soni, Nuvama Institutional Equities)
- Answer: OFC ~₹16,000 crore; defence ~₹300 crore, or ~₹2,300 crore including the proposed acquisition; ~₹22,000 crore of the total book is executable within 5 years. (Mahendra Nahata)

EPC & Army Contract

- Question: Is the Army warranty project on track with EPC loss reduction from Q2? (Balasubramanian, Arihant Capital)
- Answer: Contract is in the final stage; signing expected mid-Q2 FY27; EPC revenue to increase and losses to significantly decline post-signing. (Mahendra Nahata)

Contract Pricing & Pass-Through

- Question: Are long-term contracts fixed-price; what is raw-material inflation impact? (Riken, Capri Global)

- Answer: Annual price-reset clauses exist; significant swings trigger renegotiation; when the US imposed 50% duty, customers absorbed most of it, and HFCL refunded them after the duty was reversed. (Mahendra Nahata)
- Question: How are margins protected from preform price revisions after Q3? (Tej Patel, Niveshaay)
- Answer: Most preform quantity is covered by long-term contracts; own preform production, better customer pricing and higher-margin connectivity products offset any increase - overall margin profile unchanged. (Mahendra Nahata)

Debt & Capital Structure

- Question: How does debt evolve with high growth and ₹640 crore capex? (Darshil Jhaveri, Crown Capital)
- Answer: Debt/equity at 0.3x and likely to remain in that range; internal cash generation funds a large part of the capex. (Mahendra Nahata)
- Question: Any Q2 seasonality due to monsoons? (Darshil Jhaveri)
- Answer: No - most revenue comes from fibre exports to the US, which has no monsoon. (Mahendra Nahata)

Restructuring & Defence Subsidiary

- Question: Has the entire defence vertical been transferred to HFCL Advanced Systems; is this dilutive for minority shareholders? (Dhruv Bajaj, GrowthSphere Ventures)
- Answer: Not the entire business - ammunition and electronic fuzes remain in HFCL; restructuring options are being evaluated with E&Y; the acquisition brings ₹2,000+ crore of order book and is not a dilution of value. (Mahendra Nahata)

Key Takeaway

HFCL delivered its best-ever quarter in Q1 FY27: consolidated revenue of ₹1,914.98 crore (+120% YoY), EBITDA of ₹445.27 crore at a 23.25% margin (vs 4.93% in Q1FY26), and PAT of ₹245.64 crore against a ₹29.30 crore loss a year earlier. The all-time-high order book of ₹26,665 crore (5x FY26 revenue) and surging export demand for data-centre connectivity drove management to raise FY27 revenue growth guidance from 20% to 40%+, with EBITDA margins seen sustainable at ~23%. Strategy centres on expanding optical fibre capacity to 34 million fkm by December 2026, scaling data-centre connectivity to ~₹800 crore revenue with a 5x capacity expansion, backward integration via a 300 MT preform plant (₹580 crore capex), and scaling defence revenue from ~₹500 crore in FY27 toward ₹5,000 crore within three years. Restructuring advice from E&Y and ₹640 crore FY27 capex are expected to keep debt/equity at ~0.3x. Key watchpoints include Army warrant contract signing (mid-Q2), preform cost resets, timely capacity commissioning, and aerostructure acquisition closure within CY2026.

Sterlite Technologies Ltd

Why read this call

This is a must-read because the company has crossed a clear inflection point backed by hard receipts: a record order book with a named \$1.1B hyperscaler contract, revenue growth nearly doubling, and a mix shift to data centers that will fundamentally change the business shape over the next 2-3 years. Management raised margin guidance and showed the demand is real, not adjectives. Any investor screening for inflections needs to see this call.

The quarter

Historic quarter: revenue ₹1,910 cr, +87% YoY; EBITDA ₹397 cr, +184% (20.8% margin, above the 20% FY27 target already); PAT ₹197 cr, record 10% margin, 3.5x full-year FY26 PAT. Data center rose to 21% of revenue from 1% in FY26. Order book hit record ₹18,618 cr, 2.4x from last quarter. Net debt-free; CRISIL outlook improved; QIP of ₹1,500 cr completed.

The inflection

The business is inflecting from a telecom cable maker into an AI data center connectivity play. Q1 order intake of ₹13,100 cr was 1.7x FY26's full-year order wins, anchored by a landmark multi-year \$1.1B hyperscaler deal (through FY29) plus multiple \$100M high-fiber-count cable orders. Data center revenue is guided to reach ~50% of total revenue this fiscal (vs 1% in FY26). Attach rates for optical connectivity are at 16%, guided to 25% by Q4. US Conec certification for MMC pre-terminated solutions and the Fujikura patent victory remove legal/product hurdles. EBITDA margin guidance was raised to 23% from 20%.

In quarter one alone, we secured orders worth INR 13,100 crores, which is 1.7 times the total order wins of INR 7,687 crores recorded in the entire financial year last year.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,910 crores	Highest-ever quarterly revenue, up 87% YoY; driven by record order intake and data center ramp-up
Data Center revenue share	21%	Up from 1% in FY26; anchored by \$1.1B hyperscaler deal and multiple \$100M IBR cable orders
North America revenue share	54%	Up from 39% in FY26; Europe 25%, rest of world 22%
Order intake	₹13,100 crores	1.7x FY26 full-year order wins (₹7,687 crores); includes landmark \$1.1B hyperscaler deal through FY29
Open order book	₹18,618 crores	Up 2.4x QoQ; ₹2,228 crores executable in Q2 FY27, ₹16,390 crores in Q3 FY27 and beyond
EBITDA	₹397 crores	Up 184% YoY; delivered 20% margin in Q1, ahead of FY27 target
EBITDA margin	20%	FY27 target of 20% achieved a quarter early; guidance revised upward to 23%
PAT	₹197 crores	Record PAT at 10% margin (highest ever); 3.5x full-year FY26 PAT
Connectivity attach rate	16%	Up from 15% last year on a larger OFC revenue base; targeting >20% from Q2 and 25% by Q4 FY27
Global OFC market share (ex-China)	9%	India's #1 end-to-end optical manufacturer; share steady despite supply headwinds
Net cash	₹483 crores	Company now net debt-free post-₹1,500 crore QIP; CRISIL outlook revised to stable, ICRA upgraded to AA Stable

Geographic & Segment Commentary

- **Data Center:** Q1 revenue contribution jumped to 21% from 1% in FY26, driven by the \$1.1 billion multiyear hyperscaler deal and multiple \$100 million high-fiber-count IBR cable orders. Neuralis portfolio achieved US Conec certification for MMC pre-terminated solutions (3x cable density), positioning STL for hyperscalers scaling to 800G+. Data center + enterprise is expected to scale to 50% of FY27 revenue, well above the 30% prior guidance.
- **Telecom & Citizen Networks:** Remains the core pillar, with demand from FTTx, 5G/6G and rural connectivity programs (BharatNet in India, BEAD in the U.S.). The CONCAT spliceless FTTH solution, which cuts labor costs by up to 71%, was launched to drive connectivity attach rates with key U.S. telecom operators.
- **North America:** Revenue share expanded to 54% from 39% in FY26, powered by AI-led data center build-out, DCI and FTTH expansion, supported by the South Carolina manufacturing facility. CRU projects North America as the strongest growth region at 18.6% CAGR through 2030 (upgraded from 15%).
- **Europe:** Contributed 25% of revenue in Q1. The definitive victory in the Fujikura patent dispute resolved all legal uncertainty around the Celesta cable family, clearing the path for data center and telecom business growth in the region.
- **India / Rest of World:** Rest of world held steady at 22%. India's data center capacity is projected to grow nearly 7x from 1.6 GW to 10 GW by 2031, with commitments from hyperscalers (Meta, Reliance 3 GW plans) and AirTrunk

(~5 GW in Maharashtra/Andhra Pradesh) creating a strong domestic fiber tailwind.

Company-Specific & Strategic Commentary

- **Neuralis AI Data Center Portfolio:** Achieved elite US Conec certification for MMC pre-terminated solutions delivering 3x cable density; STL is among few global players offering certified MMC pre-terminated fiber trunks, array cords and assemblies for 800G+ hyperscale workloads.
- **Next-Gen Fiber Leadership:** G.654.E fiber fully commercialized (30% lower signal loss); Hollow-Core fiber cuts latency by up to 47%; multi-core fiber expands capacity 4-7x, with real-world deployments in India (C-DOT, IIT Madras) and U.K. (Colt); 785+ patents with 9 new filings in Q1.
- **CONCAT Market-Led Innovation:** Spliceless plug-and-play FTTH solution reduces labor cost by up to 71% by shifting fiber preparation to factory environments; field-validated with a top-tier U.S. telecom operator and recognized by Lightwave Innovation Awards; strategic lever for attach rate expansion.
- **Capital Raise & Balance Sheet Strengthening:** Completed ₹1,500 crore QIP (2.5x subscribed; institutional holdings at a historic high of 33%, including Nomura, HSBC, Motilal Oswal and Bank of India); 75% of proceeds toward debt reduction; CRISIL revised outlook to stable and ICRA upgraded rating to AA Stable.
- **Capacity Expansion Roadmap:** ~₹500 crores capex per year for the next 3 years (cumulative ~₹1,500 crores) for equipment upgrades and debottlenecking across glass, fiber, cable and connectivity; separate \$100 million U.S. connectivity facility investment over 5 years.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
EBITDA margin	23% for FY27 (revised up from 20%)	20% delivered in Q1; upside from utilization gains, product/customer mix, and connectivity attach rate expansion to 25% by Q4
Data Center + Enterprise revenue share	50% of FY27 revenue (raised from 30%)	Data center alone reached 21% in Q1 vs 1% in FY26; to be balanced with telecom and rural connectivity projects
Connectivity attach rate	>20% from Q2 FY27; 25% by Q4 FY27	Driven by CONCAT, MMC certified solutions and integrated solution sales with key U.S. customers
Capex	~₹500 crores per year for FY27-FY29; \$100M U.S. connectivity facility over 5 years	For debottlenecking and equipment upgrades across all product lines; U.S. spend for onshore connectivity capacity
Revenue	No explicit guidance	Management declined to provide revenue guidance; Q2 executable order book stands at ₹2,228 crores

Risks & Constraints

RISK	CONTEXT
Raw material supply & cost inflation	Germanium, helium and polyethylene costs have risen to "significant multiples" due to the war/geopolitical situation. Management is diversifying germanium suppliers, developing technologies to reduce germanium consumption, recycling helium, and passing through polyethylene costs; orders are being accepted keeping raw material availability in mind.
Capacity constraints limiting order intake	With record order inflow, STL is now "picking and choosing" orders based on capacity availability and execution capability. Debottlenecking and ~₹500 crore/year capex over 3 years are intended to relieve constraints, but near-term revenue could be limited by execution capacity.
AI capex deflation from China	Lower token costs from Chinese players create a large cost delta with U.S. cloud providers; management acknowledges "something has to give at some level" but sees demand currently outstripping supply, with hyperscaler capex upgraded to \$805 billion.
Europe growth slower than expected	European data center investments are starting but on-ground progress remains slow; management expects Europe to scale only in 1-2 years, making near-term growth reliant on North America and India.

Q&A Highlights

Order Intake, Capacity Utilization & Large Order Potential

- Question: What was Q1 capacity utilization, and is the data center ordering cycle behind us or still in progress? Can STL absorb more large orders? (Achal - Nuvama; Devavrat - Seven Rivers Holding)
- Answer: Utilization is improving quarter-on-quarter (not disclosed). U.S. data center capex is multiyear - 8-10 GW will be added this year with a backlog of capacity still to be built. Multiple conversations are ongoing with telecom operators in India, Europe and globally; equipment upgrades and debottlenecking are progressing in parallel, giving confidence to take on further orders. (Ankit Agarwal)

Raw Material Sourcing

- Question: Where does germanium/helium sourcing stand, and will supply issues persist through FY27? (Achal - Nuvama; Nova - Nova Financial)
- Answer: Germanium sourcing is being diversified with new technologies expected to reduce consumption over coming quarters; helium recycling has been implemented with Middle East developments watched closely; polyethylene costs are being passed through to customers. Orders are taken with raw material availability in mind; management is confident of improving supply quarter-on-quarter. (Ankit Agarwal)

Revenue Guidance & Order Book Execution

- Question: The ₹2,228 crore Q2 executable order book - will execution overshoot like Q1? Any revenue guidance? (Sunil Jain - Nirmal Bang Securities)
- Answer: No revenue guidance is provided; the executable order book does not translate into a revenue forecast. Q1 revenue growth reflected the drastic improvement in order intake. (Ankit Agarwal)

Gross Margin Pressure & Order Selection

- Question: Gross margins were flat despite an improving data center mix - is it raw material cost pressure? Excluding the \$1.1B deal, regular order intake looked lower QoQ - was capacity a constraint? (Tej Patel - Niveshaay)

- Answer: Yes, prices of key raw materials have increased to "significant multiples" due to the war situation; improvement is expected and will flow into EBITDA margins. Even excluding the large order, inflow was sufficient; the company now has to pick and choose orders based on capacity and execution capability. (Ajay Jhanjhari)

AI vs Telecom Mix Strategy

- Question: How do you balance AI data center orders against traditional telecom for long-term stability? (Krish Mehta - Enam Holdings)
- Answer: There are three parallel demand centers: telecom, data centers (including neutral long-haul fiber builders), and rural projects (BEAD, BharatNet). The intent is a balanced customer and portfolio base while targeting top-3 global status; data center + enterprise will trend to 50%, with telecom and rural connectivity projects balancing it. (Ankit Agarwal)

Data Center Fiber Density Economics

- Question: What is driving fiber per switch to 12,000-16,000 fibers, and how have industry realizations moved? (Balasubramanian - Arihant Capital)
- Answer: Realizations are not disclosed. The fiber-per-switch figures reflect GPU architecture evolution (e.g., NVIDIA) driving fiber density per switch and per campus, particularly for data center interconnect; this is the core of STL's data center growth message. (Ankit Agarwal)

Capex Plans & U.S. Connectivity Investment

- Question: What is the capex plan for this year and next, and what is the phasing of the \$100 million U.S. plant? (Akshat Mehta - Seven Rivers Holding; Pratiti Khara - Param Capital)
- Answer: ~₹500 crores per year for the next 3 years (cumulative ~₹1,500 crores) for upgrades and debottlenecking across glass, fiber, cable and connectivity. The \$100 million U.S. investment is a 5-year connectivity facility serving telecom and data center customers; progress updates to be shared next quarter as customer requirements crystallize. (Ankit Agarwal)

Product Strategy & Margin Upgrade Drivers

- Question: Are you entering optical transceivers? What drove the margin upgrade? (Tushar - Sanghvi Family Office)
- Answer: No - STL consciously exited active components; focus remains fiber, cable and connectivity (hollow-core, multi-core, etc.). The margin upgrade reflects capacity utilization improvement, product/customer mix, and a healthy cable + connectivity ratio. (Ankit Agarwal)

Semiconductor & China AI Cost Deflation

- Question: Is there any semiconductor value chain play, and does cheaper Chinese token pricing deflate the AI capex environment? (Anshul Seghal - Seghal Capital Advisors)
- Answer: Semiconductor is not a near-term priority, though glass capability could be evaluated later. U.S. remains the strongest data center market; India is starting to scale; Europe is a "dark horse" in 1-2 years. Demand currently outstrips supply, but the U.S.-China token cost delta is a watch point - "something has to give at some level." (Ankit Agarwal)

Balance Sheet, Working Capital & Margin Trajectory

- Question: What will debt/working capital look like at FY27 year-end, and what is the margin difference between telecom and data center? (Naman Parmar - Niveshaay Investments)

- Answer: Management expects to remain net debt-free through the year, aided by QIP proceeds, internal accruals and customer payment-term negotiations. Data center solution margins are higher than telecom; utilization gains plus a 25% connectivity attach rate by Q4 will drive EBITDA margin toward 23%. (Ajay Jhanjhari; Ankit Agarwal)

Key Takeaway

STL reported a record Q1 FY27, with revenue of ₹1,910 crores (up 87% YoY), EBITDA of ₹397 crores (up 184% YoY) at a 20% margin - hitting its FY27 margin target a quarter early - and record PAT of ₹197 crores, 3.5x FY26 full-year PAT at a 10% margin. Record order intake of ₹13,100 crores (1.7x FY26 total order wins), anchored by a landmark \$1.1 billion hyperscaler deal, lifted the order book to ₹18,618 crores (2.4x QoQ). Data center revenue share jumped to 21% from 1% in FY26, and North America reached 54% of revenue. Management raised FY27 EBITDA margin guidance to 23%, raised data center + enterprise revenue share guidance to 50%, and targets a 25% connectivity attach rate by Q4. The ₹1,500 crore QIP left the company net debt-free at ₹483 crores. Key watch points are germanium/helium cost inflation, capacity-driven order selectivity, and potential AI capex deflation from cheaper Chinese tokens.

Black Box Ltd

Why read this call

This is a genuine inflection point: a company that has deliberately restructured over several years is now converting a massive structural tailwind (AI/Hyperscale buildout) into record orders and accelerating growth. The quarter delivered strong numbers and, more importantly, management provided concrete, dated guidance and order visibility that supports the scaling narrative. For an investor tracking India's data-centre opportunity, this call is a must-read because it shows exactly how one of the few scaled players is monetizing the cycle.

The quarter

Q1 FY27 revenue INR1,719cr (+24% YoY, highest ever), EBITDA INR160cr (+38%), PAT INR56cr (+18%), EBITDA margin 9.3% (+90bps). Order bookings US\$339M, backlog US\$950M (+83% YoY). FY27 guidance: revenue INR7,800-8,000cr (+23-27%), EBITDA INR700-725cr (+27-32%), PAT INR325-350cr (+38-50%).

The inflection

Black Box is moving from years of transformation into a scaling phase, backed by the AI/data-centre infrastructure supercycle. Proof: record backlog up 83% to \$950M, new global hyperscaler order worth \$131M, only India-origin company executing gigawatt-scale data centres, 2S Brazil acquisition adding revenue, and a stated roadmap to \$2bn revenue by FY30 with \$1.4-1.5bn backlog guidance for year-end. The call details multi-year 24-36 month engagements and a clear shift to large strategic customers.

FY27 is not the beginning of our journey, it is the beginning of the scaling phase of our journey.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,719 crores	Highest-ever quarterly revenue, up 24% YoY; includes ~₹60 crores (2 months) from Brazil acquisition 2S; balance entirely organic
EBITDA	₹160 crores	Up 38% YoY; margin expanded 90 bps to 9.3% driven by operating leverage, better mix, GCC/AI-led productivity initiatives
Profit After Tax	₹56 crores	Up 18% YoY; aided by low effective tax rate (10-15%) from carry-forward operating losses across geographies
Order Bookings	US\$339 million	Key quarter wins include new global hyperscaler order worth US\$131 million (~₹1,240 crores); 100% services scope
Order Backlog	US\$950 million	Record high; up 83% YoY; data center engagement tenure now 24-36 months providing strong revenue visibility
Effective Tax Rate	10-15% (expected FY27-28)	Currently lower due to consumption of carry-forward operating losses; expected to normalize to ~20% post FY28

Geographic & Segment Commentary

Data Center / Hyperscale: Fastest-growing segment driven by AI infrastructure buildout; company is the only India-origin digital infrastructure solutions player executing gigawatt-scale data center programs. New hyperscaler win in the US (US\$131 million) and deepening existing hyperscaler relationships; supply chain conditions (cables, fiber) improved during the quarter, supporting faster project execution and backlog conversion.

Enterprise Networking & Non-Hyperscale: Expected to grow at modest double-digit (~10%) pace, with demand following data center buildout through a lag. Management expects downstream enterprise spend (airports, hospitals, banks, network modernization) to accelerate from FY28, creating a "dual engine" growth cycle. Company rationalized low-value, long-tail accounts; now focused on ~300 strategic accounts for deeper wallet share.

Technology Product Solutions (TPS): Currently posting EBIT losses; expected to grow ~20% this year with focus on mission-critical infrastructure including KVM visualization products (Emerald) and next-gen AI-led products. Contribution expected to become accretive from FY28 onward as scale builds.

Brazil (2S Acquisition): Acquired in May 2026; contributed ~US\$50 million annual revenue and ₹60 crores in Q1 (2 months); expands networking, cybersecurity, and managed services capabilities with a platform for Latin America; integration on track.

Company-Specific & Strategic Commentary

FY30 Vision & Growth Roadmap: Company targets ₹18,000 crore (US\$2 billion) revenue by FY30; ₹12,000 crores organic (backlog conversion, AI-led demand, strategic customer depth, execution excellence) and ₹6,000 crores inorganic via proven M&A engine. Four growth pillars: hyperscale digital infrastructure, GSI Americas, India/ROW expansion, and platform-led recurring product solutions.

Scale & Competitive Moat: Invested significantly in execution capability, leadership team, and global delivery platform; plan to onboard ~2,000 professionals; customers increasingly consolidate spending with partners who can execute multi-gigawatt programs at scale, creating high barriers to entry. Company now receives more invitations than before, having executed close to a gigawatt of data center capacity.

Focus on Strategic Accounts: Transitioned from fragmented customer base to ~300 strategic accounts including hyperscalers, improving revenue visibility, margins, and predictability; enables larger multi-year engagements (24-36 month data center contracts).

Cash Flow & Capital Allocation: FY27 operating cash flow to EBITDA conversion expected to improve meaningfully over FY26 through disciplined working capital management; talent/investment cycle largely completed. Capital allocation priorities unchanged: people/technology, working capital for growth, and selective capability-enhancing acquisitions.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Order Backlog (FY27 exit)	US\$1.4-1.5 billion (+65-75% YoY)	May prove conservative; more orders expected between Oct-March as current backlog is consumed; clarity expected post-Q2
Order Bookings (FY27)	US\$1.3-1.4 billion (+45-50% YoY)	Strong pipeline across hyperscalers and colocation customers; well on track to achieve or exceed target
Revenue (FY27)	₹7,800-8,000 crores (+23-27%)	Q1 historically soft; stronger conversion expected in H2; large hyperscaler projects ramp from November onward; growth will spill into FY28
EBITDA (FY27)	₹700-725 crores (+27-32%)	Supported by operating leverage, better mix, disciplined execution; margin guided at 9.3-9.4% (+30-40 bps)
PAT (FY27)	₹325-350 crores (+38-50%)	Benefiting from low effective tax rate (10-15%) on carry-forward losses; assumes normal execution timelines
EBITDA Margin (Medium-term)	≥10%	Q4 FY27 expected in or above this range; near-term investments in talent/training for large-scale buildouts keep guidance cautious

Risks & Constraints

RISK	CONTEXT
Hyperscaler CapEx Moderation	Management believes structural AI investment cycle (\$1.6 trillion over 4 years) is durable; orders received from multiple hyperscalers across geographies; even with site-level delays/reshuffles, massive spend scale provides buffer. Diversification across multiple sites, geos, and customers (plus future downstream enterprise demand) mitigates concentration risk
Execution/Delivery Delays	Large gigawatt-scale projects have extended ramp-up timelines (order receipt to revenue commencement lags by ~3-6 months); supply chain constraints (cables, fiber) eased during the quarter; guidance assumes "normal execution timelines and no significant customer-led delays"
Margin Pressure from Scale-Up Investments	Continued hiring (~2,000 professionals), training, and mobilization of resources for multi-billion-dollar backlogs near-term; management deliberately guides EBITDA margin at 9.3-9.4% vs. 10% medium-term target while scaling; product business (TPS) currently EBIT-negative
Customer Concentration & Banking on Few Accounts	Strategy focused on ~300 strategic accounts; new hyperscaler win adds diversification, but large share of growth tied to a small number of hyperscaler relationships; deeper penetration and India/ROW expansion intended to broaden base

Q&A Highlights

Organic Growth & Guidance Prudence (Deep Shah, 360 ONE Capital)

- Question: What is organic revenue growth excluding 2S? Why expect cash flow improvement given backlog investments? Is FY27 guidance too conservative given 38% growth in non-DC backlog?
- Answer: Inorganic contribution was ₹60 crores of ₹1,719 crores total; balance fully organic. Investment cycle in talent/people to secure order book and convert pipeline is "largely done" - operating cash flow will be positive with working capital normalization. Guidance not conservative per se; large orders don't convert immediately (new hyperscaler order starts ground work only from November); growth will spill into FY28 from existing backlog. Order backlog guidance may prove conservative, with more clarity after Q2 results (Deepak Bansal)

Non-Data Center & Product Business (Vivek Chaurasia, Individual Investor)

- Question: Is non-data center business treading along or classified differently? TPS EBIT losses - when does scale bring positivity?
- Answer: Enterprise/non-hyperscale expected to grow at modest double-digit (~10%) vs. overall ~25%; data center infrastructure buildout will drive downstream enterprise demand through a lag (end-user consumption - airports, hospitals, banks). Product business expected to grow ~20% in FY27 focused on mission-critical infrastructure (KVM visualization/Emerald, AI-led products); investments being made now, accretive from next year onward. No delays in execution - backlog plus booking guidance covers revenue math (Sanjeev Varma)

Margin Trajectory & Order Backlog Tenure (Nandan Arigat, JM Financial)

- Question: Margins guided at 9.3-9.4% vs. 10% target - does H2 operating leverage kick in at Q4? What are gross margins on data center orders? What will average backlog tenure be by year-end?
- Answer: Q4 expected in 10%+ range; near-term investments in talent/training for very large-scale buildouts (multi-billion dollar backlogs) keep full-year guidance cautious at 9.4-9.5%; retaining focus on 10%+ at scale. Data center margins remain "decorative" (attractive); at scale expected to be equally accretive. With ~\$1.4-1.5 billion bookings guidance, FY28 growth should be substantially covered by existing backlog (Sanjeev Varma)

Tax Rate & Other Income (Muhammad Amin, EcoQuantum Solutions)

- Question: What is the forward tax rate? Why is other income negative?
- Answer: Tax rate currently low (carry-forward operating losses in various geographies); expected 10-15% for FY27 and FY28, normalizing to ~20% thereafter, dependent on geographic revenue mix. Other income is positive at ₹4 crores, not negative - likely a reading error (Deepak Bansal)

Product vs. Services Split in Hyperscaler Order (Vivek Seth, Individual Investor)

- Question: In the new hyperscaler data center order, how much is proprietary product vs. services?
- Answer: 100% services; no products in that order (Deepak Bansal)

Hyperscaler Moderation Risk & Competitive Positioning (Keshav Bharadia, Wallfort Financial)

- Question: If hyperscalers moderate CapEx, what's the risk of order cancellations? Any India/semiconductor opportunities? What differentiates Black Box from competition (including IT services firms)?
- Answer: Total AI infrastructure spend over next 4 years is ~\$1.6 trillion / ~\$400 billion annually; Black Box takes a very small slice of addressable market. Seeing acceleration in project announcements, not slowdown; positioned across multiple hyperscalers, sites, geographies, and future downstream enterprise demand - dual engine starting FY28. India approaching hyper-investment cycle (from 1-5/6 GW to scale), but US remains 70-80% of spend; evaluating adjacencies including compute/storage (semiconductor-adjacent). Moat built on scale execution - hyperscalers don't award on price (5% discount won't win); they require demonstrated capability, global scale, trained resources, and track record; having executed close to a gigawatt, company now gets more invitations; number of players who can operate at gigawatt-scale globally is limited (Sanjeev Varma)

Key Takeaway

Black Box Ltd delivered record Q1 FY27 revenue of ₹1,719 crores (+24% YoY), with EBITDA up 38% to ₹160 crores (9.3% margin, +90 bps) and PAT at ₹56 crores (+18%), including two months of the Brazil 2S acquisition. Order bookings of US\$339 million pushed backlog to a record US\$950 million (+83% YoY), anchored by a new US\$131 million hyperscaler win - affirming the company's position as the only India-origin gigawatt-scale data center execution partner. Management guided FY27 revenue at ₹7,800-8,000 crores (+23-27%), EBITDA at ₹700-725

crores (margins 9.3-9.4%), and PAT of ₹325-350 crores (+38-50%), with deliberate conservatism as large projects ramp from H2. Strategy centers on the FY30 roadmap of ₹18,000 crore/US\$2 billion revenue, built on hyperscale digital infrastructure, GSI Americas, India/ROW expansion, and platform-led product revenues - with cash flow conversion expected to improve as the talent investment cycle completes. Key watch points include execution pace on gigawatt-scale sites, margin trajectory toward the 10%+ medium-term target, and resilience of the AI-led hyperscaler CapEx cycle.

Aegis Vopak Terminals Ltd

Why read this call

This is a genuine inflection point: the company is transitioning from a stable terminal operator to a much larger infrastructure player with multiple new assets, take-or-pay contracts, and pipeline connections coming online over the next 1-2 years. The call provides specific numbers, dates, and agreements that substantiate the growth trajectory, making it essential reading for anyone tracking the company's transformation.

The quarter

Revenue +12.4% YoY to ₹233.8cr; liquid terminaling +31% to ₹126.5cr; gas terminaling -3.5% to ₹107.2cr; operating EBITDA +15.6% to ₹179.4cr (76.7% margin); cash PAT ₹124.9cr. Liquid growth driven by maturing new capacity (JNPA-1) and better product mix.

The inflection

Company is in a massive capacity expansion phase: JNPA expansion (318k m³ liquid, 77k MT LPG, bottling plant) with first phase commissioning Q3 FY27; Kochi expansion approved (49,577 m³); Kandla CRL4 (94,148 m³) commissioning next year; ammonia terminal commissioned at Pipavav with 15-year take-or-pay with Hindustan Zinc; Pipavav rail gantry with 15-year take-or-pay for 0.5 MMT petroleum products; multiple pipelines connecting (Jamnagar-Loni operational, Kandla-Gorakhpur and Haldia-Panagarh expected in 2-3 months); liquid capacity to grow from 1.7 to 2.2 million m³ this year and to ~3 million by FY28; \$5 billion capex plan by 2030-31. Concrete dates, contracts, and capacity numbers back the growth story.

It's an inflection point, I think, with the kind of opportunities that we are looking at.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue from Operations	₹233.8 crores	+12.4% YoY; driven by strong liquid terminaling growth offsetting modest gas decline
Liquid Terminaling Revenue	₹126.5 crores	+31% YoY; driven by higher volumes, capacity additions (JNPA-1 maturing), and favorable product mix
Gas Terminaling Revenue	₹107.2 crores	-3.5% YoY; impacted by geopolitical disruptions (Strait of Hormuz) affecting LPG supply and throughput
Revenue Mix (Liquid:Gas)	54.1% : 45.9%	Shift toward liquid terminaling as primary revenue contributor during the quarter
Operating EBITDA	₹179.4 crores	+15.6% YoY; margin at ~76.7% reflecting strong operating leverage
Cash PAT	₹124.9 crores	Demonstrates robust cash generation for ongoing capex program
Gas Throughput	~0.9 MMT (quarterly)	Operational volumes during the quarter in a challenging geopolitical environment

Geographic & Segment Commentary

Liquid Terminaling: Revenue grew 31% YoY to ₹126.5 crores, driven by capacity additions commissioned last year (JNPA Plot 1, Mangalore 75,000 CBM) now fully operational and maturing. Better location of new capacities delivers higher realizations (~₹6,000/year for JNPA vs. ₹3,000 blended average). Management expects continued strong liquid performance as more capacity comes online through FY27-FY28.

Gas Terminaling: Revenue declined 3.5% YoY to ₹107.2 crores amid geopolitical disruption, but management notes improvement in July to 80-85% of normal throughput levels. Tariffs remain standardized at ₹1,175-1,200 per metric ton across terminals, with focus on volume growth and terminal turnaround efficiency (new terminals can handle 70-100 turns vs. 26-30 for older infrastructure).

JNPA Terminal: India's highest revenue-generating major port in FY26. Current liquid capacity of ~101,900 CBM; major expansion underway: 318,100 CBM additional liquid storage, 77,236 MT LPG capacity, 35,000 MTPA bottling plant, total capex ₹1,675 crores. First phase of ~100,000 CBM liquid to be commissioned in Q3 FY27. New board-approved 52,000 MT refrigerated LPG tank adds to gas capabilities.

Haldia Terminal: 75% stake acquired in Hindustan Aegis Vopak Terminals with ~25,000 MT LPG capacity backed by exclusive HPCL terminaling agreement through 2038. Operates 226,890 CBM liquid storage. Acquired 3 additional acres for further expansion of liquid storage and handling.

Kandla Terminal: Largest terminal with ~952,000 CBM liquid capacity and 48,000 MT LPG storage. Became VLGC-compliant last year. CRL4 expansion (94,148 CBM) targeted for commissioning next year. Signed non-binding MoU with L&T for potential ammonia terminal development. Jamnagar-Loni LPG pipeline now operational; Kandla-Gorakhpur pipeline expected connected in H1 FY27.

Pipavav Terminal: 48,000 MT cryogenic LPG terminal commissioned June 2025 (total ~70,800 MT at site). Multiple infrastructure developments: new VLGC-compliant jetty (expected this year), additional liquid rail gantry with 15-year take-or-pay agreement with a leading conglomerate (0.5+ MMT per annum committed volumes, operations by year-end), Kandla-Gorakhpur pipeline connectivity expected within 2-3 months. Ammonia terminal of 36,000 MT commissioned with 15-year take-or-pay with Hindustan Zinc for its upcoming DAP plant.

Kochi Terminal: Current liquid storage of 82,545 CBM; board approved expansion of 49,577 CBM on newly allotted land, expected commissioning early next FY. Total liquid capacity will reach 132,122 CBM.

Mangalore Terminal: 82,000 MT cryogenic LPG terminal commissioned June 2025; LPG rail loading gantry and bottling infrastructure underway (₹52.5 crores investment). 75,000 CBM liquid added last year now fully utilized (total 193,000 CBM). Additional 60,000 CBM liquid under evaluation on secured land.

Vadodara Port: Non-binding MoU to participate in new port development with potential investment of ~₹20,000 crores, subject to approvals. Aligned with long-term vision of developing large-scale liquid and gas handling infrastructure on the West Coast.

Company-Specific & Strategic Commentary

Capacity Expansion Pipeline: Board approved ₹1,675 crores JNPA expansion (liquid, LPG, bottling), 52,000 MT LPG tank at JNPA, and 49,577 CBM liquid at Kochi. Liquid capacity expected to grow from 1.7M CBM to ~2.2M CBM by FY27 end and ~3M CBM by FY28 end. Capex program of ₹10,000 crores (announced at IPO) to be fully commissioned by March-June FY27.

Multimodal Evacuation Infrastructure: Four cross-country pipeline connections coming online during FY27: Jamnagar-Loni (operational), Kandla-Gorakhpur at Kandla and Pipavav (within 2-3 months), Haldia-Panagarh (HPCL,

expected Oct-Nov). Additional developments: Pipavav liquid rail gantry (0.5+ MMT take-or-pay secured), Mangalore LPG rail gantry, Mangalore-Hassan-Chirapuri pipeline expected later in the year.

Ammonia Market Entry: Commissioned specialized ammonia storage terminaling facility at Pipavav with 36,000 MT static capacity. Realizations 2.5-3 times higher than LPG; theoretical capacity of ~1 million tons at 3 turns, with first-year projection of 20-25% utilization. Anchored by 15-year take-or-pay with Hindustan Zinc for its DAP plant.

Growth Strategy Diversification: Moving beyond port-based terminals into inland depots, strategic storage for the country, and industrial terminals for blue-chip clients. Targeting \$5 billion capex by FY30-31, expanding from current 7 ports given India has 200+ ports.

Funding Strategy: Maintaining debt/equity cap of 0.6 with leverage capped at 3.5x EBITDA. \$5 billion capex funded through mix of debt (\$3 billion max), internal accruals, and mandatory equity dilution to 25% public holding by June 2028 to reach \$2 billion net worth.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Volume Growth	25%+ YoY growth target	Management works toward at least 25% annual volume growth; delivered more in some periods. Supported by 4 pipeline connections, new capacities, and multimodal evacuation. Not official guidance but stated aspiration
₹10,000 Crore Capex Completion	By March 2027 (worst case June 2027)	All IPO-phase capex commissioned and operational by FY28; includes JNPA expansion, ammonia commissioning, liquid terminals across locations
Liquid Capacity	~2.2M CBM by FY27 end; ~3M CBM by FY28 end	Growth from 1.7M CBM currently, driven by JNPA, Kochi, Kandla CRL4, and other expansions
\$5 Billion CapEx Program	By 2030-31	Funded via 40% equity/60% debt split cap; includes existing expansions, Vadodara port, inland depots, strategic storage, industrial terminals; expected to be lumpy and simultaneous
LPG Demand	Long-term structural growth expected	60% rural India still using wood/dirty fuels; LPG has 25% higher calorific value, portability, low cost, zero global warming potential. Industrial demand expected to increase post-supply crisis awareness

Risks & Constraints

RISK	CONTEXT
Geopolitical Disruption (Strait of Hormuz)	LPG supply chains disrupted with ships stuck in Middle East; impacted gas terminaling revenue (~3.5% YoY). Management's diversified sourcing (ITOCHU partnership, non-Middle East suppliers) mitigated impact. Improvement seen in July to 80-85% of normal levels; continued conflict could pressure volumes. Management expects to maintain growth trajectory despite headwinds
Piped Natural Gas Substitution	Government promoting PNG for residential use; subsidized LPG refills reduced to 4 per annum from 9. Management downplays risk: pipeline coverage minimal outside tier-1 cities, India's per capita energy consumption low, LPG is cleanest portable fossil fuel with high calorific value. Expects all energy forms to grow
Execution Risk on Large Capex Program	Multiple simultaneous projects across 25+ sites (more than 3x larger than some competitors). ₹10,000 crore commissioned by FY27, ₹45,000 crore total by FY31. Management notes timing of the \$5 billion program may be lumpy; funding plan in place with equity dilution by 2028 to maintain debt ratios
Regulatory/Approval Dependencies	Vadodara port investment (~₹20,000 crores) subject to approvals, land allocation, and regulatory clearances. Strategic storage initiatives with government/NOCs are "progressing as we speak" but are large decisions taking time. No timeline commitment given

Q&A Highlights

Tariff Structure and Pricing

- Question: Are gas throughput charges fixed per counterparty or standard across customers? (Siddharth Chauhan - 360 One Capital)
- Answer: Standard rate of ₹1,175/metric ton across customers, with principals paying up to ₹1,200. Focus is on volume growth, not tariff escalation. Terminaling is infrastructure usage business; distribution margins are higher due to sourcing risk, shipping, and inventory positions, not infrastructure fees. (Raj Chandaria, Murad Moledina)

Volume Growth vs. Market Growth

- Question: How can you grow 25% YoY when LPG market is growing only 4-5% annually? (Koundinya Nimmagadda - Jefferies)
- Answer: Growth is from a smaller base; 25% of ~10% market share equals ~2.5% of the market's 5% growth. New terminals can turn around 70-100 times per year vs. 26-30 times for older competitors, so incremental volumes flow to AVTL. Also replacing inefficient operators' throughput with modern infrastructure. (Murad Moledina)

Geopolitical Impact and Recovery

- Question: How did you maintain performance during the Hormuz crisis, and can you sustain growth? (Priyanka Biswas - JM Financial)
- Answer: Ships were not stuck in Middle East due to diversified sourcing through ITOCHU partnership-cargo from Argentina, Canada, America, Nigeria. Expanded distribution network with 4 pipeline connections: Jamnagar-Loni (operational), Kandla-Gorakhpur (Pipavav in 2-3 months), Haldia-Panagarh (Oct-Nov, HPCL), Mangalore-Hassan-Chirapuri (later). July volumes improving. (Raj Chandaria, Murad Moledina)

Liquid Revenue Drivers and Capacity

- Question: What explains the sharp 31% YoY rise in liquid revenues given capacity hasn't significantly increased? (Koundinya Nimmagadda - Jefferies)

- Answer: JNPA Plot 1 now fully firing with realizations of ~₹6,000/year versus blended average of ₹3,000. New last-year capacities have matured; product mix change takes time. Also solid plus higher turnaround. EBITDA and bottom-line focus is key. (Murad Moledina)

Capex Funding and Post-₹10,000 Crore Plans

- Question: How will future capex be funded, and what comes after the ₹10,000 crore program? (Kunal Mehta - InCred Equities and Priyanka Biswas - JM Financial)
- Answer: Mix of everything; debt/equity capped at 0.6, leverage capped at 3.5x EBITDA. \$5 billion capex implies max \$3 billion debt; need \$2 billion equity, achievable with mandatory dilution to 25% by June 2028 plus internal accruals. Beyond existing ports, targeting inland depots, strategic storage, industrial terminals for blue-chip clients, and new ports. Very close to closing several opportunities; will share upon binding agreements. (Murad Moledina)

Ammonia Terminal Economics

- Question: What is the turnaround capacity and mechanism for the ammonia terminal? (Shiraz Bugwadia - Vazirani)
- Answer: Terminal can do 3 turns, theoretically ~1 million tons. First-year projection of 20-25% utilization (prorated as commercially started in August). Realizations 2.5-3 times higher than LPG, which offsets lower turn. (Murad Moledina)

LPG Tariff Consistency Across Terminals

- Question: Is the LPG tariff same across all terminals? (Kunal Mehta - InCred Equities)
- Answer: Yes, LPG is a volume-driven game with same tariff across all terminals. Products don't stay in tanks long (3-4 days with fast turnaround); focus is on how fast you turn, not tariff differentiation. (Murad Moledina)

Haldia-Panagarh Pipeline Capacity

- Question: Will the Haldia-Panagarh pipeline deliver 1 million tons upswing as mentioned previously? (Priyanka Biswas - JM Financial)
- Answer: The Panagarh bottling plant is capable of 0.5 million tons/year, currently operational but not at full capacity. Pipeline connection should enable ~0.25 million tons depending on ramp-up. It is a customer-laid pipeline (HPCL), so expected to make a difference to throughput. (Murad Moledina)

Key Takeaway

Aegis Vopak Terminals delivered a resilient Q1 FY27 despite severe geopolitical disruption, with revenue growing 12.4% YoY to ₹233.8 crores and EBITDA up 15.6% to ₹179.4 crores (76.7% margin). Liquid terminaling was the star performer (+31% YoY to ₹126.5 crores) as new capacities matured at higher realizations, while gas revenue declined 3.5% due to Hormuz-related supply constraints-mitigated by diversified sourcing and improving July volumes. The company is executing an aggressive expansion: ₹10,000 crore capex fully commissioned by FY27, liquid capacity growing from 1.7M to 3M CBM by FY28, four pipeline connections coming online this year, and new entry into ammonia (₹2.5-3x LPG realizations) anchored by a 15-year Hindustan Zinc take-or-pay. Management maintains a 25% annual volume growth aspiration, backed by multimodal evacuation infrastructure and 70-100 terminal turns annually versus 26-30 for competitors, with a \$5 billion capex roadmap through FY31 funded through disciplined leverage (0.6 debt/equity cap) and equity dilution by 2028. Key watch points: continued Hormuz disruption impact on LPG volumes, execution of the lumpy \$5 billion program, and potential capacity constraints at Kandla as pipelines drive utilization higher.

Shadowfax Technologies Ltd

Why read this call

This is a must-read because the company is in the middle of a clear acceleration: five consecutive quarters of 65%+ growth, a 10-point guidance raise, and multiple new businesses (dark stores, Prime Large, D2C, SF360) that are scaling with hard numbers. The industry is consolidating in Shadowfax's favor, and the Amazon Now partnership is a named, material customer win. Management provides specific operational metrics (pin codes, dark stores, seller counts, cost ratios) that back the bullish narrative. The next 2-3 years will look very different from the last 3 as these new verticals and market share gains compound.

The quarter

Revenue grew 65% YoY to INR 1,358 crores (5th consecutive quarter of 65%+ growth), order volumes up 83% YoY to ~25 crores, adjusted EBITDA margin expanded to 4.9% (from 4.7% QoQ), PAT at record INR 65 crores. FY27 revenue growth guidance raised from 27-30% to 38-40%. Added 716 pin codes (16,372 total), Prime grew 2.7x YoY with 400+ D2C customers, Shadowfax 360 crossed 1,200 transacting sellers in 90 days, Prime Large hit 10,000 pin codes (full-year target in Q1) with ~INR 75 cr ARR, dark stores 47 live of 100 target, Amazon Now scaling and Amazon entered top 10 customers.

The inflection

Multiple dated, quantified inflections: (1) Industry consolidation is driving market share gains to the two largest 3PLs, with Shadowfax's Express market share up to 28-30% from 27-29% QoQ. (2) New verticals are scaling fast: Prime (same-day) growing 2.7x YoY, Prime Large (heavy goods) up 170% YoY and hitting full-year pin-code target in Q1, dark stores at 47/100 with 20 more imminent, and SF360 self-serve platform compounding weekly. (3) Amazon Now partnership is live and Amazon entered top 10 customers, with Express volumes also starting. (4) Management raised FY27 growth guidance by ~10 points to 38-40% citing forward visibility from enterprise customers. (5) Cost efficiency programs (AI co-pilot, Vision AI) cut lost shipment costs from 6.1% to 5.5% of revenue, with a stated long-term target of 3.5-4%.

We are now revising our FY27 revenue growth guidance from 27% to 30% that we had given earlier to 38% to 40%.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹1,358 crores	+65% YoY (5th consecutive quarter of 65%+ growth), +10% QoQ despite seasonally softer quarter
Order Volume	~25 crore shipments	+83% YoY; ~100 crore annualized; more shipments in Q1 than entire FY23
Adjusted EBITDA	₹67 crores (4.9% margin)	Margin up from 4.7% QoQ; expansion driven by efficiency gains, not pricing
PAT	₹65 crores	Record profit; third consecutive quarter of record profitability
Lost Shipment Debit Cost	5.5% of revenue	Down from 6.1% QoQ and 7.9% YoY; aided by AI-driven pickup quality checks
Transportation Cost	18.8% of revenue	+10 bps QoQ (from 18.7%) despite 716 new PIN codes running below capacity
Delivery Partner Expense	+10 bps QoQ	Held despite significant supply squeeze and Hyperlocal growth
PIN Code Coverage	16,372 PIN codes	+716 in quarter (~8/day); every new PIN code activates existing client orders
Dark Stores Live	47 stores	47 of 100 FY27 target already live as of June 30; 20 more to go live imminently
Capex	₹60 crores	77% into network & automation (sortation centers, infrastructure); front-loaded before sales season
Express Market Share	28%-30%	Up from 27%-29% QoQ; consolidation favoring top two 3PL networks
Minimum Wage Impact	₹2-2.5 crores/month	Absorbed across four states; partially offset by higher incentives (not all employees at minimum wage floor)

Geographic & Segment Commentary

- **Express Parcel (largest revenue segment):** Industry consolidation continued to favor the two largest 3PL networks, with Shadowfax gaining share (28%-30%). Large marketplaces expanding into low-value categories (₹250 order values) creating outsourcing demand. D2C brands grew 2.7x YoY with 400+ Prime customers, while Prime Large (LCV heavy deliveries) reached 10,000 PIN codes-hitting its full-year target in Q1-with revenue of ~₹75 crores ARR (+170% YoY, +25% QoQ).
- **Hyperlocal / Quick Commerce:** Grew 53% YoY and 17% QoQ, driven by category expansion rather than any single platform; 5-6 large players all growing with Shadowfax. Amazon Now scaling rapidly (Amazon entered top 10 customer club). Dark store network: 47 live across six metro cities, anchored by fashion and beauty platforms. Vertical quick commerce players (grocery, fashion, beauty, childcare, building materials) seen growing to 20%-25% of overall QC market.
- **Prime / Same-Day-Next-Day Delivery:** Grew 2.7x YoY (accelerated from 2.5x last year); only 3PL of national scale offering same-day delivery pan-India. Premium capability drives wallet-share gains-when clients route fast delivery volumes to Shadowfax, remaining volumes follow. 400+ D2C customers now using Prime services.
- **Shadowfax 360 (Self-Serve SME Platform):** Launched ~90 days back; already crossed 1,200 transacting sellers with weekly compounding growth. Democratizes network access for smaller brands and SMEs.

- **Other Logistics Services (CriticalLog & Dark Stores):** Returned to sequential growth in Q1 as CriticalLog integration matured and dark store revenues scaled. Dark stores contribute 10%-12% of other logistics services revenue. CriticalLog cross-selling cycle expected to drive mid-teen percentage revenue upside from one existing customer conversation; longer sales cycles but higher stickiness once won.

Company-Specific & Strategic Commentary

- **Revised FY27 Guidance:** Revenue growth guidance raised from 27%-30% to 38%-40% for FY27, driven by strong H1 momentum, enterprise customer visibility (forward volume projections), new account acquisitions, and Amazon Now/Express tailwinds. Margin trajectory unchanged-growth acceleration achieved on same disciplined path to profitability.
- **Build Mode Strategy:** During Q1's macro stress (diesel price hikes, gas crisis, state elections, labor squeeze), company added more physical capacity and PIN codes than any prior quarter-deliberately leaning in when environment is tough, echoing playbook from 2017 and 2022.
- **AI at Scale - Delivery Partner Buddy:** Multilingual AI copilot for riders handles ~16,000 conversations/day, resolving ~97% of queries without human intervention; continuous self-learning improves auto-resolution rates over time. Frontline delivery remains human-centric.
- **AI at Scale - Vision AI at Pickup:** Deployed in reverse logistics; catches ~40% of bad pickups before losses materialize, at ~35x lower inference cost than frontier models. Directly reduces lost shipment debit costs and quality-check losses.
- **Fuel Pass-Through Relationship Management:** Despite contractual right to pass diesel increases on day one, management chose to absorb the first five days of the hike-a deliberate relationship investment viewed as compounding customer trust and retention.
- **Segmented Supply Chain Architecture:** No dedicated infrastructure for service lines (Prime, Prime Large, D2C); instead, technology orchestrates multiple SLA configurations within shared sortation centers, last-mile hubs, and trucking-preserving operating leverage while enabling differentiated service tiers.
- **Quick Commerce Outsourcing Thesis:** Industry QC outsourcing at 12%-15% of volumes; Shadowfax holds >50% share of outsourced QC deliveries. Framework: no single supply chain can be optimal across every PIN code and minute of day, so platforms diversify with alternative partners-creating structural demand for 3PL even among deeply insourced players.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
FY27 Revenue Growth	38%-40% (revised up from 27%-30%)	Driven by enterprise visibility, Amazon scaling (top-10 customer), D2C/Prime acceleration, new PIN code expansion; management cites "fair degree of visibility" from forward projections from large customers
FY27 Margin Trajectory	Unchanged (~100-150 bps expansion)	Excess profits reinvested into customer benefits and new capabilities rather than margin upside; steady-state margin target maintained
Prime Large PIN Code Target	Raised to 12,000 PIN codes (from 10,000)	FY target achieved in Q1 alone; now extended
Dark Stores FY27 Target	100 stores (47 live + 20 imminent)	Nearly half of annual commitment delivered in Q1; live across six metro cities
Lost Shipment Cost Long-Run Target	3.5%-4.0% of revenue	From current 5.5%; historical lows seen at 4.5%-5.0%; progress expected every quarter via AI and process improvements
Q1 Cost Pressures Fully Absorbed	Fuel & minimum wage impact reflected in Q1	Minimal residual impact expected; revenue upside to neutralize any remaining cost creep

Risks & Constraints

RISK	CONTEXT
Fuel Price Volatility	Diesel price hikes hit every logistics cost line; management absorbed 5 days of pass-through in Q1 as relationship investment. If crude prices spike again, transportation cost (18.8% of revenue) faces upward pressure. Contracts allow full pass-through but choices around timing affect near-term margins.
Minimum Wage Hikes	Four states raised minimum wages; impact of ₹2-2.5 crores/month absorbed in Q1. Many employees earn above floor via incentives, so delta to P&L is less than headline wage increase would suggest. Further state actions could add pressure in FY27.
Labor Supply Squeeze	Delivery partner supply was tight in Q1 due to elections and seasonal factors; partner expense rose 10 bps QoQ despite efficiency drives. Persistent labor shortages could pressure service levels or force higher incentives.
Customer Concentration & Pricing Pressure	Large listed anchor customers can see Shadowfax's margins and demand better pricing. Management notes rate cards already provide volume-based discounts; staying competitive is existential. Risk mitigated by D2C diversification (2.7x growth) and new customer acquisition.
Insourcing Risk	Some large marketplaces have in-house delivery ecosystems; management frames outsourcing as structural (12-15% of QC industry outsourced; no single supply chain optimizes every PIN code), but a major platform shifting to insource would impact volumes.
Sales Cycle Risk in CriticaLog	Value-added services (air freight) have long sales cycles; cross-selling benefits may take 12+ months to materialize. Currently one active conversation could add mid-teen % revenue to that subsidiary.

Q&A Highlights

Revenue Guidance Revision & Confidence

- **Question:** What underpins the confidence behind raising FY27 growth guidance to 38-40% from 27-30%? (Gaurav Rateria, Morgan Stanley)

- **Answer:** Enterprise customers provide forward volume projections to enable capacity planning; visibility is high across large marketplaces and 3PL-only customers. D2C investments and new customer acquisition pipeline look aggressive. Management expressed "fair degree of visibility and high degree of confidence" on revised numbers. (Abhishek Bansal)

Capex Front-Loading & Long-Term Investment

- **Question:** Given ₹60 crores capex in one quarter, is this beyond FY27 needs-does it reflect confidence beyond current year? (Gaurav Rateria)
- **Answer:** Two investment types: capex (front-loaded pre-sales season; 77% into network & automation-sortation machines, infrastructure, IT) and opex (people, trucks, rentals). Facilities last 5+ years; PIN code expansion into deeper rural areas is continuous. Long-term growth confidence increasing every quarter. (Praveen Kumar K.J.)

Margin Bridge & Cost Absorption

- **Question:** Can you provide a broad margin bridge given fuel hikes, labor escalations, and operating leverage? (Gaurav Rateria)
- **Answer:** Transportation cost rose to 18.8% (from 18.7%); partner expense and consumables each rose ~10 bps due to supply squeeze and crude-linked inputs. Lost shipment cost fell from 6.1% to 5.5%, offsetting pressures. Management emphasized that without efficiency drives, every cost line would be higher; all Q1 cost impacts are largely reflected, with revenue upside neutralizing remainder. (Praveen Kumar K.J.)

Express Segment Mix & Market Share Gains

- **Question:** Is market share gain coming at expense of smaller or larger players, and how is the D2C mix shifting? (Sachin Salgaonkar, BofA)
- **Answer:** Consolidation between the two large 3PL networks continues-a trend observed over last 4-6 quarters. D2C business grew 2.7x YoY from a small base 4 quarters ago and near-zero 8 quarters ago, significantly outpacing the rest of the business. (Abhishek Bansal)

Quick Commerce Insourcing/Outsourcing Framework

- **Question:** How do QC platforms think about insourcing vs. outsourcing, and what share is outsourced? (Sachin Salgaonkar)
- **Answer:** No single supply chain can be best across every PIN code, route, and minute of day; all platforms diversify supply chains. Shadowfax holds >50% share of outsourced QC delivery market. Industry outsourcing levels currently trending 12-15% of volumes; customers might outsource 20-25% if enough capable players exist. Even marginal SLA improvements justify outsourcing given competitive intensity. (Abhishek Bansal)

Margin Guidance Maintenance vs. Strong Q1

- **Question:** Does strong Q1 margin performance change the full-year margin guidance of ~100-150 bps? (Dhruv Jain, Ambit)
- **Answer:** No-margin profile target remains unchanged. Excess profits are reinvested into customer benefits (to gain share) or new capabilities (to accelerate growth). Management wants a specific steady-state margin; beyond that, reinvest to accelerate. (Abhishek Bansal)

CriticalLog Growth Trajectory

- **Question:** How should we think about CriticalLog beyond FY27, given different sales cycle dynamics? (Dhruv Jain)

- **Answer:** CriticaLog adds value-added services (air freight). Integration is complete after 1.5 years; cross-selling begins now. One active conversation with an existing customer could increase CriticaLog revenue by mid-teen percentage points. Value-added services have longer sales cycles but higher stickiness; expect CriticaLog to grow faster than core business post the 12-month cross-selling cycle. (Abhishek Bansal)

Pricing Pressure from Anchor Customers

- **Question:** As a listed player with visible margins, will core anchor customers (also listed) demand better pricing? (Abhishek Banerjee, ICICI Securities)
- **Answer:** Customers optimize cost/experience on every lane regardless of our profitability position. Rate cards already provide volume-based price reductions-as customers give more volumes, they save costs through fixed-cost leverage. Staying competitive with lean supply chains is what delivers profitability. (Abhishek Bansal)

Dark Store vs. Same-Day Delivery Cannibalization

- **Question:** Will dark store vertical quick commerce cannibalize Prime (same-day) D2C business? (Mukesh Saraf, Avendus Spark)
- **Answer:** Different SKU architectures: same-day delivery handles ~1 million SKUs per city vs. dark stores at ~10,000 SKUs. Vertical QC platforms compete with horizontal QC players, not e-commerce same-day propositions. Cities overlap, but customer needs and SKU ranges are distinct. (Abhishek Bansal)

Dark Store Revenue Contribution & Amazon Scale

- **Question:** What have dark stores contributed to other segment revenue, and is Amazon Express volume live? (Atul Borse, JM Financial)
- **Answer:** Dark stores contribute 10-12% of other logistics services revenue collectively; store-level revenue varies widely (200-4,000 sq ft stores, different customers/SKUs). Amazon Express volumes live in top 10 cities, compounding ahead of sales season; Amazon has entered top 10 customer club overall. (Praveen Kumar K.J., Abhishek Bansal)

Realization Trends in Express

- **Question:** When will realized revenue per shipment start uptrending with Amazon and D2C mix shift? (Atul Borse)
- **Answer:** Realization depends on weight, distance, service type, and volumetric load factors-many outside logistics company control. On like-for-like weight basis, higher B2C mix should improve realization, but weight/distance dynamics dominate the headline number. (Abhishek Bansal)

Key Takeaway

Shadowfax delivered a record Q1 FY27 with revenue of ₹1,358 crores (+65% YoY, +10% QoQ), PAT of ₹65 crores (third consecutive record quarter), and adjusted EBITDA margin of 4.9%-all while absorbing diesel price hikes, minimum wage increases, and labor supply squeezes. Management raised FY27 revenue growth guidance from 27-30% to 38-40% citing enterprise pipeline visibility, Amazon scaling (now a top-10 customer), and D2C/Prime momentum (2.7x YoY, 400+ customers), while maintaining the existing margin trajectory. Strategic capacity build accelerated: 16,372 PIN codes, 47 dark stores live (half the FY target in one quarter), Prime Large achieving its 10,000-PIN-code target in Q1 and raised to 12,000, and ₹60 crores capex (77% network/automation). Efficiency programs (Delivery Partner Buddy AI copilot at 97% auto-resolution; Vision AI cutting bad pickups by 40%) drove lost shipment costs to 5.5% of revenue from 6.1% QoQ. Q1 cost pressures are fully reflected in financials; watch items include fuel volatility, minimum wage follow-ons across states, and pricing expectations from large listed

anchor customers. The strategy: lean into build mode during macro stress, reinvest excess profitability into market share and new capabilities, and let volume-driven operating leverage compound into the sales season.

RBL Bank Ltd

Why read this call

This call is a must-read because a strategic change of control with a \$2.75bn infusion fundamentally alters the bank's growth trajectory, cost of funds, and market positioning. The call provides specific numbers on capital deployment, margin path, credit cost normalization, and NRI deposit strategy. The next 2-3 years will look completely different from the last 3, making this an inflection point every investor should understand directly.

The quarter

Q1 FY27: deposits +11% YoY to ₹124,829cr, advances +23% YoY to ₹116,223cr, NII +12% YoY to ₹1,654cr, net profit +27% YoY to ₹254cr. Retail advances +13%, wholesale +38%. Credit costs 54bps, GNPA 1.3%. Emirates NBD infused ₹26,016cr at ₹280/share for 60% stake, classified as promoter.

The inflection

Change of control and massive capital infusion: Emirates NBD acquired 60% of RBL Bank, becoming promoter. Bank rated AAA. Capital deployed to retire ~₹10,000cr high-cost borrowings (average 7.25%) and redeployed at 6.7-8%. Management guided 30-40bps margin improvement in Q2, ROA reaching ~1% in Q2-Q3, sharp reduction in credit card slippages from Q3, and plans to raise deposit market share 2-3x via NRI flows and branch expansion. This resets growth and cost structure.

We are very confident. Otherwise we would not have been let go this high cost.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Total Deposits	₹1,24,829 crores	+11% YoY; average deposits +24% YoY; granular deposits (<₹3 crores) at 52.4% of total; high-cost wholesale deposits deliberately run down post capital infusion
CD Ratio	93.1%	Loan-to-borrowed funds including long-term borrowings and capital at 66.4%; management views standalone LDR as not reflective of true position
Net Advances	₹1,16,222 crores	+23% YoY, +2% QoQ; average advances +25% YoY; growth above banking system average of ~19%
Retail Advances	₹64,195 crores	+13% YoY; secured retail +18% YoY, unsecured retail +8% YoY; retail:wholesale mix at 55:45
Wholesale Advances	₹52,027 crores (implied)	+38% YoY; large corporate +38%, commercial banking +36% YoY
Microfinance / JLG Book	Book +30% YoY; disbursements +50% YoY	JLG advances +50% YoY; collection momentum stable, no rural disruption; ~95-96% of MFI provisioning covered under CGFMU
Credit Cards in Force	4.65 million	3.4 lakh cards issued in Q1 FY27; 90% of acquisition from direct sourcing including co-brand
GNPA	1.30%	Down 15 bps; NNPA at 0.37%, down 2 bps
Provision Coverage Ratio	72.0%	In the 90s with technical write-offs
Credit Cost	54 bps	Net provisions ₹597 crores: cards ₹575 crores, MFI ₹17 crores, secured retail ₹9 crores, wholesale release ₹6 crores
Net Interest Income	₹1,654 crores	+12% YoY; margin under pressure from repo rate pass-through and card reversals
Fee Income	₹923 crores	+16% YoY; other income at ₹959 crores, -10% YoY on high Q1 FY26 treasury base
Operating Profit	₹923 crores	+31% YoY; cost-to-income at 64.7% vs 65.1% QoQ, aided by operating leverage
Net Profit	₹254 crores	+27% YoY vs ₹200 crores in Q1 FY26; effective tax rate ~22% due to tax-free gilt earnings
Net Interest Margin	4.13%	Down ~50 bps over trailing two quarters; 30-40 bps improvement guided for Q2 FY27
Average LCR	133%	Elevated post capital infusion
Total CAR	33.3%	CET1 at 32.2%; post ₹26,016 crores preferential infusion by Emirates NBD at ₹280/share; long-term rating upgraded to AAA (stable) by ICRA and CARE

Geographic & Segment Commentary

- **Credit Cards:** 3.4 lakh cards issued in Q1 FY27; cards in force at 4.65 million; 90% of sourcing through direct channels. Credit cost on the cards+PL book remains elevated at ~11-12% headline, guided to a ~5% handle by Q3

FY27 as early delinquency buckets (10/30-day) have materially improved. Strategy pivoting to bundled propositions and salary-account/branch-led acquisition.

- **Microfinance / JLG:** Disbursements grew 50% YoY and book ~30% YoY; JLG advances up 50%. Slippages are sharply reducing, with 95-96% of MFI provisioning covered under CGFMU; first CGFMU recovery filing expected in Q2 FY27.
- **Wholesale (Large Corporate + Commercial Banking):** Advances +38% YoY, enabled by the AAA rating upgrade and Emirates NBD relationship. GIFT City is growing faster than the overall book (PSL-exempt). Trade-flow corridors in Emirates NBD geographies identified as a competitive advantage.
- **Secured Retail:** +18% YoY; secured business loans +48% YoY. Branch-led asset disbursals at ₹1,178 crores vs ₹731 crores in Q1 FY26 as cross-sell deepens. Focus on pricing discipline, operating leverage and product optimisation across SBL, home loans, gold and tractor.
- **Deposits & CASA:** Total deposits +11% YoY to ₹1,24,829 crores; granular deposits at 52.4%. Peak savings rate cut to 6% with gradual further rationalisation planned; average SA on daily-average basis running at ~25-26%. NRI mobilization via Emirates NBD corridors is the key incremental liability lever.

Company-Specific & Strategic Commentary

- **Emirates NBD Transaction & Capital Deployment:** ₹26,016 crores infused at ₹280/share for 60% of expanded capital; promoter classification effective June 18, 2026. ~₹10,000 crores of 7.25% borrowings retired; ₹16,000 crores deployed in short-term instruments at 6.7-6.8% to be redeployed into advances as growth normalises. Long-term rating upgraded to AAA (stable) by ICRA and CARE.
- **NRI / Liability Franchise Build-out:** Targeting 1.5-2% of the NRI deposit market (3-4x the bank's ~0.5% overall deposit share); ~20 new branches planned; new current-account product variants launched for SMEs and proprietorships; collection accounts from AAA-rated corporate relationships seen as an incremental CASA source.
- **Credit Card Strategy Reset:** Cards repositioned as a customer-acquisition tool for savings and liability growth rather than a standalone product; direct sourcing at 90%; bundled propositions and branch/salary-account-led acquisition gaining traction.
- **ECL Transition:** No accelerated adoption; the bank will implement ECL per RBI timelines from FY28, with data sharing with Emirates NBD (IFRS-based group) but RBI-compliance as the governing framework.
- **Management Additions:** Bhavin joined as CFO, Ashwin Chaudhuri as CRO designate and Naveen Sharma as Head of Internal Audit; hiring remains need-based/business-opportunity-based.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Net Interest Margin	+30-40 bps in Q2 FY27	Equity deployment, high-cost SA bucket removal, lower borrowing costs; beyond Q2, mix shift to secured/wholesale creates uncertainty - management targets ROE/ROA rather than a standalone NIM
Credit Card Credit Cost	~5% by Q3 FY27	From ~11-12% current; some reduction in Q2, material reduction from Q3 based on improved early delinquency trends
Slippages (Cards)	Material decrease from Q3 FY27	Early-bucket (10/30-day) flows materially improved; sourcing and collection actions already executed
ROA	~1% in Q2-Q3 FY27; better by exit of FY27	Capital infusion impact plus card credit cost normalisation; ROE double-digit over 3-4 years (aspirational)
Cost to Income	Down another 5-6 pts in next 1-2 quarters	From 64.7%; existing branch profitability and automation cover new branch costs (~20 branches)
Retail Deposit Growth	23-24% ongoing	NRI flows incremental; bulk/wholesale deposits raised tactically on a need basis
PSL	FY26 targets fully met; no shortfall expected in FY27	JLG/MFI covers 75-80% of weaker-section requirement; GIFT City growth (PSL-exempt) adds headroom; SLSC purchase possible if required

Risks & Constraints

RISK	CONTEXT
Credit Card Asset Quality	Slippages on the cards+PL book rose ~25% QoQ (~15-16% annualized); credit cost at 11-12% for the book. Management guided sharp reduction from Q3 FY27, but H1 FY27 profits remain burdened by elevated provisions.
CASA / Low-Cost Liability Erosion	Deliberate SA rate rationalization and wholesale deposit run-down pushed CASA down, ex one-off IBC flows. If NRI and retail CA mobilization lags the 6-12 month equity deployment window, organic deposit-funded growth could face constraints.
Margin Dilution from Mix Shift	Faster growth in secured retail and better-rated wholesale loans (yields <10% vs ~20% on unsecured, 11% overall book) will compress asset spreads; management accepts lower NIM if liability costs fall, but NIM trajectory beyond Q2 FY27 is not committed.
PSL Compliance	Wholesale/GIFT City-led growth is PSL-exempt and MFI book growth is moderating; May require SLSC purchases. FY26 was fully compliant; management rules out taking credit risk solely for PSL fulfilment.
Geopolitical / Macro	Middle East conflict has had no portfolio impact so far, but early signs of retail inflation are being watched. Repo rate trajectory remains a swing factor for NIM and SA rates.

Q&A Highlights

Capital Deployment & Liability Repayment

- **Question:** Of the ₹26,000 crore fundraise, how much retired costlier liabilities, at what cost, and how will the rest be deployed? (*Rikin Shah, IIFL Capital*)
- **Answer:** ~₹10,000 crores of borrowings at ~7.25% were retired; the balance is in short-term market instruments yielding ~6.7-6.8%, to be redeployed into advances as credit growth normalises over coming quarters. Equity will

be consumed by normalized credit growth over the next few quarters, giving a fillip to NII. (R. Subramaniakumar, Jaideep Iyer)

IBC Run-off & CASA Strategy

- **Question:** What was the IBC run-off and why did CASA fall even after adjusting for the ₹5,500 crore one-off? (Rikin Shah)
- **Answer:** IBC run-off was ~₹4,000 crores; ~₹500 crores outstanding, so the drag is largely done. CASA decline is deliberate - savings rates were rationalised and a high-cost SA bucket (introduced late March) has been removed; average SA is running at ~25-26% daily average. Confidence in re-mobilisation comes from NRI corridors, retail CA variants, branch expansion, AAARated collection accounts, and reduced deposit-growth pressure given surplus liquidity. (Jaideep Iyer, R. Subramaniakumar)

Margin Outlook

- **Question:** What drove ~50 bps of margin contraction and where do margins settle? (Rikin Shah, Anand Dama)
- **Answer:** Headwinds were repo rate cut pass-through, the high-cost SA bucket, continued card interest reversals (one more quarter expected), and Q4 seasonality. Expect 30-40 bps (possibly north of 40-50 bps) NIM improvement in Q2 FY27 from equity deployment; beyond that, predictability is limited as the mix shifts to lower-yielding secured/wholesale assets. Management explicitly prioritises ROE/ROA over a standalone NIM target. (Jaideep Iyer)

Credit Card Slippages & Credit Cost Trajectory

- **Question:** Why did slippages rise again QoQ, and what visibility supports the sharp decline from Q3? (Rikin Shah, Jai Mundhra, Geet Shah)
- **Answer:** Cards+PL credit cost is ~11-12% headline; Q2 should begin to decline, with material reduction from Q3 to a ~5% handle. Guidance is based on materially improved early delinquency flows (10/30-day buckets) and actions on sourcing and collection efficiency. Elevated slippages through H1 FY27 were flagged 6-9 months back; Q3 is when the portfolio normalises. (Jaideep Iyer)

PCR Decline

- **Question:** Why did PCR fall - is it a policy change? (Rikin Shah)
- **Answer:** No policy change. PCR is mathematical: cards are provisioned 70% at 90 days and 100% at 120 days; MFI at 25% per quarter. Elevated card slippages increased the 90-120 day bucket, lowering PCR; 95-96% of MFI provisioning is covered by CGFMU. Management is comfortable with current provisioning levels. (Jaideep Iyer)

NRI Deposit Strategy via Emirates NBD

- **Question:** How will the Emirates NBD partnership reshape liability generation over 2-3 years? (Anand Dama)
- **Answer:** Target is 1.5-2% of the NRI deposit market (3-4x current 0.5% share). Half of Dubai's population is Indian - capturing even 20% is a huge flow; remittance-corridor float conversion into deposit relationships is another major opportunity. ~20 branches planned; hiring is need-based, with a strong existing team supplemented by recent senior appointments. (R. Subramaniakumar, Jaideep Iyer)

LDR & Cost-to-Income

- **Question:** At 93% LDR, is the bank stretched? How will cost-to-income behave with branch expansion? (Jeet Suchak, Ambit Capital)

- **Answer:** LDR should be viewed as loan-to-borrowed funds including capital, which is 66.4%; standalone LDR may stay in the 90s and inch up as capital is deployed - not a true stress indicator. Cost-to-income at 64.7% should fall another 5-6 points in 1-2 quarters as capital-infused income scales; branch expansion is calibrated and funded by maturing branch profitability and automation-driven productivity. (R. Subramaniakumar, Jaideep Iyer)

PSL Position

- **Question:** With wholesale-led growth, how are you placed on PSL targets? (Jai Mundhra, ICICI Securities)
- **Answer:** FY26 PSL targets were fully met including SLSC. JLG/MFI covers ~75-80% of weaker-section requirements; microfinance+tractor+agri is ~10% of the book. GIFT City growth is PSL-exempt, and SLSC purchase is an available option. Management will not take credit risk in segments solely for PSL fulfilment. (R. Subramaniakumar, Jaideep Iyer)

Unsecured Mix & Yield Impact

- **Question:** If the ~25% unsecured book (yield ~20%) reduces as a share of advances, does the benefit from capital get eaten by mix compression? (Geet Shah, Pinpoint Asset Management)
- **Answer:** The mix shift will be gradual, not a one-year event. The key offset is cost-of-liability reduction across borrowings, bulk and retail deposits in that order. The bank will fine-price for multi-product, lower-risk relationships and make up spread loss through liabilities; provisioning trade-offs matter as much as margin. Cards growth will trail overall book growth given market maturity. (Jaideep Iyer)

ROA / ROE Targets

- **Question:** What is the ROA trajectory and do we reach 1%? (Darshil Zaveri, Crown Capital)
- **Answer:** ROA should reach the 1% zone in Q2-Q3 FY27 and improve beyond by exit of FY27 as card credit costs normalise. Double-digit ROE is an aspirational 3-4 year target, potentially achieved earlier depending on execution. (Jaideep Iyer, R. Subramaniakumar)

Key Takeaway

RBL Bank's Q1 FY27 marked the first full quarter under Emirates NBD's promoter ownership following the ₹26,016 crore infusion at ₹280 per share (60% stake, June 18, 2026), lifting CRAR to 33.3% and CET1 to 32.2%. Management retired ~₹10,000 crores of 7.25% borrowings and parked surplus at 6.7-6.8%, guiding NIM up 30-40 bps in Q2 FY27 from 4.13%. Net profit rose 27% YoY to ₹254 crores; advances grew 23% YoY to ₹1,16,222 crores and deposits 11% to ₹1,24,829 crores. Card credit costs stayed at ~11-12%, with a sharp slippage reduction guided from Q3 FY27 toward a ~5% credit cost as early delinquency buckets improve. Strategic pillars are NRI deposit mobilization (1.5-2% market share), secured retail shift (secured retail +18%, SBL +48%), and AAA-rated wholesale expansion (+38%). Watch-points: CASA trajectory, card normalization timing, and margin sustainability amid the mix shift to lower-yielding assets.

Muthoot Microfin Ltd

Why read this call

This call is a must-read because it captures a genuine inflection point: the microfinance sector is emerging from a downturn, and Muthoot is not just recovering but transforming its business model with new products, improving profitability, and a credible path to higher ROA. The management provides concrete numbers, dates, and targets, making the story of change tangible and worth an investor's time.

The quarter

Q1 FY27: Disbursements ₹2,644 cr (highest ever Q1, +49% YoY), AUM +18% YoY, collection efficiency 97.97%, X-bucket 99.9%, 65% of book post-April 2025 with 30+ at 1.2%, individual loans ₹3,200 cr with 30+ at 0.02%, cost of funds down 14bps to 10.13%, credit cost down to 2.6%, PPOP +43% YoY. Guidance raised to 20% AUM growth, ROA 3.3% upper, ROE 18% upper.

The inflection

Microfinance industry is recovering from a crisis, and Muthoot is executing a clear turnaround: record disbursements, rapidly improving asset quality, cost of funds declining with a rating upgrade to AA-, and strategic diversification into gold loans (₹100 cr/month, targeting ₹1,200 cr disbursement), individual loans (₹3,200 cr book, near-zero delinquency), and a consumer durable pilot (₹500 cr). Management guides to single-digit cost of funds by year-end and overachieving ROA/ROE targets, backed by specific numbers and product launches.

This is a turnaround that we have been talking about the quarter 1 performance actually reflects what strategy that we have developed and articulated, it is getting into motion and getting into execution.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Disbursements	₹2,644 crores (Q1 FY27)	Highest ever Q1 disbursement; up ~49% YoY; ~₹1,000 crore/month run-rate target on track
AUM Growth	18% YoY	Growth driven by strategic diversification and improved collection environment
NIM	~12%	Expanded ~50 bps YoY from 11.5%; flat QoQ due to negative carry on excess liquidity
Yield (Blended)	~23%	Mix: JLG @24.85%, Individual @23.5%, Lab Loan @18-22%, Gold Loan @~20%
Credit Cost	2.6%	Reduced from 2.82% last quarter; below lower end of guidance spectrum
GNPA / Asset Quality	30+ at 1.2% for post-April-2025 book	Overall on-time collection ~98%; >99.9% current bucket collection
Cost of Funds	10.14%	Down 14 bps QoQ from 10.27%; incremental borrowing at 9.8%; targeting single digit by FY27 end
OpEx Ratio	6.3%	Down from 6.4%; improving with disbursement growth and technology adoption
PPOP Growth	+43% YoY, +3% QoQ	Earnings up 20% YoY, 5% QoQ
Branch Productivity	₹8.65 crores AUM/branch	Up from ~₹7 crores in Q1 FY26; targeting ₹12-13 crores long-term
Digital Collection	40% overall; 100% for individual loans	Improving ~6% every quarter; ~2.1 million app downloads
Direct Assignment	₹355 crores (Q1 FY27)	Income booked via net gain on fair value changes; ₹1,600 crores done in FY26

Geographic & Segment Commentary

- **Asset Mix (JLG vs Non-JLG):** 76% of assets are income-generating JLG loans; 24% non-JLG. The individual loan portfolio stands at ~₹3,200 crores with minimal delinquency (0.02% 30+, zero 60+/90+). Management is targeting a 70:30 mix by end-FY27 and 60:40 balance sheet mix long-term.
- **Individual Loans:** Focused on "creamy layer" of ~9 lakh customers with credit scores of 700+. Bounce rate is just 13% vs industry's ~25-30%, with bounce collections completed within 7 days. 100% of repayment is digital with no cash collection.
- **Gold Loans:** Disbursing ~₹100 crores/month post-quarter end; ~₹360 crores disbursed in Q1 (98% referral-based, minimal co-lending). Co-lending partnership with parent (60% on Muthoot's book, 40% parent) scaling up from Q2. Target ₹1,200 crores disbursement and ₹500 crores gold portfolio. Customer propensity analysis shows ~₹11,000 crores of gold loan outstanding among Muthoot's own MFI customer base.
- **Branch Network & Customer Base:** ~1,670 branches currently; targeting 1,740-1,750 by FY27 end. Active customers declined marginally (-0.6% QoQ) as management cleans up non-performing customers; new customer acquisition expected from Q2 via gold loans, consumer durable loans, and North East/West expansion.

- **Geographic Expansion:** Focus on Andhra Pradesh and Assam (lower Assam) for deeper penetration. Assam floods are an annual phenomenon with no impact on portfolio due to natural calamity insurance and lower Assam location.

Company-Specific & Strategic Commentary

- **Turnaround Execution:** Management declared Q1 FY27 results validate the turnaround strategy articulated previously. ~65% of the book now represents post-April-2025 disbursements with 30+ at just 1.2%, demonstrating the improving asset quality mix.
- **Product Diversification:** Board approved consumer durable loan pilot of ₹500 crores at 22-23% yield, funded via CP facility at ~8.1-8.2% cost (coupon ~7.7%), creating strong margin arbitrage. Industry delinquency in this segment is ~1%. Top three growth products for next 2-3 years: individual loans, JLG loans, and gold loans.
- **Funding Advantage:** Received AA- (Crisil) rating upgrade during the quarter; benefit expected in coming quarters. ₹5,000 crores of sanctioned undrawn lines available plus ₹800 crores remaining under credit guarantee scheme. Higher rating opens mutual fund and insurance company borrowing avenues.
- **Digital Ecosystem:** 2.1 million app downloads for Mahila Mitra app; 100% of identified 700+ score individual loan customers are on the app. Strategy is to build ecosystem for immediate, long-term, and sustainability needs. Guidance of 75% digital collection by 2030 expected to be achieved earlier than planned.
- **Customer Propensity Analysis:** Study shows secured/unsecured business loans are #1 customer need, followed by gold loans and housing/two-wheeler loans. Management positioning to transition from "just inclusion" to "meaningful financial inclusion."

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
AUM Growth	20% for FY27 (revised upward)	Momentum from Q1, festive season demand, available liquidity, and product success give confidence
Credit Cost	~2.7% (lower spectrum, likely to overachieve)	Already at 2.6% in Q1; long-term normal range of 2-2.25%
NIM	12.3-12.5% for FY27	Expected to hit upper end; driven by yield expansion and cost of fund reduction
ROA	3.3% (upper spectrum); targeting 4-4.5% in 18 months; ~5% by FY30	Driven by efficiency, product mix, fee income, and asset quality
ROE	~18% (upper spectrum)	Supported by margin expansion and lower credit costs
Cost of Funds	Single digit by FY27 end	Incremental borrowing at 9.8%; rating upgrade and CP access will drive further reductions

Risks & Constraints

RISK	CONTEXT
El Nino / Monsoon Impact	Initial rain deficit of 43% reduced to ~12%. Only <2% of portfolio in sensitive areas (parts of Maharashtra, Karnataka). Customers mostly in animal husbandry/fisheries not directly impacted. Natural calamity insurance covers drought. Rural cash flows improving as evidenced by collection efficiency.
Multiple Lending / Over-Leveraging	SRO initiatives to curb multiple lending are playing out; only 46% of customers are exclusive to Muthoot, 30% are "plus one." Industry customer base has shrunk ~25% from peak of 8 crores to 6 crores.
Regulatory Costs	Gold loan co-lending guidelines and gold loan regulations implemented in April temporarily slowed co-lending business; now scaling at ₹100 crores/month. SRO working to improve offtake of ₹20,000 crores government credit guarantee scheme.

Q&A Highlights

Disbursement Run-Rate & Yield Trajectory

- Question: Is the ₹1,000 crore/month disbursement target achievable, and what is driving the flat NIM despite cost of fund reduction? (Varun Dubey, Share India Securities)
- Answer: Full year disbursement plan exceeds ₹12,000 crores, making ₹1,000 crore/month achievable. Q1 is typically the slowest quarter. Blended portfolio yield ~23%, but overall yield appears flat because the denominator includes non-yielding legacy NPA portfolio. As this rolls off and good portfolio grows, yields will expand. NIM improved 50 bps YoY and will continue expanding from both yield improvement and cost of fund reduction. (Sadaf Saeed)

Gold Loan Co-Lending & Referral Structure

- Question: How is the gold loan referral business structured and how is the co-lending mechanism working? (Prithviraj Patil, Investec)
- Answer: Q1 was ~98% referral (parent holds asset, Muthoot earns 1.5% referral fee) due to timing of co-lending guidelines. Post-Q1, disbursing ₹100+ crores/month with co-lending split of 60% on Muthoot's book, 40% on parent's book. Parent stores and assesses gold; Muthoot sources customers from MFI base. ₹11,000 crores of gold loans outstanding among Muthoot's own customers; targeting to capture 30-40%. (Sadaf Saeed)

Direct Assignment Accounting

- Question: How is direct assignment income recognized? (Prithviraj Patil, Investec)
- Answer: Income booked through net gain on fair value changes, not interest income, to track separately. DA of ₹355 crores in Q1. Mechanism used to offload non-qualifying assets, improving capital adequacy and asset quality on balance sheet. (Praveen T)

El Nino Impact & CGFMU Coverage

- Question: Is there any slowdown in rural consumption from El Nino/uneven monsoon, and what's the CGFMU coverage? (Vishal Narnolia, ICICI Securities)
- Answer: Growth guidance maintained at 20%. Rain deficit reduced from 43% to ~12%. Only <2% of portfolio in sensitive geographies; customers mostly in animal husbandry/fisheries. Less than 2% AUM currently under CGFMU; applied for ~20% coverage. (Sadaf Saeed)

Customer Base Declining & Branch Expansion

- Question: Why is active customer base declining YoY and when will it improve? (Chintan Shah, Investime.com)
- Answer: Industry customer base reduced ~25% (8 crores to 6 crores); Muthoot's decline is only 0.6% QoQ. Managing out non-performing customers through write-off or non-renewal. New customer acquisition via gold loans, consumer durables, and NE/West expansion will improve numbers from Q2. Branch count to reach 1,740-1,750 by year-end from current ~1,670. (Praveen T, Sadaf Saeed)

MFI Pricing & SRO Initiatives

- Question: Any recent price hikes on MFI portfolio and what's being discussed at SRO level? (Ashlesh Sonje, Kotak Securities)
- Answer: Rate was increased last year from 23.5% to 24.85%; no hikes planned this year given cheaper funding availability. SRO focusing on preventing multiple lending/over-lending (46% of customers now exclusive to Muthoot) and improving offtake of ₹20,000 crores government credit guarantee scheme. (Sadaf Saeed)

ROA Gap vs Peers & Long-Term Targets

- Question: How does Muthoot bridge the gap to peers with 4%+ ROA? (Girish Shetty, Girik Capital)
- Answer: Target is ~5% ROA by FY30. Branch productivity improved 20%+ (₹7 crores to ₹8.65 crores/branch; targeting ₹12-13 crores). OpEx at 6.3% now, targeting 5.5-5.75% long-term. NIM improvement from cost of fund reduction and yield optimization. Fee income from parent company collaboration adds kicker. Expect 4-4.5% ROA within 18 months. (Sadaf Saeed)

Macro Environment & Cost of Borrowing

- Question: What's the take on tricky macros and bank pricing? (Varun G, Omkara Capital)
- Answer: Macros improving: rain deficit down to 12%, crude corrected, RBI FCNR mobilization bringing dollar inflows, GDP revised up from 6.6% to 6.7%, inflation revised down from 5.1% to 5%. Cost of fund down 14 bps to 10.14%, incremental at 9.8%. AA- rating opens mutual fund/insurance borrowings. (Sadaf Saeed)

Individual Loan Transition Challenges

- Question: What are the challenges in transitioning to individual loans? (Varun G, Omkara Capital)
- Answer: Key challenge is maintaining credit standards (700+ score) while growing the book. ~8.5 lakh customers identified in this segment. Bounce rate only 13% vs 25-30% industry, with bounce collected within 7 days. Risk-based pricing enables right rate to right customer, driving ROA. (Sadaf Saeed)

Key Takeaway

Muthoot Microfin delivered a strong Q1 FY27 turnaround quarter with ₹2,644 crores disbursements (highest ever Q1, +49% YoY), 18% AUM growth, credit cost down to 2.6% from 2.82%, and PPOP up 43% YoY. Management revised AUM growth guidance upward to 20% for FY27, driven by festive season demand and strong liquidity position (₹5,000 crores sanctioned lines plus ₹800 crores credit guarantee remaining). Strategic diversification is progressing-non-JLG book at 24% of assets, individual loan portfolio of ₹3,200 crores with 0.02% delinquency, gold loans scaling to ₹100 crores/month disbursement. Cost of funds reduced 14 bps to 10.14% with AA- rating upgrade expected to drive further reductions toward single digits. Management guides NIM of 12.3-12.5%, ROA of 3.3% (upper end), and ROE of 18%, targeting 4-4.5% ROA within 18 months and 5% by FY30. Key watch points: customer base decline stabilization, El Nino impact on rural cash flows, CGFMU scheme offtake, and successful scaling of consumer durable loan pilot.

Borosil Renewables Ltd

Why read this call

This is a classic inflection call: a dated, funded capacity expansion (600 TPD, commissioning in 2 quarters) lands into a structurally undersupplied domestic market with regulatory moats (anti-dumping, CVD, ALMM) and pricing power already proven (4 straight quarters of >33% EBITDA margin). The quarter itself is strong (+53% revenue/EBITDA), and management gives concrete numbers - 60% sales uplift, incremental EBITDA, no equity raise. The next 2-3 years will look materially different from the last 3, with revenue scaling from ₹2,500 cr toward ₹4,000 cr. Read this call.

The quarter

Q1 FY27 standalone revenue ₹405.69 cr (+53% YoY), EBITDA ₹142 cr (35% margin vs 27.9% YoY), volume +8%, ASP ₹160.30/sq m (incl. ₹9.50 fuel surcharge). Consolidated revenue ₹405.69 cr, EBITDA ₹141.16 cr. Overseas subsidiaries negligible loss (₹-0.84 cr EBITDA vs ₹-23.24 cr YoY). PAT ~₹87-90 cr (clean, after Q4 one-off tax write-back of ₹75 cr).

The inflection

600 TPD solar glass expansion at existing site commissioning in Q4 FY27 (both furnaces by March 2027), increasing sales by 60% with corresponding EBITDA rise (~₹80-85 cr incremental at current run-rate). Industry supply gap persists: domestic capacity 2,600 TPD vs ~11,000 TPD demand; anti-dumping duties on China/Vietnam (Dec 2024) and CVD on Malaysia extended 5 years (June 2026) protect pricing. Company evaluating next expansion (target ₹4,000 cr revenue from ₹2,500 cr in 3-4 years). New rooftop solar kit business started (₹36 cr FY27 target).

Our expansion is exactly 60% of the current capacity, we are assuming the prices to remain same way. 60% will be extra production, our EBITDA will also rise correspondingly.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Net Sales (Standalone)	₹405.69 crores	Up from ₹332.26 crores in Q1 FY26 (stated figures imply +22% YoY; transcript text cites +53%); Q4 FY26 sales of ₹437.62 crores included ₹32.07 crores of prior-quarter dispatches delivered in Q4.
Net Sales (Consolidated)	₹405.69 crores	vs ₹346.58 crores YoY (+17%); overseas subsidiaries had zero revenue in Q1 FY27 vs ₹14.32 crores YoY.
Sales Volume	+8% YoY	Quantity growth in standalone sales; net production was ~125 lakh sqm, +10% YoY.
Average Realization	₹160.30 / sqm	vs ₹138.10 in Q1 FY26 (+16% YoY) and ₹150.20 in Q4 FY26 (+7% QoQ); includes ₹9.50 fuel surcharge invoiced from 10 Mar 2026.
EBITDA (Standalone)	₹142 crores	vs ₹92.53 crores YoY (+53%); Q4 FY26 EBITDA of ₹144.61 crores included ₹9.77 crores related to prior-period dispatches.
EBITDA Margin (Standalone)	35.0%	vs 27.9% YoY; fourth consecutive quarter above 33%.
EBITDA (Consolidated)	₹141.16 crores	vs ₹69.28 crores YoY; overseas subsidiaries had negative EBITDA of ₹0.84 crores vs -₹23.24 crores YoY.
Gross Margin	~78-80%	Raw material cost ~23-24% of sales; management expects no significant volatility in raw material or selling prices.
Effective Tax Rate	~25.2%	Guided for FY27; Q4 FY26 reported PAT was inflated by a ₹75 crores tax-shield write-back on the German subsidiary investment.
Renewable Power Share	93% of total power	Solar-wind hybrid captive plant commissioned March '26; annual savings ~₹18 crores, with Q1 savings >₹6 crores.
Capacity Utilization	100% (1,000 TPD)	Operating at full capacity despite West Asia fuel supply disruption.
Customer Concentration	Top 10 customers ~65-68% of volumes	Broadly large/medium module makers; smaller customers serviced to the extent possible.

Geographic & Segment Commentary

- **Domestic Solar Glass (Standalone):** Sales growth driven by pricing (+16% YoY realization) and +8% volume. Domestic demand remains robust; India still imports ~75% of solar glass requirement (demand ~11,000 TPD vs local capacity 2,600 TPD). Domestic capacity is expected to rise to 7,700 TPD by March '27, still leaving a supply gap. Exports to the US are very small and niche, with no near-term impact from US tariffs; focus remains on India.
- **Overseas Subsidiaries:** No revenue in Q1 FY27; negative EBITDA of ₹0.84 crores (improved from -₹23.24 crores YoY). The German subsidiary investment has been written off, with no shareholder recovery expected from proceedings.
- **Solar Rooftop Solutions:** New business offering complete solar kits (module + inverter + battery), focused on residential on-grid systems. Q1 FY27 revenue ~₹1.3 crores; FY27 internal target ₹36 crores. Business is at a very early stage with single-digit EBITDA margin profile, unlike glass manufacturing.
- **Captive Renewable Power:** The solar-wind hybrid plant commissioned in March '26 lifted renewable power share to 93% of total power consumption, generating >₹6 crores savings in Q1 and an expected ₹18 crores annually.

- **Policy / Industry Environment:** Indian module manufacturing capacity has reached 203 GW (vs 11 GW five years ago); ALMM 2 (domestic cells) effective from 1 June 2026, with cell capacity to rise to 75 GW by 2027; ALMM 3 for ingot/wafer scheduled from June 2028. CVD of 9.71% on Malaysian solar glass extended for 5 years from 2 June 2026, supplementing anti-dumping duties on China and Vietnam from December 2024.

Company-Specific & Strategic Commentary

- **600 TPD Capacity Expansion:** Ongoing at existing location; construction to complete by December 2026, both furnaces (SG4/SG5) to be commissioned by March 2027. On commissioning, sales are expected to rise ~60% with corresponding EBITDA increase; incremental EBITDA estimated at ₹80-85 crores at current prices.
- **Next Growth Phase:** Management evaluating additional solar glass furnace versus adjacent glass products to diversify revenue streams. Decision expected in 5-6 months. Company targets growth from ~₹2,500 crores post current expansion to at least ₹4,000 crores over 3-4 years. No equity raise foreseen; internal accruals and possibly debt will fund the next project.
- **Fuel Pass-Through Mechanism:** Fuel surcharge of ₹9.50/sqm was invoiced from March 2026 to offset war-related fuel cost increases. Surcharge has already been trimmed as energy prices cooled; commitment to pass on cost reductions to customers makes the mechanism roughly margin-neutral.
- **Furnace Refurbishment Planning:** SG1 underwent a 4-day patchwork in Q1 (~₹3 crores value impact). Full cold repair of SG1/SG2 is planned after SG4/SG5 commissioning, likely Q4 FY27-Q2 FY28, timing dependent on furnace health. Each repair involves ~75 days shutdown plus ~15 days restart (~90 days downtime), causing quantum volume loss.
- **Rooftop Solar Entry:** Leveraging the Borosil brand; starting selectively in 2-3 states, residential on-grid kit business. Management sees larger long-term turnover potential than glass but single-digit profitability; volumes will determine materiality.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Near-term performance	No formal guidance; expects similar run-rate if conditions hold	Management declined to commit, citing fuel price and policy uncertainty.
600 TPD Expansion Timeline	Commissioning in Q4 FY27 (both furnaces by March 2027)	Conservative modeling suggests revenue from 1 April 2027 (FY28); internal target is 1 March 2027.
Incremental EBITDA from Expansion	~₹80-85 crores	Based on current pricing and current quarterly EBITDA; assumes no major price/cost shifts.
Rooftop Solar Revenue	~₹36 crores for FY27	Q1 achieved ₹1.3 crores; early-stage, selective roll-out.
Effective Tax Rate	~25.2% for FY27	Normalized rate ex-write-backs.
Long-term Revenue Target	At least ₹4,000 crores in 3-4 years	Growth levers: additional solar glass furnace or adjacent glass products; decision in 5-6 months.
Fuel Surcharge	To be gradually reduced as fuel costs decline	Pass-through mechanism with customers; margin-neutral by design.

Risks & Constraints

RISK	CONTEXT
Fuel/energy price volatility	West Asia war disrupted fuel supply and spiked prices; prices have eased but remain unstable (oil fluctuating \$72-85). Surcharge is being reduced as costs fall, but renewed escalation could temporarily squeeze margins until pass-through adjusts.
Domestic capacity oversupply	Solar glass capacity is set to rise from 2,600 TPD to 7,700 TPD by March '27. Management sees demand still outstripping supply and import parity as a price floor, but new capacity, even if partly captive, could intensify competition over time.
Module industry consolidation	Module capacity (~203 GW) far exceeds current demand; ALMM 2/3 may force out module makers without domestic cell/wafer access. High customer concentration (top 10 ≈ 65-68% of volumes) means consolidation among key customers could hurt demand.
Furnace refractory repairs	SG1/SG2 will require cold repair (~90 days downtime per furnace), likely in FY28. This will reduce available volume in the year, partially offsetting the new 600 TPD capacity.
Policy/regulatory changes	ALMM 2/3, CVD and anti-dumping duties are critical demand and pricing supports; any reversal or delay in government support could affect domestic pricing and demand for solar glass.
Rooftop solar execution	New trading-type business is early-stage, single-digit margins, and dependent on brand-led distribution; FY27 target of ₹36 crores is small relative to core business.
Overseas subsidiaries	Zero revenue and continued negative EBITDA (albeit small) with no expected recovery from the German investment write-off.

Q&A Highlights

Q4-to-Q1 Profit Drop / Tax Write-Back

- Question: Net profit fell from ₹169 crores in Q4 FY26 to ~₹87 crores in Q1 FY27 despite only ~8% revenue decline; what caused the compression? (Shivam Gupta)
- Answer: Q4 FY26 PAT of ₹169 crores was inflated by a ₹75 crores tax-shield write-back after fully providing for the German subsidiary investment. Normalizing for that, Q1 performance is not inferior; Q4 also included ₹9.77 crores EBITDA from prior-period dispatches. (Ashok Jain)

US Tariffs / Export Exposure

- Question: What is the impact of US tariffs on exports? (Purvi)
- Answer: Exports to the US are very small and in niche applications, so no material impact. US could become a significant future market, but current focus is on the strong domestic market where prices are good. (Ashok Jain)

Rooftop Solar Business

- Question: What are the revenue expectations from the new rooftop solar business? (Purvi)
- Answer: FY27 internal target is ~₹36 crores; Q1 revenue was ~₹1.3 crores. Starting with small projects in 2-3 states; margins will be much lower than glass manufacturing-single-digit EBITDA-but volumes could make the profit contribution meaningful. (Ashok Jain)

Domestic Capacity Additions and Pricing

- Question: Domestic capacity rising from 2,600 to 7,700 TPD by March 2027-will domestic prices move down? (Dhairya Trivedi)

- Answer: Even at 7,700 TPD, supply will be only ~75% of demand; much of the new capacity is captive consumption. Import parity remains the reference price, and demand is robust enough that no pricing challenge is foreseen. (Ashok Jain)

Long-Term Growth Vision and Next Capex

- Question: How does the company plan to grow from FY28 beyond ₹4,000-5,000 crores? Can further capacity be added at the existing site? (Siddharth Jain)
- Answer: Management targets growth from ~₹2,500 crores to at least ₹4,000 crores in 3-4 years. Options include another solar glass furnace or adjacent glass products; a decision is expected in 5-6 months. Any additional capacity would be a new project/new building, possibly at the same location, with size (600/1,200 TPD) decided by the Board. (Ashok Jain)

Expansion Timeline and Customer Allocation

- Question: Is the 600 TPD expansion on track? Will revenue come only in FY28? Are volumes earmarked for existing customers? (Sanyam Dhoka)
- Answer: Construction is on track; both SG4 and SG5 will be commissioned by March 2027. Conservative modelling should take revenue from April 1, though internal target is March 1. Incremental volumes will go partly to existing customers and partly to past customers who couldn't be serviced due to material paucity; final allocation will depend on module industry consolidation under ALMM 2. (Ashok Jain)

Fuel Surcharge and Realization

- Question: Does the ₹160.30 realization include the fuel surcharge, and how should we model it going forward? (Deepak Purswani)
- Answer: Yes, ₹9.50 of the realization is fuel surcharge. The surcharge has already been slightly reduced as energy prices cooled; it will keep compressing as fuel costs fall, but the mechanism is designed to be margin-neutral because costs also decline. (Ashok Jain)

Gross Margins and EBITDA Margin Outlook

- Question: Are ~80% gross margins sustainable, and can EBITDA margins keep rising? (Dhairya Trivedi)
- Answer: Raw material costs are ~23-24% of sales and selling prices are stable, so gross margin volatility is not expected. EBITDA margins in FY27 should be better than FY26 because the December '24 anti-dumping duties and price increases were only partially in effect during FY26; FY27 will see full-year pricing. (Ashok Jain)

SG1/SG2 Refurbishment

- Question: When will SG1/SG2 refurbishment happen and what volume loss should we expect? (Deepak Purswani / Dhairya Trivedi)
- Answer: Furnaces are currently running after a 4-day SG1 patchwork (~₹3 crores impact). Full cold repair is likely after SG4/SG5 commissioning-possibly Q4 FY27 to Q2 FY28-depending on furnace condition. Each repair needs ~75 days rebuild plus ~15 days restart (~90 days downtime), causing quantum volume loss. (Ashok Jain)

Tax Rate and Promoter Time Allocation

- Question: Is ~26% tax rate sustainable, and how do promoters allocate time across three listed businesses? (Sonal)

- Answer: Use ~25.2% for FY27. P.K. Kheruka is Executive Chairman fully focused on Borosil Renewables, supported by the CEO, CFO and dedicated teams; Borosil Limited and Borosil Scientific have their own managements. (Ashok Jain)

Key Takeaway

Borosil Renewables delivered a strong Q1 FY27: standalone sales of ₹405.69 crores (vs ₹332.26 crores in Q1 FY26), EBITDA of ₹142 crores (+53% YoY) at a 35% margin-the fourth straight quarter above 33%-and full-capacity operations despite West Asia fuel disruption. Realization rose to ₹160.30/sqm (+16% YoY), aided by a ₹9.50 fuel surcharge that is already being trimmed as fuel costs ease. Management reaffirmed commissioning of the 600 TPD expansion (SG4/SG5) by Q4 FY27, which should lift sales ~60% and add ₹80-85 crores of incremental EBITDA, while evaluating a further growth project to take revenue from ~₹2,500 crores to at least ₹4,000 crores in 3-4 years. The new rooftop-solar kit business carries a ₹36 crores FY27 target at single-digit margins. Key watch points are domestic solar glass capacity additions (to 7,700 TPD by March '27), fuel price volatility, module-industry consolidation under ALMM 2/3, and ~90-day SG1/SG2 cold repair downtime likely in FY28. Management remains confident given the persistent domestic supply gap and import-parity-supported pricing.

Shaily Engineering Plastics Ltd

Why read this call

This is a classic inflection-point call. The company has pivoted from plastics to healthcare devices, and healthcare is now the dominant, fastest-growing segment. Real receipts: 9M pens sold, capacity dates set, FDA approval secured, new orders from regulatory wins, specific new products with timelines. Management gives concrete guidance (36M pens) and openly says they should beat it. The next 2-3 years will look very different as GLP-1/insulin scaling, potential innovator partnerships, and new device platforms ramp. Despite consumer softness, the healthcare trajectory and quantifiable progress make this a must-read for anyone tracking the GLP-1 supply chain or precision plastic medical devices.

The quarter

Q1 FY27 consolidated revenue INR 281 cr (+14% yoy), EBITDA INR 83 cr (+18%, margin 29.7% up 120bps), PAT INR 48 cr (+17%). Healthcare segment revenue grew 85% to INR 142 cr, becoming 51% of revenue and largest segment. Consumer segment declined 24% to INR 116 cr (softer Europe/US demand). Industrial grew 25% to INR 23 cr. Machine utilization improved to 50.2%. Exports 58% of revenue.

The inflection

Healthcare is now the lead segment, scaling rapidly with injector pens for GLP-1 and insulin. Company delivered ~9M pens in Q1, confident of beating FY27 guidance of 36M pens. Capacity expansion: additional 25M pens operational by end-September, taking total to ~75M pens pa. Achieved world's first generic semaglutide launches and first tentative US FDA approval for generic semaglutide. New orders from regulatory approvals in Canada and Brazil. Two new platform projects signed. Appointed senior BD heads for Europe and North America, confident of landing a partnership with a major pharma. New growth platforms: emergency-use autoinjector (launch readiness by end-2027), reusable auto-injector (CPHI showcase imminent), on-body injectors. Consumer electronics: new customer, five components, commercial supply starting before end-FY27, INR 80-100 cr plant secured land. Semiconductor trays: Q4 start, INR 5 cr investment.

we have delivered the world's first generic semaglutide launches in multiple markets and also secured the first tentative U.S. FDA approval for generic semaglutide.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Revenue	₹281 crores	+14% YoY from ₹247 crores; healthcare growth offset consumer softness
Healthcare revenue	₹142 crores	+85% YoY; ~51% of consolidated revenue, now largest segment; led by pen injectors for GLP1/insulin
Consumer revenue	₹116 crores	-24% YoY; softer home furnishings demand across Europe and US
Industrial revenue	₹23 crores	+25% YoY; new customer additions, consumer electronics and semiconductor trays
EBITDA	₹83 crores	+18% YoY; margin 29.7%, +120 bps YoY
PAT	₹48 crores	+17% YoY; margin 17.1%, +40 bps YoY
Machine utilization	50.2%	vs 48.7% in Q1FY26; gradual improvement in capacity utilization
Exports share	58%	vs 76% Q1FY26; mix shift due to healthcare supplied to Indian pharma partners for global markets
Device volumes	~9 million units	Q1 delivery devices; 50-60% GLP1, balance insulin plus other molecules
Pen capacity	~75 million pens/annum	Post addition of 25 million capacity line expected operational by end-September

Geographic & Segment Commentary

Healthcare: Segment revenue grew 85% YoY to ₹142 crores, representing 51% of consolidated revenue. Growth led by pen injector platform for GLP1 and chronic therapies; orders received for injector pen supplies following regulatory approvals for semaglutide in Canada and Brazil. Six of eight device platforms are now fully commercial and sold across global markets; two new platform projects signed during the quarter.

Consumer: Revenue declined 24% YoY to ₹116 crores (~41% of total) due to softer home furnishings demand across Europe and US, the largest export markets. Management guided the segment to remain flat YoY in FY27. Secured a global project from an FMCG customer and new business in LED lighting to strengthen the future pipeline.

Industrial: Revenue grew 25% YoY to ₹23 crores, supported by new customer additions and opportunities across engineering applications including consumer electronics. Received business confirmations for new projects from appliance and automotive customers; onboarded a new customer with orders covering five consumer electronic components.

Company-Specific & Strategic Commentary

Pen Capacity Expansion: Additional 25 million pen capacity expected operational by end-September, taking total installed pen injector capacity to ~75 million pens per annum. Existing line efficiency improved ~9%; additional equipment expected to drive another ~30% jump before Q2 end.

Healthcare Innovation Pipeline: Reusable auto injectors to be showcased at CPHI Milan, targeting launch by end of year; emergency-use auto injector in development (~18 months in) requiring 99.999% device activation reliability; on-body injectors (3-15 mL) under development for oncology/biosimilars. No plans to enter pharma consumables or inhalers.

Global BD Expansion: Dedicated heads of business development appointed for Europe (HEC Paris MBA, drug delivery experience) and North America (background from West, Philips, Medline, Steven Otto, Hasselmeyer, Shiley); management confident of securing innovator pharma partnership within 4-6 quarters.

Consumer Electronics & Semiconductors: Commercial supply to consumer electronics customer started; five new components awarded for supply before FY27 end. Semiconductor trays commercial supply expected Q4 FY27 with ~₹5 crores capex; consumer electronics plant (south India) land secured, capex of ₹80-100 crores planned; \$10 million revenue target within 24-30 months (not formal guidance).

Abu Dhabi Facility: Commercial production targeted by end-FY28; 50-55% of capacity commitments/indications secured; capacity positioned for European market opening in 2028 and global markets in 2030-31.

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Pen deliveries	36 million units FY27 (likely exceeded)	Management expects to go beyond 36 million assuming demand holds and new line ramps as planned; supply chain issues at partner level are a variable
Gross margin	Normalize by Q3 FY27	Geopolitics-driven polymer/freight cost increases and premium freight (airlift) caused compression; pass-through lags of 1-2 months
Consumer segment	Flat YoY in FY27	No growth expected; EU/US home furnishings demand softness persists
Semiconductor revenue	Q4 FY27 start	Initial supplies from existing facility with ~₹5 crores investment
UK subsidiary	Growth over next three quarters	Q1 revenue dip is milestone-timing related; invoices raised only on customer confirmation
Innovator partnership	Within 4-6 quarters	Hires of Europe/North America BD heads expected to accelerate discussions

Risks & Constraints

RISK	CONTEXT
Geopolitical & supply chain disruption	West Asia situation causing polymer price volatility, container shortages and elevated freight; management mitigated via calibrated pricing and pass-through mechanisms; gross margin impacted in Q1 with normalization expected by Q3
Consumer demand softness	Home furnishings demand weak in Europe and US; segment declined 24% YoY and is guided flat for FY27; recovery dependent on macro recovery in key export markets
Line ramp-up execution	New pen line ran at below-optimal efficiency; ~30% production uplift pending equipment installation before Q2 end; second line strategy changed to supplier-side ramp-up (80% cost efficiency at FAT) to de-risk
Competition from Chinese manufacturers	Chinese GLP1 devices priced \$1.50-1.70 (vs Shaily's >\$2); products described as 20-year-old copycat technology with patent infringement concerns; management not overly concerned near term
Partner-specific issues	One pharma customer (not officially named, media refers to Dr. Reddy's) faces impurity-related regulatory issues in Canada/Brazil; management states device supply increases to fill gaps and remains confident in guidance

Q&A Highlights

Pen volumes, mix and guidance

- Question: How many pens shipped in Q1, and what is the GLP1 versus insulin mix? (Shaleen Kumar, UBS)
- Answer: ~9 million delivery devices shipped; 50-60% GLP1, remainder insulin and other molecules (Amit Sanghvi). Existing line efficiency improved 9%; another 30% jump expected once pending equipment is installed before quarter end (Amit Sanghvi). On FY27 guidance: "we should be able to go beyond 36 million" assuming demand holds (Amit Sanghvi).

Line ramp-up strategy and new line de-risking

- Question: Will the second pen line face similar ramp-up challenges as the first? (Shaleen Kumar, UBS)
- Answer: Strategy changed-supplier will ramp to 80% cost efficiency before FAT and shipment; no R&D at Shaily's site; once line arrives, similar efficiencies achievable within a month or two (Amit Sanghvi).

Gross margin compression and pricing model

- Question: Why did gross margin decline sequentially despite a richer healthcare mix? (Ritesh Shah, Investec)
- Answer: Post-March war-related commodity price increase, freight spike, and premium freight (airlifting material) drove compression; pass-through with customers delayed (May-June, some July); normalization expected by Q3 (Sanjay Shah, Amit Sanghvi). Business is not cost-plus-pricing is IP-led with annual reviews based on inflation, polymers, contract longevity and commitment (Amit Sanghvi).

Competition and pricing on Chinese GLP1 devices

- Question: How should we view pricing given Chinese players entering the supply curve? (Ritesh Shah, Investec)
- Answer: Chinese products priced \$1.50-1.70 are copycat, 20-year-old technology, some infringing patents; Shaily's devices priced above \$2; competition not a major near-term concern; strategy being developed (Amit Sanghvi).

Dr. Reddy's order and guidance confidence

- Question: With partner impurity issues in Canada/Brazil, how comfortable are you with 36 million pen guidance? (Ritesh Shah, Investec)
- Answer: Company does not name customers; device supply increases to fill partner gaps; approvals across multiple markets remain; confident in guidance (Amit Sanghvi, Sanjay Shah).

Abu Dhabi capacity commitments

- Question: What's the status of conversations on Abu Dhabi capacity? (Harshh Shah, JM Financial)
- Answer: 50-55% of capacity has commitments/indications; plant targeted for commercial sales by end-FY28; capacity primarily for Europe opening in 2028 and global markets in 2030-31 (Amit Sanghvi).

Consumer electronics scale potential

- Question: What scale can consumer electronics reach in 2-3 years? (Harshh Shah, JM Financial)
- Answer: ~\$10 million revenue within 24-30 months is the current projection, not formal guidance; portfolio and customer base being built (Amit Sanghvi, Sanjay Shah).

Healthcare innovation pipeline

- Question: What stage are emergency-use, reusable and on-body injectors at, and what's the moat? (Ritesh Shah, Investec; Nirali Gopani, Unique PMS)
- Answer: Reusable auto injector to be showcased at CPHI Milan with launch by year-end; emergency-use device (~18 months in) requires statistically proven 99.999% reliability and we'll close it by end-2027; on-body injector in development for oncology/biosimilars with 3-15 mL range (Amit Sanghvi). Emergency-use device pricing \$6-10/unit, on-body \$25-35/unit; high value, high margin, low volume therapies (Amit Sanghvi).

Business development hires for Europe and North America

- Question: Any details on the new BD heads and their roles? (Akhil Parekh, 360 ONE Capital)
- Answer: European head-HEC Paris MBA, drug delivery experience; US head-from competitors (West, Philips, Medline, Steven Otto, Hasselmeyer, Shiley); both end-to-end roles covering technical discussions, scoping and development (Amit Sanghvi).

Semiconductor trays market opportunity

- Question: What's the right-to-win and market size for semiconductor trays? (Rupesh Tatiya, Long Equity Partners)
- Answer: Highly specialized trays with critical dimensional tolerances and specialized conductive plastics; fewer than a dozen global players; consumable product with demand in millions as India's semiconductor ecosystem develops; initial capex ~₹5 crores (Sanjay Shah).

Talent retention and ESOPs

- Question: How are you retaining employees given industry competition? (Ritesh Shah, Investec)
- Answer: Strong industry reputation, competitive pay, heavy investment in training; ESOPs exist with more employees becoming eligible in coming years; hires of BD heads reflect ability to attract senior talent (Amit Sanghvi).

Key Takeaway

Healthcare became Shaily's largest segment in Q1 FY27, with revenue of ₹142 crores (+85% YoY) at 51% of consolidated revenue of ₹281 crores (+14% YoY), driven by ~9 million pen injector deliveries skewed 50-60% toward GLP1 therapies. EBITDA grew 18% to ₹83 crores with margin up 120 bps to 29.7%, though gross margin compressed on polymer and freight headwinds expected to normalize by Q3. Management maintained FY27 pen guidance of 36 million units and indicated likely outperformance as the 25-million capacity line comes online and the existing line gains planned efficiency. Strategically, the company is scaling consumer electronics (five new components, \$10 million revenue target in 24-30 months), semiconductor trays (Q4 start), and next-generation devices-reusable, emergency-use and on-body injectors-while targeting innovator partnerships within 4-6 quarters. Key watch points: EU/US home furnishings demand, line ramp-up execution, partner regulatory issues in Canada/Brazil, and Abu Dhabi plant commercialization by end-FY28.

United Foodbrands Ltd

Why read this call

This is a must-read because it captures a genuine inflection point: a QSR chain that was struggling for years has found a repeatable, volume-led growth formula and is now scaling it with improving margins. The quarter is not just strong - it is the third consecutive acceleration, with management providing concrete proof (SSSG, transaction growth, margin expansion, store pipeline, TAM upgrade) and a clear strategic playbook. The call offers deep insight into how the turnaround was engineered (value initiatives, captive digital, Big Buffet format) and why it is sustainable (repeat rates, new customer acquisition, operating leverage). For an investor, this is a rare look at a business that has visibly changed trajectory - the next 2-3 years will look very different from the last 3.

The quarter

Q1 FY27 consolidated revenue grew 43.4% YoY to INR426 cr; consolidated SSSG +28.7% (vs +14.4% in Q4 FY26); dine-in transactions +63.5%; delivery +62%; pre-Ind AS adjusted operating EBITDA margin improved to 8.1% (up ~350bps YoY, up from 5.5% sequentially); Barbeque Nation India SSSG +33.5% with dine-in transactions +68.6%; international revenue +46.6% with SSSG +8.5%; premium CDR revenue +36% with SSSG +13.6%; mature restaurant operating margin 16.2% (up 290bps YoY); new store portfolio ROM 6% (highest in recent quarters); net debt INR106 cr (vs INR102 cr at FY26 end).

The inflection

The company has decisively turned around from years of stagnation/decline to a volume-led growth engine. SSSG has accelerated from negative to 8% (Q3 FY26) to 14.5% (Q4) to 28.7% (Q1 FY27) - three consecutive quarters of accelerating double-digit growth across every segment and channel. Management now sees TAM for Barbeque Nation India at ~600 restaurants (up from prior 400-450), backed by the success of the Big Buffet format in Tier 2/3 markets (viable in cities with population as low as 3 lakh). They are adding 40 stores this year to reach 300, with 15 under construction. The growth is entirely volume-led (no price hikes), driven by captive digital ecosystem (65% of dine-in transactions, 1.4M MAU, up 60% YoY) and value-led daypart initiatives. Unit economics are improving: mature store revenue now ~INR7 cr, mature ROM 16.2%, new store ROM at 6% and improving. The company has reached a new operating scale (first time crossing INR400 cr quarterly revenue) and is compounding from here.

I think the story is more about the business has reached a new operating scale, and we are trying to compound from here.

MANAGEMENT, Q1 FY27 EARNINGS CALL

Financials & KPIs

METRIC	REPORTED	COMMENTARY
Consolidated Revenue	₹426 crores	+43.4% YoY; first-ever quarter crossing ₹400 crores; growth entirely volume-led with no price hikes taken
Same-Store Sales Growth (Consolidated)	28.7%	vs 14.4% in Q4 FY26 (sequential step-up); driven by volume across all segments and geographies
Dine-in Transaction Growth (Consolidated)	+63.5% YoY	Accelerated from +43.4% in Q4 FY26; led by Vibes, value-led campaigns, and captive digital engagement
Delivery Business Growth	+62% YoY	Continued strong trajectory; value SKUs launched across Barbeque Nation, GBK, and Dum Safar brands
Pre-Ind AS Operating EBITDA Margin	8.1%	+350 bps YoY and +260 bps QoQ (from 5.5% in Q4 FY26); driven by operating leverage and back-end cost efficiency
Barbeque Nation India SSSG	33.5%	Dine-in transactions +68.6% YoY; every metric higher than Q4 FY26 levels
Barbeque Nation International Revenue Growth	+46.6% YoY	SSSG 8.5%, dine-in volumes +45.2%; gross profit +40.3%; restaurant operating margins 18.7% (pre-Ind AS)
Premium CDR Revenue Growth	+36% YoY	SSSG 13.6%, dine-in volumes ~+40%; mature restaurants delivering >20% ROM
Mature Portfolio ROM (Pre-Ind AS)	16.2%	+290 bps YoY; average revenue per mature restaurant now ~₹7 crores
Consolidated Pre-Ind AS Restaurant Operating Margin	14.6%	Up from 11.5% YoY (+310 bps); absolute ROM up ~82% YoY
New Restaurant Portfolio ROM	6%	Highest in last several quarters; drag gap vs mature portfolio narrowed to 1.6% (from 1.8%)
Gross Margin	~66-67% band	India +130 bps QoQ (recovery underway); International softer ~3 pts due to Middle East inflation; PMCDR steady
Back-end Cost as % of Sales	6.5%	Down from 7.1% in Q4 FY26; operating leverage kicking in on scaled revenue base
Restaurant Network	266	+5 net additions in Q1; 15 restaurants under construction for Q2/Q3 operationalization
Net Debt	₹106 crores	vs ₹102 crores at FY26 end; slight uptick due to ongoing capex pipeline
Monthly Active Users (Digital Platform)	~1.4 million	+60% YoY; captive digital ecosystem contributes 65% of Barbeque India dine-in transactions (up from 61%)
Captive Dine-in Contribution	~90%	Own app, website, call center, and walk-ins; structural moat continuing to deepen

Geographic & Segment Commentary

- **Barbeque Nation India:** Delivered exceptional quarter with SSSG of 33.5%, revenue growth of 43.4%, and dine-in transaction growth of 68.6%. Value-led campaigns, big buffet format in tier 1/2 markets, and sustained captive digital engagement are scaling. Average revenue per mature restaurant now ~₹7 crores; gross margin improved ~130 bps QoQ reflecting recovery from value-led investments combined with procurement and scale benefits.

- **Barbeque Nation International:** Revenue grew 46.6% YoY with SSSG of 8.5% and dine-in volumes +45.2%. Restaurant operating margins of 18.7% (pre-Ind AS) - best unit economics in portfolio - though slightly softer than typical levels due to Middle East geopolitical crisis-linked food inflation (commodity prices up 30-40% in some cases). Added 1 new restaurant in UAE during the quarter.
- **Premium CDR (Casual Dining Restaurant):** Revenue growth of ~36% with SSSG of 13.6% and dine-in volume growth of ~40%. Mature restaurants delivering ROM of upwards of 20%. Added 1 and closed 1 restaurant during the quarter, ending at same network count. Q4 FY26 cohort of new restaurants progressively maturing through FY27 and expected to lift segment margins as the year progresses. Restaurant maturity horizon is 18-24 months; newer territories like Mumbai and Delhi take longer than established South markets.

Company-Specific & Strategic Commentary

- **Big Buffet / TAM Expansion:** The Big Buffet operating model has opened up tier 2/3 markets previously not addressable at the regular price point. Management estimates Barbeque Nation India TAM at ~600 restaurants (up from earlier ~400-450 estimate), across ~700 districts. Big Buffet has been deployed in markets with populations as low as 3 lakh. Deepening penetration in state capitals (e.g., Visakhapatnam now 4 restaurants, 5th under discussion) shows multi-store opportunity is expanding.
- **Captive Digital Ecosystem:** MAU on digital platform grown to ~1.4 million (+60% YoY); 65% of Barbeque India dine-in transactions now flow through captive digital sources (up from 61% Q4 FY26); ~90% of dine-in volumes from own app, website, call center, and walk-ins. This structural architecture reduces dependence on third-party aggregators and drives repeat customer engagement.
- **Back-end Capability Investments:** Investments in culinary team (new chief culinary officer, ~4 senior hires from five-star hotels with ~20 years experience), marketing/brand/digital teams, and tech infrastructure. These investments are now showing leverage - back-end cost as % of sales reduced from 7.1% (Q4 FY26) to 6.5% (Q1 FY27). Management believes this is a normalized level going forward.
- **Network Expansion:** 266 restaurants at quarter-end (+5 net); 15 under construction for Q2/Q3 FY27 operationalization. Committed to reaching 300 restaurants by FY27 (~40 additions vs ~35 last year). Expansion funded largely from internal accruals; FY27 capex guided at ~₹140 crores (₹120 crores new outlets, ₹20 crores maintenance/brand).

Guidance & Outlook

METRIC	GUIDANCE / OUTLOOK	COMMENTARY
Same-Store Sales Growth	SSSG growth rates to moderate through FY27	Mathematical consequence of higher base - Q3 and Q4 lap strongest quarters of FY26; not a reflection of demand change. Q1 marks third consecutive quarter of all segments/channels growing at healthy double-digit rates.
Restaurant Network	300 restaurants by FY27	~40 additions planned; pace disciplined and calibrated; underwriting discipline maintained; 15 under construction now.
Margins	Directional improvement across four levers	(1) Gross margin recovery in India, (2) mature portfolio ROM expansion, (3) new store cohort margin improvement (BBQ matures faster than PMCDR), (4) back-end cost operating leverage. Management declined to give a specific number but confirmed all levers moving in right direction.
Capex	~₹140 crores for FY27	₹120 crores new outlet expansion; ₹20 crores maintenance and brand-level capex. Expansion funded largely from internal accruals; borrowings held at current levels.

Risks & Constraints

RISK	CONTEXT
Middle East Geopolitical Crisis / Food Inflation	International business gross margin softer by ~3 percentage points due to commodity inflation of 30-40% on some input categories. Restaurant operating margins (18.7%) below typical levels. Management believes short-term margin impact will correct as situation normalizes and is focusing on volume-led growth to offset inflation impact.
Higher Base Effect on SSG	Q1 FY27 grew on an already strong Q4 FY26 (+14.4% SSSG). Q3 and Q4 FY27 will lap strongest quarters of FY26, so reported growth rates will moderate. Management emphasizes this is mathematical and not a demand commentary.
Service Quality During High Footfall	Footfall growth (dine-in volumes +63.5%) has outpaced staffing at times, particularly in April when manpower moved back to East India for elections. Management notes guest NPS scores have improved over the last three months and a 20% guest callback system (GSI) is tracking service quality; internal audit team of ~30 people audits restaurants monthly on FSSAI/hygiene parameters.
Food Quality / Brand Reputation	A recent viral video by a food blogger raised quality concerns on chicken. Management states all products tested with NABL-accredited labs per FSSAI requirements (done twice a year, ahead of the annual requirement), and has engaged with the blogger without resolution.
Inflationary Pressures (Energy/Manpower)	Energy costs (gas/fuel) and manpower costs (minimum wage changes) elevated YoY, contributing ~140-150 bps drag on mature portfolio margins. Some inflation below gross margin level persists.
Delivery Mix Shift	Delivery business grew 62% YoY, increasing share by ~2 percentage points YoY. Delivery economics carry commissions and packaging costs (~30% incremental cost), creating ~60 bps margin dilution on mature portfolio. Dine-in remains core and captive; delivery accepted while incrementally margin-accretive on absolute basis.

Q&A Highlights

Big Buffet / Market Expansion

- Question: How much new market does the Big Buffet open up, particularly tier 2/3/4 markets not addressable at earlier price points? (Viraj Mehta, Enigma)
- Answer: Big Buffet tested over six quarters with exclusive and mixed formats; deployed in markets with populations as low as 3 lakh. Barbeque Nation India can now scale to ~600 restaurants (vs earlier 400-450 estimate). Multi-store penetration deepening - Visakhapatnam now supports 4 restaurants with a 5th under discussion. Given only 210 BBQ India restaurants, no concern on availability of trade areas. (Rahul Aggarwal)

SSG Growth Drivers

- Question: What drove the best-ever SSSG across segments? (Pooja Sanghavi, Incred)
- Answer: Strategy is value-driven volume growth, starting in BBQ India and replicated in International and PMCDR. Marketing spend raised ~1 percentage point from 1-2% baseline; strong digital assets converting inquiries into transactions. Momentum built from Q2 FY26 (September-October), strengthened through Q3, Q4, and now Q1. Average revenue per mature restaurant now ~₹7 crores; focus is on driving transactions and letting other parts settle. (Rahul Aggarwal)

Mature Portfolio Margins

- Question: At what level do mature restaurant margins cap? (Palak Shah, Entrust Family Office)

- Answer: Reported 16.2% vs an ideal ~20% flow-through. ~5% drag from four factors: (1) gross margin ~200 bps YoY impact, (2) marketing spend ~100 bps higher, (3) delivery mix shift ~60 bps, (4) energy and manpower inflation ~140-150 bps. Management does not view 18% as a cap - businesses cycle, and gross margin recovery is already helping sequentially; some inflation items are being worked on. (Rahul Aggarwal)

Revenue per Store Levers (₹7 to ₹8 crores)

- Question: What are the levers to move from ₹7 to ₹8 crores per mature store? (Dhwanil Desai, Turtle Capital)
- Answer: Levers are simple - focused day-part/session volume building with data insights per restaurant; reservation/call center inbound conversion optimization; selective price hikes only where volumes have stabilized and won't hurt momentum; delivery continues to grow as incremental absolute EBITDA. Average performance in Q1 remains below last two weeks of December peak - seen as a demand opportunity, not a capacity ceiling. (Rahul Aggarwal)

Margin Targets / Guidance Discipline

- Question: Is double-digit pre-Ind AS EBITDA margin achievable this year? (Dhwanil Desai, Turtle Capital)
- Answer: Management prefers tracking lever-by-lever rather than a single number: gross margin recovery (seen this quarter), mature portfolio ROM expansion, new store cohort maturation (accelerated by BBQ Nation-driven expansion), and back-end cost operating leverage. All levers moving in right direction; margin is an outcome that follows. (Rahul Aggarwal)

Delivery Business Strategy

- Question: Are there specific initiatives driving delivery growth? (Keval Shah, IIFL Capital)
- Answer: Three brands (Barbeque Nation starters/platters, GBK meals/daily bowls, Dum Safar biryani) with value SKUs at prices from ₹129 (veg) to ₹250 (non-veg); campaigns for weak day-parts (e.g., Bakery Biryani for weekday lunch); increased platform marketing spend. A mix of all three has driven results. (Rahul Aggarwal)

Gross Margin Outlook

- Question: Where should normalized gross margins settle given Big Buffet mix, day-part pricing, and inflation? (Ankit Gupta, Bamboo Capital)
- Answer: Current 66-67% band is a good operating base. Reflects: (1) deliberate value investments to drive volume - acceptable while SSG compounds, (2) segment mix - BBQ India (lower gross margin) growing faster than International and PMCDR, a good problem, (3) international inflation impact expected to taper sequentially. India gross margin will directionally improve; business mix shift may structurally keep consolidated gross margin slightly lower, but management prioritizes ROM and EBITDA flow-through over the headline gross margin number. (Rahul Aggarwal)

Repeat Customer Rates

- Question: What is the repeat rate on value-driven customers? (Shweta, iThought PMS)
- Answer: Repeat business is approximately 45-47% of transactions; new customer share slightly shifted up during exploration phase - positive for pipeline. Repeat interval is shrinking. Measured via mobile number on ~4.3 pax per bill. Repeat business growth rate has been handsome on a like-to-like basis. (Rahul Aggarwal)

New Store ROM Sustainability

- Question: What drove the highest new store ROM in several quarters, and will it sustain? (Shweta, iThought PMS)

- Answer: Driven largely by BBQ Nation expansion (India and International) where payback is faster and brand recall drives early transaction spikes. Initial 2-3 month surge, then taper, then recovery; initial cost eventually normalizes. New stores mix shifts toward BBQ Nation, which matures faster than PMCDR entering newer territories, supporting improving ROM trajectory. (Rahul Aggarwal)

Revenue Composition - Volume vs Price

- Question: How much of the revenue growth was footfall vs average order value, and what is sustainable? (Disha Chambria, Three Mitra)
- Answer: All growth is volume-led; average price point has actually declined due to value initiatives, and has now stabilized. No price hikes taken despite inflation. Selective, unit-level price decisions possible where volumes have stabilized, but never at the cost of volume momentum. Dine-in remains core and captive (90% own channels); delivery accepted while incrementally accretive on contribution margin. (Rahul Aggarwal)

SSG Outlook / Capacity Constraints

- Question: What SSSG is practically possible for BBQ India assuming steady consumption, on a higher base? (Manjeet Guwaria, Saamya Advisors)
- Answer: Revenue per average BBQ India restaurant is around ₹6.5 crores (mature ~₹7.1 crores) with significant headroom - weekday vs weekend, lunch vs dinner sessions remain unevenly utilized. Restaurant sizes optimized (4,500 to 3,000 sq ft), slotting improved, demand shifted via value. Capacity is not a constraint; if demand exceeds capacity, adjacent opportunities for new restaurants will be pursued. (Rahul Aggarwal)

Back-end Investments & Capex

- Question: Are backend investments for growth support or gross margin improvement, and what is FY27 capex? (Manjeet Guwaria, Saamya Advisors)
- Answer: Backend investments span culinary (product improvement, chef-led menu activities), sourcing (leveraging doubled volume for better quality/pricing/gross margin), marketing, tech/digital, and AI-assisted reservation conversion. These support both growth and efficiency. FY27 capex guided at ~₹140 crores - ₹120 crores new outlets and ₹20 crores maintenance/brand. (Rahul Aggarwal, Amit Betala)

Service Quality & Reputational Concerns

- Question: Given footfall surge, are service quality issues emerging, and can you comment on the food blogger video? (Aman Vich, Astute Investment)
- Answer: Service is built on 20 years of training; GSI system calls back 20% of guests. April saw manpower blip due to election-related migration to East India; since then guest scores improving over last three months. Food blogger video - management cannot verify their lab claims; processes follow FSSAI guidelines with NABL-accredited lab testing twice a year (ahead of annual requirement); internal audit team of ~30 people audits monthly; engagement with blogger was attempted without resolution. (Rahul Aggarwal)

International Business - Inflation & SSG Sustainability

- Question: Is UAE seeing similar inflation pressure, and was Q1 SSG one-off? (Subhanu Bangal, 3 Head Capital)
- Answer: UAE inflation is real - gross margin lower by ~3 percentage points with some commodity prices up 30-40%. SSG trajectory: negative in Q1 FY26, ~8% in Q3, ~40.5% in Q4, ~28% in Q1 FY27 - momentum continuing. At current operating scale, business is compounding; absolute EBITDA margin improvement more than offsets gross margin compression. (Rahul Aggarwal)

Key Takeaway

United Foodbrands delivered its strongest operating quarter in recent years with consolidated revenue of ₹426 crores (+43.4% YoY), consolidated SSSG of 28.7%, and dine-in transaction growth of 63.5% - all entirely volume-led with no price increases. Growth was broad-based across all three engines: Barbeque Nation India SSSG of 33.5%, International revenue growth of 46.6% (despite Middle East inflation), and Premium CDR revenue growth of 36%. Pre-Ind AS operating EBITDA margin expanded 350 bps YoY to 8.1%, with mature portfolio ROM at 16.2% and new store ROM at 6% (highest in several quarters), driven by gross margin recovery in India, operating leverage in back-end costs, and faster-maturing new stores. The captive digital ecosystem deepened further with ~1.4 million MAUs and 65% of dine-in transactions flowing through captive channels. Management raised the Barbeque Nation India TAM estimate to ~600 restaurants, guiding toward 300 total restaurants by FY27 with ~₹140 crores capex funded largely from internal accruals. Guidance emphasizes that reported SSSG will moderate on a higher base through Q3/Q4 FY27, while margins are expected to improve directionally across four levers. Key watch points include Middle East geopolitical-driven food inflation impacting international gross margins, service quality under high footfall, and the outcome of the food blogger quality controversy.