



“APL Apollo Tubes Limited Q2 FY'27 Earnings Conference Call”

October 26, 2026



MANAGEMENT: **MR. SANJAY GUPTA - CHAIRMAN AND MANAGING DIRECTOR**
MR. RAHUL GUPTA - DIRECTOR
MR. DEEPAK GOYAL – DIRECTOR (OPERATIONS)
MR. ANUBHAV GUPTA - CHIEF STRATEGY OFFICER
MR. CHETAN KHANDELWAL - CHIEF FINANCIAL OFFICER
MODERATOR: **MR. VIKAS SINGH – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the APL Apollo Tubes Limited Q2 FY 2027 earnings conference call hosted by ICICI Securities Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikas Singh from ICICI Securities Limited. Thank you and over to you, sir.

Vikas Singh: Thank you, Durbin. Hello everyone. Good evening and a very warm welcome on APL Apollo Tubes Q2 and H1 FY 2027 Results Conference Call.

From the Management side, we have with us Mr. Sanjay Gupta - Chairman and Managing Director, Mr. Rahul Gupta - Director, Mr. Deepak Goyal - Director (Operations), Mr. Anubhav Gupta - Chief Strategy Officer and Mr. Chetan Khandelwal - Chief Financial Officer.

I will hand over the call now to Anubhav Gupta for his opening remarks. Over to you.

Anubhav Gupta: Thanks Vikas and thanks to ICICI Securities for hosting APL Apollo for its Q2 FY 2027 earnings call. We have delivered our best quarter in terms of sales volume, EBITDA and net profit. The volume of 960,000 tons was not easy to achieve in the Quarter 2 given our UAE operations remain disrupted due to ongoing Middle East disruption and high swings in the raw material prices plus the shortage of steel in the domestic markets along with the disruption in the container trade for export sales also.

So, what we did to achieve this performance was we focussed on our core strengths which are number one, brand APL Apollo. So, we ensured that the products in the Apollo category get better pricing and we achieve better realizations and better EBITDA spreads on those sale numbers. Number two, strength was our highly increasing focus on the value-added products beyond construction and renewable sector. We have started to see the product line for Defence and Aerospace sectors also on the back of recently commissioned specialized tube mill which can produce sizes from 250 by 250 millimeter diameter with 16 millimeter thickness. So, these products are going in the Defence and Aerospace sector. We have mapped the applications and we have started producing samples and giving to various authorities and agencies which shall bear results in the next two to three months.

If you look at the Quarter 2 volume, APL Apollo and roofing products sale volume increased by 20% on y-o-y basis in the first half. We expect that this momentum will continue in the second half with double-digit volume growth. So, in the absence of export sales and UAE operations, these are the two product verticals which are supporting superior volume growth and also the margins because of better pricing and better brand value.

In terms of EBITDA, which has been our goal post, I am glad to share that we are on track to achieve 20% growth on the absolute basis by March 2027 fiscal. So, again we are getting boost from the better pricing, increased sale of value-added products in all categories and the Quarter 2 EBITDA per ton of Rs. 6000, we believe this is sustainable now, as we enter in the second half because the contribution is coming from brand APL Apollo products and roofing category again which are high value-added products. And if the UAE operations recover in the second half on stable geopolitical situation, we may do better than our expected 20% EBITDA growth which we are guiding for FY 2027.

On balance sheet front, the working capital days remain zero and the cash on books increased by 15% as at September 2026 to Rs. 16 billion versus Rs. 14 billion in June quarter. So, our prudent working capital cycle remains intact which continues to generate solid cash flows and our CAPEX also is on track as we target to achieve 7 million ton of green field plus brownfield capacity, plus 1 million ton of de-bottlenecking capacity which we have targeted to achieve in the next two years. That is it from our side. We will be happy to take questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question comes from the line of Darshan from Dolat Capital. Please go ahead.

Darshan: Thanks for giving me the opportunity and congrats on a very good set of numbers. I just wanted to know your volume guidance for FY 2027. So, earlier we had guided for 15% volume growth but now for H1, given our volume growth is at close to I think 4%. So, just wanted to know, what is our revised volume guidance for FY 2027?

Sanjay Gupta: Good evening. Now, if you see our volume growth of profitable business like APL Apollo brand and the roofing product, we are intact with a guidance of 15% growth. But due to Dubai problem and the shortage of steel in the country, we are unable to focus on low margin business products. So, there we are not in a position to commit any type of volume growth. We do not know right now as to what will happen and what not will happen. But in our main products, our margin is there. We are very confident that we are going to achieve our volume growth.

Darshan: Okay. Heartening to hear that sir. And Mr. Sanjay, also I think there was some element of inventory benefit that we can see in Q2. Just wanted to know from you.

Sanjay Gupta: No boss, we do not have any inventory. We have a total of 1.5 to 2 lakh tons of inventory. Out of that, our OEM order book, dealer network order book is of 75,000 to 1 lakh tons. So, you can say that we have 50,000 to 60,000 tons of goods in spare. That includes scrap and various other products. So, I cannot comment on Rs. 4 crores to Rs. 5 crores of inventory movement.

Darshan: And sir, in a financial asset balance sheet, the amount has fallen to Rs. 57 crores versus Rs. 282 crores in March 2026. So, can you let us know what is that number, as such?

Management: These are the FDs. This is more than one year.

- Darshan:** Okay. FDs more than one year.
- Anubhav Gupta:** So, FDs of more than one year now re-classified within one year. So, if you see the other financial assets of the financial current assets, there is the amount has been increased.
- Darshan:** Okay, so that amount has basically moved to the other. And sir, quarter on quarter, interest cost has increased. Also, if I remove the one-off gain on account of stake sale in subsidiary, I think your other income has fallen quarter on quarter. So, just wanted to know the reason for both of these things.
- Anubhav Gupta:** Yes. So, other income if you see, for the H1, it is around Rs. 80 crores, right
- Darshan:** No, other income you are saying is Rs. 80 crores.
- Anubhav Gupta:** Yes. Q1 and Q2 put together.
- Darshan:** No, I am just saying that if September 2026 versus June 2026, if I am seeing, and I am removing the Rs. 10 crore divestment gain from other income. So, Rs. 30 crores versus Rs. 40 crores in June 2026. So, just wanted to know the reason for that.
- Anubhav Gupta:** So, some FOREX currency, gain and losses between the two quarters.
- Darshan:** So, FOREX currency losses.
- Anubhav Gupta:** In Quarter 1 there was some foreign currency movement of that amount
- Sanjay Gupta:** We have to check if it is that loss; however, it looks like the same. We have not done that deep study.
- Darshan:** Okay. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Sailesh Raja with 360 One Capital Market. Please go ahead.
- Sailesh Raja:** Yes. Thanks for the opportunity. Congrats sir, for the great set of numbers. Sir, our roofing sheet volumes appear to have improved significantly, which I believe would be one of the key drivers of improvement in EBITDA per Ton. So, what is driving the sales growth in this segment? And who are all the competitors? What is our right to win? So, how do you see this business scaling up in the next two, three years?
- Sanjay Gupta:** What this business is, our capacity is right now 50,000 tons, 60,000 tons into 12. Our capacity is of 7 lakh tons. And I think we have done 135k tons in Q1 so, 7 lakhs divided by 4. So, 175k is the capacity per quarter. We now have a scope to go up to 175k quarterly. And we have no

commission from anyone because we have developed our brand and our niche products. So, we are doing very well in this segment.

Sailesh Raja: Okay Sir, which diameter we are focusing, sir, in this roofing sheet?

Sanjay Gupta: Boss, this is for building material as well as a part of solar is also there, some part of industrial sheet roofing is also there. There is also a part of some PUFF Panels which are made to absorb heat. Our five to six different products are there in this.

Anubhav Gupta: So, just to add to it Sailesh, 50% goes into housing, 25% go into commercial and industrial, and 25% go into other industrial applications.

Sailesh Raja: Okay. So, these is all above 2 mm diameter or how it is thickness I am talking?

Sanjay Gupta: Thickness is mixed; 0.4 mm to 3.5mm thickness.

Sailesh Raja: Okay. So, around two years ago, we had targeted a reduction in power cost by Rs. 2 per unit, bringing down the cost to Rs. 5 per unit. So, where do we stand against that target today?

Sanjay Gupta: We have reached around Rs. 6.2 per unit to Rs. 6.3 per unit. With more improvements, next year we are targeting Rs. 5 per unit. Now, we have around Rs. 6.2 per unit to Rs. 6.3 per unit.

Sailesh Raja: Okay.

Sanjay Gupta: Freight cost is our main focus area. In this quarter, we have even reduced the freight cost by 150/ton, we have also reduced our electricity cost. We are not able to reduce employment costs due to volumes. The day our volumes will ramp up, our employment cost will also be very low.

Sailesh Raja: Okay. Sir including other financial assets, our total cash balance is around Rs. 2500 crores. So, what is our plan for deploying cash efficiently? Have we ever evaluated the possibility of making upfront payment to the suppliers in exchange for yearly payment discount, thereby improving margins?

Sanjay Gupta: Boss, now our net cash balance is around Rs. 1600 crores. Now, we are trying, that our cash balance will increase by Rs. 600 crores to Rs. 700 crores. Rs. 1600 crores will increase to Rs. 2300 crores. From which Rs. 200 crores to Rs. 300 crores will go in CAPEX. Then we take a call according to our big sales holders and big support as to how we should use that money.

Sailesh Raja: Okay sir. Thank you.

Moderator: Thank you. Our next question comes from the line of Bharat Shah with Bharat Shah Capital Ideas Private Limited. Please go ahead.

Bharat Shah: Hello Mr. Sanjay.

Sanjay Gupta: Hello Mr. Bharat.

Bharat Shah: Now once again hearty, hearty congratulations. So, I think a difficult quarter like last quarter, but I am glad that our focus has remained unstinted on profitability rather than just getting carried away by volume or this and that. I think overall focus on expanding the total profit pool, whether it comes from the mix, whether it comes from the volume growth, is it comes also from the cost efficiency? All of that are levers for improving the profits. And I think, I personally believe that in a difficult environment, challenging situation, this is wonderful focus and excellent outcome which has been attained. So, really glad about it.

Sanjay Gupta: Thank you, Mr. Bharat.

Bharat Shah: This was a difficult quarter, last quarter was also tough.

Sanjay Gupta: Yes Mr. Bharat. Why it was difficult for us is, as Dubai volume was only 40% for what we achieved in past, because neither the material can be imported nor it can be exported from there. Number 2, our India's exports are tough due to very high container freight prices. So, we have been hit in the two sectors very hard. But in spite of it, we are quite comfortable that we will do more than the guidance given by us.

Bharat Shah: Okay. And profit per ton at operating level of close to 6000, I think.

Sanjay Gupta: It will only increase, Mr. Bharat. It will go above 6000 because we have stopped the non-profitable business, which has significantly increased our profit per ton. The volume we lost did not result in any loss of profit, as that business was non-profitable from the outset.

Bharat Shah: Absolutely. And, Anubhav, on the free cash, I wanted to understand, relatively last year our free cash generation was stronger. Anything which has impacted our free cash generation in the first half this year?

Anubhav Gupta: So, Mr. Bharat, we have paid some capital advances for the CAPEX. If you see in the first half, we have spent Rs. 400 crores already in the first half, versus in FY 2026, the whole year we spent Rs. 600 crores. So, in second half, the cash outflow will be pretty low in the next six months. So, that will improve the free cash flow. And below free cash flow, we did make dividend payments in the month of August, September. So, that also impacted the total net cash flow. So, if you look at the EBITDA to OCF that will be better in FY 2027 versus FY 2026 once we close the books, annually.

Bharat Shah: I see. So, last year our free cash flow was around Rs. 1600 crores, right?

Anubhav Gupta: Last year, it was around, free cash flow Rs. 1300 crores.

Bharat Shah: Rs. 1300 crores. No, it was more than that, I think last year. Are you taking out dividend in that?

Anubhav Gupta: No, before dividend Mr. Bharat. If you look at our presentation, slide number 19, we have shown the cash flow.

Bharat Shah: One minute, 19, one second. Okay. In 19, in the first half how much is the free cash that we have generated?

Anubhav Gupta: So, far, we have generated Rs. 700 crores, near about.

Bharat Shah: In the first half?

Anubhav Gupta: Yes, first half, Rs. 700 crores and then CAPEX of Rs. 400 crores. So, free cash flow is around Rs. 200 crores.

Bharat Shah: So, last year, it was Rs. 1300 crores in the whole year and this year, it was Rs. 180 crores in the first half.

Anubhav Gupta: In this, one is that dividend payment has been fully accounted for, the dividend payment in the first half.

Bharat Shah: Correct.

Anubhav Gupta: Yes. So, now, for the second half, we generate, like Mr. Sanjay mentioned that we should do around Rs. 1200 crore EBITDA, right, and minus taxes and zero dividend and hardly Rs. 200 crore towards CAPEX. So, we would reach, like we will surpass Rs. 1300 crores of free cash flow, which we generated last year on whole.

Bharat Shah: It will be more than last year's Rs. 1300 crores.

Anubhav Gupta: Yes.

Bharat Shah: Okay. Perfect. I think that is about it and congratulations once again to the whole APL Apollo team. This is really an entrepreneurial delight, I suppose, of Mr. Sanjay in a difficult year to achieve this. Congratulations.

Sanjay Gupta: Thank you Mr. Bharat.

Moderator: Thank you. Our next question comes from the line of Akshay Chheda with Canara Robeco Mutual Fund. Please go ahead.

Akshay Chheda: Yes. Thank you for the opportunity. Sir I just have one question. So, basically, if I just see that the product mix has improved q-o-q or y-o-y, at least in the volume terms, but the same does not

get reflected in the GP. Actually, if I just see the GP per ton that has contracted q-o-q. So, the entire EBITDA per ton improvement that has happened q-o-q appears to be more from the operating leverage and the cost efficiency that the sir spoke about. So, sir, what explains this GP per ton contract and logically, it should have improved, right? So, that is the only question I have.

Anubhav Gupta: So, Akshay, you are right. It is just one fact that, I mean, Apollo brand also has now light structures, right? So, realization on light structures is slightly lower than the overall APL Apollo product portfolio. So, that is why the GP per ton is around Rs. 500 per ton lower on quarter on quarter basis. So, this is mainly because of light structures where the validation is low and so, NSR is low and the GP per ton is also low.

Akshay Chheda: And what could be the contribution of these light structures in APL, if you could quantify?

Anubhav Gupta: 25% of the mix.

Akshay Chheda: 35%. And what was it in the previous?

Anubhav Gupta: 25%.

Akshay Chheda: 25% in second quarter. And what was it in 1Q?

Anubhav Gupta: Yes, it used to be like mid double digit to high double digit.

Akshay Chheda: Okay. Thank you.

Moderator: Thank you. Our next question comes from the line of Sneha from Nuvama. Please go ahead.

Sneha: Hi team. Good evening and congratulations on great set of numbers. I just wanted to understand how is the current demand scenario? The reason I am asking is, Quarter 1 versus Quarter 2 we have seen a very big jump in volumes. Although we understand that Dubai has more or less remained muted. But leaving apart the roofing sheets where we have seen expansion happening, why did the APL Apollo tubes volume increase so much? Where is this demand uptake coming from? That is the first one.

Sanjay Gupta: Ms. Sneha, demand for APL Apollo remains very good. We are leveraging our overall brand value in our retail business. Earlier, our focus was on SG Premium. Now, our entire focus is on the Apollo brand. As you saw in Q2, performance in Q3 has also been good so far. We are not seeing any decline anywhere. We are also looking at more than double-digit growth in this quarter and in the second half. As for roofing products, some of our lines got off to a good start in July. So, I think we are targeting roofing product volumes of 175,000 this quarter.

- Sneha:** Understood sir. So, you are saying the same mix which is going on now, which we saw in the second quarter, that itself will contribute to this volume
- Sanjay Gupta:** I cannot comment on UAE operations or the SG Premium brand because we do not have any visibility on these two businesses. However, we are very confident about the APL Apollo brand and roofing products.
- Sneha:** Understood sir. And how has October been for us, sir so far?
- Sanjay Gupta:** October is good. Good. As per our guidance, we are doing above that only.
- Sneha:** Understood. And secondly, with respect to, you know, a few quarters back, you used to give that EBITDA bridge, of how your margins are increasing, Anubhav. We have seen a big swing happening so, of 5,500 odd levels to now around 6,000 odd levels. So, where is the majority of the contribution coming from, with respect to EBITDA margin?
- Sanjay Gupta:** Ms. Sneha, we have made a small change in our system because many problems would have arisen in completing it. When we used to provide EBITDA figures product by product, whatever became clear to others would affect that side even more. So, we have stopped doing that now. However, you can get the details from us offline at any time.
- Sneha:** Sure, sir, will do that. But this is sustainable is what you are saying.
- Sanjay Gupta:** We have closed the platform as a strategy.
- Sneha:** No problem at all, sir. But I wanted to know that this now EBITDA pattern of 6,000, this looks sustainable.
- Sanjay Gupta:** It will come more than this only. Q3 is much better than this.
- Sneha:** Q3 will be much better than this?
- Sanjay Gupta:** Yes. Q3 will come above 6,000.
- Sneha:** Understood, sir. That is...
- Sanjay Gupta:** Ms. Sneha, if you check the entire channel, what do you see as the price level of APL Apollo's Black pipes in the channel?
- Sneha:** No sir. That I completely agree that it is at premium
- Sanjay Gupta:** You must be seeing Blackpipe anywhere around 70,000 everywhere.
- Sneha:** Yes. For other players, it is 68,000 or 69, 000 types.

- Sanjay Gupta:** The other players are below Rs. 68,000–Rs. 70,000, and our HR coil is around Rs. 60,000. We are getting a conversion of Rs. 10 per kg. At this point in time, we are making a margin of Rs. 6,000 even on our worst item.
- Sneha:** Understood, sir. That was very helpful. Thanks a lot team and all the very best.
- Sanjay Gupta:** Thank you, Ms. Sneha.
- Moderator:** Thank you. Our next question comes from the line of Bharat Shah with Bharat Shah Capital Ideas Private Limited. Please go ahead.
- Bharat Shah:** Anubhav, on the slide 18, I think EBITDA per ton of the first half, we have mentioned it is some Rs. 11,000 odd. I think it looks to be a typo.
- Anubhav Gupta:** Yes, it is. Thanks for highlighting. We will correct it.
- Bharat Shah:** Yes okay.
- Moderator:** Thank you. Our next question comes from the line of Omkar Ghugardare with Shree Investments. Please go ahead.
- Omkar Ghugardare:** Mr. Sanjay, my question was, if you are targeting 10% volume growth, for that, you will have to show at least 20% volume growth in the next two quarters. Is that possible? Like you said, H2 will be better than H1.
- Sanjay Gupta:** Boss, I cannot say about UAE or SG Premium. In Apollo brands and the same product, it is 100% possible. It will go above that.
- Omkar Ghugardare:** So, at the consolidated level, on the entire company level, what are you doing?
- Sanjay Gupta:** It is too early, we have the capacity. To cover that brand, that segment, one month is more than sufficient for us. So, it is difficult to commit anything on that.
- Omkar Ghugardare:** So, at the overall company level, you cannot give any guidance, till now?
- Sanjay Gupta:** Boss, we are focused on two things. First, our absolute EBITDA should cross Rs. 2200 in any case. Second, we are focusing on our Apollo brand and roofing product brand, where we command a premium. We cannot do anything about the situation in Dubai. Our premium is good in Dubai, but the situation there is not in our hands. In the Apollo brand and roofing product brand, we will achieve at least 15%–20% year-on-year growth.
- Omkar Ghugardare:** So, can you tell us, what is the state of Dubai operations currently? I mean, what is the progress?

- Sanjay Gupta:** You may know more than we do. No goods are coming in from there or going out from here, so we cannot commit to anything. We have to get down there and cover our expenses. Thank God, we do not have any losses there. Our half-a-million-ton capacity there is ready. Whenever operations start, my 10,000 ton EBITDA business is ready. I have a Rs. 500 crore business ready, but the situation is not in my hands. What should I do?
- Omkar Ghugardare:** So, you have said for FY 2028, that the capacity of 7 million tons will be ready. So, how much utilization level are you looking at, in that?
- Sanjay Gupta:** We are not able to focus on volume in this channel. The focus is on EBITDA. We should do around Rs. 2,200 this year, next year we should cross Rs. 2,500 crores.
- Omkar Ghugardare:** Sir that is right about EBITDA level. I was talking about capacity utilization.
- Sanjay Gupta:** I cannot say anything about the UAE and SG brands now. I can say that we will achieve 15%–20% growth in the Apollo brand and roofing products. I do not know what growth we will see in those other two businesses. How can I commit?
- Omkar Ghugardare:** Okay.
- Sanjay Gupta:** But it does not matter because there is no margin in SG Premium brand. So, it does not matter to us.
- Omkar Ghugardare:** Okay. So, what are you foreseeing on pricing? Your revenue growth is more than the volume. So, can it continue like this?
- Sanjay Gupta:** It will be continuous.
- Omkar Ghugardare:** Okay. So, you are predicting this for the second half as well?
- Sanjay Gupta:** 101%.
- Omkar Ghugardare:** Thank you, sir.
- Moderator:** Thank you. Our next question comes from the line of Shaleen Kumar with UBS India. Please go ahead.
- Shaleen Kumar:** Yes. Hello Mr. Sanjay.
- Sanjay Gupta:** Good evening, Shaleen.
- Shaleen Kumar:** Mr. Sanjay, I joined the call a little late. If you have already answered, then sorry for repeating.
- Sanjay Gupta:** No problem Shaleen.

Shaleen Kumar: Mr. Sanjay, this year, as per your performance, you are talking about more than Rs. 6000. So, you are getting Rs. 2200 crores - Rs. 2300 crores EBITDA yearly, right?

Sanjay Gupta: Do not say Rs. 2300. It is Rs. 2200 crores.

Shaleen Kumar: No sir, if it is coming then it is coming. What you are doing is, you are talking about more than Rs. 6000 crores, then you will get it. If you are talking about volume, then you will get it. Rs. 2200 crores -to Rs. 2300 crores. If I say that, if our Dubai was normal, right? So, let us assume that it would have become Rs. 2500 crores comfortably.

Sanjay Gupta: This year, 100% it would have done Rs. 2400 crores if Dubai performs as per our expectation.

Shaleen Kumar: Okay. You will be conservative. So, next year, like, there was a question from the previous participant as well. Right. So, our realization is good. Let us assume that Dubai comes with pent-up demand. So, on our base...

Sanjay Gupta: So, then our 5 million tons and Rs. 6000 crores EBITDA will be sold. Rs. 3000 crores will be sold.

Shaleen Kumar: Rs. 3000 crores will not go anywhere. We can see that coming.

Sanjay Gupta: Yes exactly. I can do that.

Shaleen Kumar: Exactly. Right?

Sanjay Gupta: I can agree with you.

Shaleen Kumar: You agree with me, right? Rs. 3000 crores will definitely come. If Dubai fully recovers, you would expect some of that business to return.

Sanjay Gupta: The day Dubai comes back, everything will come.

Shaleen Kumar: What I am saying is, In FY 2028, which is 5 months away. Right? During that time, Dubai will definitely come back. It will not happen that everything will be wiped out.

Sanjay Gupta: Right Shaleen, I am telling you the same thing. Whenever Dubai comes back, our Rs. 500 crore EBITDA business is completely ready over there.

Shaleen Kumar: It is ready.

Sanjay Gupta: The problem today is that if we buy any material from outside, we do not know when it will be shipped. We have to bear so much damage that we do not even know the raw material cost. What can we do? Second, all exports from there have also stopped. Containers are not going out, and

all our exports from India have stopped. Shaleen, we have a very strong platform, and as soon as these things improve, we will do a very good job. But how can I commit today? What if I commit and something happens?

Shaleen Kumar: No sir. We are saying that if Dubai comes back, then Rs. 3000 crores is not far away.

Sanjay Gupta: Yes, it is not far away.

Shaleen Kumar: That is fine. So, basically, you are not doing lower volume because the higher margin business is doing very well. So, you are after that.

Sanjay Gupta: I do not even have much steel.

Shaleen Kumar: You do not even have steel.

Sanjay Gupta: If you look at the market, there is a shortage of steel. I do not even have much steel for the loan business. I do not have much steel to adjust with because all the steel plants have had many shutdowns. November is also bad. From December, all the plants will be back on track, and we will achieve strong volumes of 4 lakh tons per month. Shaleen, our biggest advantage is that we have everything ready and can adjust to any conditions. But our main goal is EBITDA, and we want to capture volume in our main business, our branded business. As for SG Premium, if you ask me tomorrow, I will sell 2 lakh tons of goods.

Shaleen Kumar: Correct.

Sanjay Gupta: Volume is not a problem for us. If the SG Premium business increases, then EBITDA per ton margin will be reduced. But absolute EBITDA will increase there, anyways.

Shaleen Kumar: Correct.

Sanjay Gupta: So, at that time, I will not be able to say Rs. 6000 crores EBITDA margin, I will come back on Rs. 5500 crores to Rs. 5600 crores.

Shaleen Kumar: It is the same thing, absolute EBITDA will anyways be more, it is the same thing.

Sanjay Gupta: Yes, absolute EBITDA will increase, we do not do any business in cash loss.

Shaleen Kumar: So, basically we can, with the caveat that Dubai comes back, we can work with the Rs. 3,000 crores number in our mind for FY 2028.

Sanjay Gupta: Dubai and the steel ability in the country.

Shaleen Kumar: Stabilization of the situation.

- Sanjay Gupta:** Stabilization of both the things. As the container freight is going to down, with these three things we are ready for Rs. 3000 crores.
- Shaleen Kumar:** Okay sir. Good sir. That is it from my side. Thank you.
- Sanjay Gupta:** Thank you sir.
- Moderator:** Thank you. Our next question comes from the line of Shweta Dikshit with Systematix. Please go ahead.
- Shweta Dikshit:** Good evening sir. Congratulations on a good set of numbers. Sir, one thing I just wanted to understand is that, we are at Rs. 6000 per ton of EBITDA. But at this time, the steel prices are also supportive. Last time, I agree completely that the product mix has definitely improved. But last time when we saw these kind of margins, at that time also the steel prices were very supportive. That was in FY 2023, roughly after the COVID revival. So, if the prices start to normalize again from Rs. 65,000, HRC falls back to Rs. 60,000 or maybe Rs. 55,000. So, in that scenario, what kind of margins do we think? Will it be a sustainable Rs. 6,000 or we can see that it will fall back to Rs. 5,500 or Rs. 5,300?
- Sanjay Gupta:** Ms. Shweta, there are 2–3 reasons why our margins have expanded. First, volumes from our non-profitable business have ceased. This has expanded our margins because those volumes did not contribute any margin earlier either. Second, the additional capacity for our roofing products has expanded our margins. Third, we keep making small improvements through innovation and day-to-day cost management. For example, we have now started a line to develop many items for ISRO and DRDO. Normally, if we submit these items for development, approval may take 1, 2, 3, or 4 months. If the items are approved, our margins will increase significantly. We have also done a lot of work on 1000 sq. ft. in the big section, and we are seeing the results of all these efforts. If steel prices rise slightly, the extra monthly discounts of Rs. 2, Rs. 4, or Rs. 5 crores that we have to offer to push sales stop, which benefits us. When sales demand is lower, we have to offer discounts of Rs. 4, Rs. 5, or Rs. 6, or whatever amount the marketing team offers to make sales. This can have an impact of Rs. 10 crores to Rs. 15 crores in a quarter. However, this does not have much of an impact on us, whether steel prices rise or fall.
- Anubhav Gupta:** Also Shweta, in quarter by FY 2023, the quarter you are referring to, in that quarter, we had very substantial gains in the coated pre-galvanized tubes. Because the difference between HR coils and pre-coated coils was very high. Because of COVID, China exports were shut, so Indian companies were exporting outside India. So, there was shortage of GP coils in India and that category did really well for us. Performed really well for us and we had backward integration there. But this EBITDA of Rs. 6,000 per ton in Quarter 2 FY 2027, this is much sustainable. Like the points Mr. Sanjay mentioned, and also the capacity utilization, operating leverage benefits, what we are getting at run rate of 960,000 tons per quarter, our utilization rates are almost 70% - 75%. So, this EBITDA per ton is much more sustainable than what we saw in Quarter 2 of FY 2023. And you may see the repetition in quarter 3 also, in December quarter.

So, once we are able to deliver Rs. 6,000 per ton and above in two consecutive quarters, you will feel much more confident that this is now sustainable.

Sanjay Gupta: And then we change our guidelines. Then we are talking that our target is Rs. 6,000 to Rs. 6,500 next year.

Shweta Dikshit: You are talking about FY 2028 for the entire year.

Sanjay Gupta: Yes. Then we will change our guidance for the next quarter. We also want to see another quarter because we have worked on innovations and costing. We have reduced freight costs, reduced power unit costs. Now we are deep studying how to improve our margins. So, our margin has not increased from one place. Our margin has increased by combining the factors of 2-3 places. Yes, tomorrow maybe SG Premium brand sales will increase by Rs. 2,00,000 - 3,00,000 in the next quarter, then our margin per ton will decrease a little.

Shweta Dikshit: Understood. And just a follow-up. Is this margin after the discount in this quarter also? Or is it according to the demand at this time?

Sanjay Gupta: In this quarter, we had to give discount in July. We did not have to give much discount in August and September.

Shweta Dikshit: Okay. Understood. Thank you, sir.

Sanjay Gupta: Thank you.

Moderator: Thank you. Our next question is from the line of Kumar Saumya with Ambit Capital. Please go ahead.

Kumar Saumya: Hi, sir. Good evening. Am I audible?

Sanjay Gupta: Go ahead, Mr. Kumar.

Kumar Saumya: Yes. So, Dubai, currently having the capacity of about 300,000, right? And with 200,000 tonne addition planned by the end of FY 2028.

Anubhav Gupta: Yes, so this capacity will increase to 500,000 tons as the brownfield expansion is underway, right? We are adding two new mills. So, by March, during all this disruption, we did not slow down on the brownfield expansion, Kumar. So, by March 2027, the Dubai capacity will be half million tons, 0.5 million tons. And on that, we can achieve Rs. 8,000 to Rs. 10,000 per ton EBITDA because those two new mills which are coming up, they are also a pretty high margin products.

- Kumar Saumya:** Okay. And secondly, on the heavy and super-heavy, could you give some ballpark number as in what is the share of this super-heavy and heavy during this quarter specifically?
- Anubhav Gupta:** So, again, I mean, we have stopped giving that sensitive information, we can take this offline.
- Kumar Saumya:** Okay sure. Lastly, we talked about operating leverage helping us, but then again, we are adding two million tons of capacity over the next one year. So, do you see this 6,000 tons still sustainable after we are adding those two million tons capacity over the next one, one and a half years?
- Anubhav Gupta:** So, Kumar, those new plants which are Greenfield, they are pretty small in size. So, they will not add to my fixed cost bill too much. And then rest of the expansion is in Brownfield, which anyways will not hurt my existing fixed cost to great extent. So, that is why we believe that now the capacity expansion does not hurt our EBITDA spreads too much like it used to do two, three years ago.
- Kumar Saumya:** Got it. And lastly, on the price gap that we discussed in the start of the call, is it possible to maintain this gap when say steel price starts to revert back or if there is a modification in steel price and the competitive intensity starts to go up? Because right now, there is a lot of space between you and the second player and the third player. So, I just wanted to understand your view, how you are looking at it when the steel price starts to normalize?
- Anubhav Gupta:** So, Kumar, see I mean, right now the two main segments like Apollo brand and roofing products, they contribute almost like 92% - 93% to the total volume. Now, here we are not seeing much of impact from the lower or higher steel prices, right? Demand remains intact, our margins remain intact because of better pricing. So, no softness in EBITDA spreads as such. Now, if steel prices go down, our SG Premium sales will start going up, right? So, that will boost the overall volume and like we are saying that on a metric basis on Excel sheet, EBITDA per ton may look slightly soft. But then whatever incremental volume comes from SG Premium, it will add to my absolute EBITDA. So, we are not concerned per say, if steel prices go down that my EBITDA growth should taper down. No, it will only accelerate with the better volume from the SG brand.
- Kumar Saumya:** Got it. Thank you.
- Moderator:** Thank you. Our next question comes from the line of Shantanu Mishra, an individual investor. Please go ahead.
- Shantanu Mishra:** Good evening, sir. So, my question is slightly based on FY 2028 guidance that you had given earlier of 8 million tons capacity. So, if we consider that capacity, so can we expect slight improvement in utilization post that capacity enhancement?
- Anubhav Gupta:** So, see again, you need to look our business from four verticals, Apollo brand, roofing product. These two segments, we are pretty confident given the current existing geopolitical situation. We are confident that we will deliver double-digit volume growth in these two categories. Dubai,

I mean, we are currently at run rate of 100,000 tons per annum versus capacity which will be ready by March 2027 will be almost 500,000 tons. So, whenever Dubai situation improves, we can immediately hit 200,000 or 300,000 or 400,000 tons in subsequent quarters, right, that run rate. And once the geopolitical situation improves, so we assume that there could be some softness in the commodity prices also, so which could lead to declining steel prices in India as well. So, then our SG Premium sales will take over. So, the point what I am trying to make is, we are not too much concerned with the movement of steel prices going up or down. Our business model is such, is so resilient that we can drive our profitability if steel prices are going up by having better pricing by focusing more on value added products. And if steel prices are going down at the same time, our low value added product SG, can add to the momentum with the increased volume.

Shantanu Mishra:

Yes, definitely. Thank you.

Moderator:

Thank you. Our next question comes from the line of Vikas Singh with ICICI Securities. Please go ahead.

Vikas Singh:

Thank you. Mr. Sanjay, I have just one question. Usually, we see that our housing has almost 50% exposure and this year rainfall was almost 13% in deficit. So, do you have any old experience that the year rainfall is in deficit because a portion of this would be on tier 2, tier 3 cities and farmers as well in the demand, can we see any negative impact of this? Or if this has not happened in the last few years, then it should not happen in this year as well?

Sanjay Gupta:

I do not think so because demand is always there in housing. I do not think there will be any negative impact. And even if it is there, then there will be a slight decrease of 2% - 4% in demand. But I do not think so. As we are seeing order books everywhere, people are not finalizing the quotations due to higher steel price but demand, offer, enquiries are very high.

Vikas Singh:

And sir, in our lower grades in which we compete, since domestic material is not available, will there be a loss in importing imported material? Or is imported material a little expensive now?

Sanjay Gupta:

There will be a loss in imported material. Number 2, what happens is, the gap will increase between secondary and primary. When the gap increases between secondary and primary, then there will be a cash loss in that sector. So, we are in a comfortable position. Gradually, our other products are being launched more and more. We are incorporating ourselves in other things. So, I think that our segment, which is matching with secondary material, we will gradually bring it to 10% - 15% with a time period of 1 or 2 years.

Vikas Singh:

Understood. Thank you.

Sanjay Gupta:

If you look at 3-4 years ago, on our every call it used to come that there was an inventory gain in this quarter, there was an inventory loss. Today, we have come out of that chapter in a time

period of 3-4 years. So, I think that in the next 1-2 years, our target is that we will come out of this segment where secondary material is less and more. We will improve ourselves.

Vikas Singh: Understood sir. That is it from my side.

Sanjay Gupta: Thank you.

Moderator: Thank you. Our next question comes from the line of Pratik Talwatkar with SMIFS. Please go ahead.

Pratik Talwatkar: Thanks for the opportunity, sir. And congrats on a good set of numbers. Just one data point question. Sir, what is the VAP mix for the Q2 and the H2 for FY 2027?

Anubhav Gupta: Which mix?

Pratik Talwatkar: Value-added mix.

Anubhav Gupta: Value-added. Pratik, I mean, we have given this in our presentation. Barring SG Premium, everything is value-added.

Pratik Talwatkar: Okay. Thank you.

Moderator: Thank you. We have no further questions, ladies and gentlemen. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Anubhav Gupta: Thanks everyone for joining in. Look forward to see you again in our Q3 FY 2027 earnings call. Thank you.

Moderator: Thank you. On behalf of ICICI Securities Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.