Stallion India Fluorochemicals Ltd.
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Date: 16th October, 2025

To,
National Stock Exchange of India Limited
("NSE"), The Listing Department
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block, Bandra-Kurla
Complex Bandra (East), Mumbai – 400 051.

NSE Symbol: **STALLION**

ISIN: **INE0RYC01010**

To,
BSE Limited ("BSE"),
Corporate Relationship Department,
2nd Floor, New Trading Ring,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

BSE Scrip Code: **544342**

ISIN: **INE0RYC01010**

Sub**: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Transcript of the Investor Conference.**

Dear Sir/Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Investor Conference held on Wednesday, 15th October, 2025, at 04.00 P.M. IST with regard to the business and financial performance of the Company for the quarter & half year ended 30th September, 2025.

The transcript has also been uploaded on the Company's website and can be accessed through the following link:

https://stallionfluorochemicals.com/investors-information/earning-call/

You are requested to kindly note the same and acknowledge receipt.

Yours Faithfully,
For Stallion India Fluorochemicals Limited
(Formerly known as Stallion India Fluorochemicals Private Limited)

GOVIND RAO
Digitally signed by GOVIND RAO
Date: 2025.10.16 19:47:25 +05'30'

Govind Rao
Company Secretary & Compliance Officer

Stallion India Fluorochemicals Limited
Q2 and H1 FY2526 Earnings Conference Call

Event Date / Time: 15/10/2025, 16:00 Hrs.

Event Duration: 01 Hr 38 mins 35 secs

CORPORATE PARTICIPANTS:

Mr. Shazad Rustomji
Chairman & Managing Director

Mr. Parth Raorane
Coordinator

Q&A Participant Details:

1	**Shreya Masalia**	Ashika Groups
2	**Ranvir Singh**	Nuvama Wealth
3	**Nitesh Dhoot**	Anand Rathi Institutional Equities
4	**Yogesh Soni**	NJ wealth
5	**Deepak Poddar**	Sapphire Capital
6	**Ajit Sethi**	Eiko Quantum Solutions
7	**Vedant Sarda**	Nirmal Bang Securities Pvt Ltd
8	**Jay Mehta**	Elios
9	**Paras Chheda**	Purple One Vertex Ventures LLP
10	**Devansh Tandon**	Findoc
11	**Prasad Vadnere**	HDFC Securities
12	**Rahil Shah**	Crown Capital
13	**Prerak Gandhi**	Vruksha Capital Research
14	**Jaiprakash Kumhar**	Korman Capital
15	**Ashish Soni**	Family Office

Moderator

Ladies and gentlemen, good evening, and welcome to the Stallion India Fluorochemicals Limited Q2 and H1 FY2526 Results Conference Call hosted by Ventura Securities Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * and then 0 on your touch-tone phone. Please note that this conference is being recorded.

Before we begin, I would like to point out that this conference call may contain forward-looking statements about the Company, which are based on beliefs, opinions and expectations of the Company as of the date of this call. These statements do not guarantee the future performance of the Company and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand over the floor to Mr. Parth from ConfideLeap Partners. Thank you and over to you, sir.

Parth Raorane

Thank you, and good evening to you, ladies and gentlemen. This is Parth from ConfideLeap Partners. We represent the Investor Relations for Stallion India Fluorochemicals Limited. On behalf of Ventura Securities and ConfideLeap Partners, I warmly welcome you all to the Q2 and H1 FY2526 Earnings Call of Stallion India Fluorochemicals Limited. So, the company will be represented by Mr. Shazad Rustomji, who is the Managing Director and CEO.

I would now like to hand over the call to Mr. Shazad Ji for his opening remarks. Thank you, and over to you, sir.

Shazad Rustomji

Thank you. Good evening, everyone, and a warm welcome to Stallion India Fluorochemicals Limited Q2 and H1 FY2526 Earnings Conference Call. We are pleased to share yet another quarter of robust performances reflecting the continued strength and resilience of our business model. For the second quarter of FY2526, total revenues stood at INR 105.75 crores, making a solid 55.6% YoY growth driven by higher volumes, improved product mix and strong demand across key end-user industries. EBITDA for the quarter surged nearly seven-fold to INR 15.77 crores with margins expanding to 14.9%, while PAT increased more impressively to INR 11.42 crores.

For the first half of FY2526, we achieved a total revenue of INR 216.3 crores, representing a 52.8% YoY growth. EBITDA for the period almost doubled to INR 13.14 crores and PAT increased by 135% to INR 21.78 crores. Underscoring the operational leverage, we continue to realize through scale, efficiency and strategic pricing discipline. This is in spite of a challenging macroeconomic backdrop characterized by global tariff-related headwinds and cyclical slowdown in certain sectors. We have already achieved over 50% of our full-year revenue guidance of INR 430 crores within the first half year.

With H2 traditionally being the stronger period for our business, we remain confident of achieving our growth targets for FY2526. From a strategic standpoint, the first half of the year was marked by significant progress across our integration roadmap. Our 10,000 metric ton R32 manufacturing facility in Bhilwara, Rajasthan, currently under development, will provide backward integration and strategic control over our most critical raw material, ensuring our cost competitiveness and supply reliability. In parallel, the upcoming Mambattu facility in Andhra Pradesh, which is our fifth operational site, will

enhance our blending and debulking capacity for HFO refrigerants and specialty gases, while also adding semiconductor and helium-processing capabilities. We are also expanding the Khalapur facility to strengthen our footprints in liquid helium and high-purity semiconductor gases, targeting India's emerging electronic, solar and fiber optic industries.

These sectors are expected to grow at double-digit CAGR through the next decade. Our focus remains on sustainable growth, operational excellence and customer-centric innovation. With six facilities, four operational and two upcoming, a robust pan-India distribution network and expanding product portfolio spanning over 40 gases and blends, Stallion India Fluorochemical is well positioned to capture the opportunities arising from India's industrial transformation. We continue to target a 30%, 35% CAGR growth over the next three years, supported by backward and forward integration initiatives expected to enhance operating margins by 3% to 4%. Looking ahead, we remain committed to building a fully integrated fluorochemicals enterprise, one that combines innovation, sustainability and scale to deliver enduring value for all stakeholders.

Thank you.

Moderator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask your question. If you would like to withdraw your request, you may do so by pressing * and 1 again. Ladies and gentlemen, to ask a question, please press * and 1 on your telephone keypad.

Wait for a moment while the question queue assembles. We have a first question from the line of Shreya Masalia from Ashika Groups.

Shreya Masalia

Hello. Am I audible?

Shazad Rustomji

Yes.

Shreya Masalia

Yes. Congratulations for the great set of numbers. Sir, just one question. So, that your major raw material is fluorspar fluorospar, right?

Shazad Rustomji

Not currently. Currently, we're not manufacturing. But onwards, when we move into manufacturing, fluorospar would be one of the raw materials.

Shreya Masalia

Yes. So just wanted to know, like, currently, you are importing completely from China, right?

Shazad Rustomji

We import from a mix of places. We import from Japan. We import from China. We import from Middle-East also now, and we import from the U.S. and Europe, it is a mix. We've been moving away. But to answer your question, the majority part, 80%, 85% of the fluorochemical industry operates from China. So directly, indirectly, you would be working with China.

Shreya Masalia

Yes. So, I just wanted to make sure like the availability of raw material is good, right? That there is no sanctions from the Chinese government on getting the raw material.

Shazad Rustomji

No, currently, we don't see any issue, number one. Number two, but for the raw materials, we would be looking other than China.

Shreya Masalia

And also you are putting up the facility to take the raw materials, I mean, to manufacture the raw materials, right?

Shazad Rustomji

Currently, in the first phase, it would not be fully backward integrated. In the second phase, it would be fully backward integrated. So in the first phase, we would use AHF and MVC for manufacturing. The second phase, we would move for backward integration of manufacturing, AHF and MDC ourselves.

Shreya Masalia

Okay. Got it. And like your QoQ numbers are quite good, like you say that your Q1 and Q2 is usually weak than the Q3 and Q4. So, like Q1 and Q2 are extremely good. So the guidance, it's the same, like it will be good quarter for Q3 and Q4 also?

Shazad Rustomji

Actually, Q1, Q2 are really the weakest quarters that we have. In fact, it is usually the worst performance that we can ever hope to expect. And this Q1 and especially Q2 with all this geopolitical issues like tariffs, etc. that were happening, it was really, really a crisis. And in this period that we managed to push the sales and reach this position, the next two quarters are the good quarters for us. So, we look at achieving whatever we have set out to, maybe more, but definitely whatever we have stated, we will achieve 100%.

Shreya Masalia

But if you just give us a.

Moderator

Shreya ma'am, I'm very sorry to interrupt you. Could you join back the queue, ma'am?

Shreya Masalia

Sure, sure. Thank you.

Moderator

Thank you, ma'am. Next question comes from Prasad Vadnere from HDFC Securities.

Prasad Vadnere

Sir, congrats on a good set of numbers. Sir, so basically, I wanted to get more understanding on the refrigeration quota that the Indian government will allocate in FY27.

And second my second question is, sir, can we barter this quota with other entities located outside the India geography and also with the Indian geography entity? Thank you.

Shazad Rustomji

Yes. Thank you. The quota system that will come in 2028 is not decided or the modalities have not been laid out by the government. In 2027, the government will fit, formulate and arrive at what is the best system for India. What is currently quoted by a lot of people is the broad framework of Kigali Accord, in which countries in various regions, which have gone in for the phase out earlier to us, like the developed nations moved one period earlier to us.

So, how they have followed basically is taken as a model framework that, okay, this is how it will be done. One thing is very clear, the baseline years, 2024, 2025, 2026, whatever import, whatever production, whatever consumption, whatever you're doing in these three years, the total is added and divided by three, and that will be the baseline figure. That is what will establish as your quota, the starting point of your quota. So typically, like if you were just giving an example, you're consuming or importing or whatever, 1,000, 1,000, 1,000. Three years with 3,000 divided by three, 1,000. That is the general broader frame of how the thing would be evaluated, how it would come down.

Number one, has the government taken out any notification? Has the government decided? No, the government has not decided. Is there any authority other than the respective authorities in the government who would be deciding this? No. Only they have the final say and how they will come out, they will inform in 2027. So currently, it's more a broader understanding of how it will be done. The baseline years' formula is that is more or less a set thing. But other than that, everything else is speculative.

Second is, is this quotas tradable? Yes, these quotas will all be tradable. In fact, like how carbon trading was done, these quotas also are tradable in many ways. How it will be done or can it be traded -- your third question, can it be traded within the country and outside the country? It can be done both. Now usually, how this would affect is, suppose tomorrow, this is one of the things that we have always mentioned. When people do a valuation of the company, nobody has even got a clue of what the true value of the company will be when you calculate the quota that will come.

Now, what is the quota? Now tomorrow, I'm saying, HDFC Securities decides that we want to import gas. You cannot import gas. You have no quota. Only Stallion can import or maybe the ten, twenty entities who have the quota, import can only come through them. The first thing is it's restrictive. It becomes like a monopoly. It can only come through this source. It cannot come through anything else. No amount of money, you cannot do anything.

Now, you are a company that wants to grow. I'm saying you're XYZ Electronics, okay? You're a manufacturer of ACs. Last year, you did say your production quota has been set. You did say 100 tonnes. I'm just giving you an example. This year, you've got very aggressive plans. You want to do 200 tonnes. There's only two ways you'll be able to do this. One is your GWP has been calculated. Your tonnage has been calculated. Either you move to a lower GWP product that means like suppose if you are dealing in 32 and you want to double your production, there's only two ways you can do it.

One is you move to 454B, which is 50% of the GWP, that's the HFO blend that we'll be manufacturing in Mambattu facility. That has got 300 GWP. And 32 has, say, 600 GWP. So, if you want to double your capacity, stop using 32, move to 454B. That is how this quota will guide industry to move to lower GWP products. The other way that you can do it is you come to Stallion and you buy the import quota from Stallion and then use it. Now Solvay, to give an example, very firm of this, Daikin is a company which has grown leaps and bounds in all the regions they've operated. They've been very aggressive in their growth plans, etc. Europe, they had extremely good move and expansion, etc.

Now, the problem was Europe had a very firm quota regime in place. So, the only way they could get around was they bought a company called Solvay. And Solvay had a tremendous amount of quotas available. So, they bought it over, and that's how the quota operational working is done. So, this is the understanding. So yes, the quota can get monetized. The quotas can be sold. There are figures that we have heard of where Chemours has sold the quota somewhere or some other company has sold the quota somewhere or offered the quota for sale. So, it will be monetized. Tomorrow, your valuation will also consider this.

Thank you.

Prasad Vadnere

Okay.

Moderator

Thank you, sir. The next question comes from Ranvir Singh from Nuvama Wealth. Participants are requested to restrict to two questions in the initial round and join back queue for more questions.

Ranvir Singh

Sir, thank you for taking my question. Sir, one question related to that helium gas. What exactly we are going to do with the helium gas? Because I just see that processing plant would be there. Can you just give a little detail about that, what process actually we are going to do at this facility?

Shazad Rustomji

Yes. Okay. Helium. basically, helium is a natural product. Nobody manufactures it. Linde does not manufacture it. Stallion does not manufacture. No company manufactures it. Helium comes out from the ground like natural gas. It comes out first, meaning it would be coming mixed with other gases, etc. So, you have to refine it. Like how you get crude oil, you get crude helium. You'll be refining it a bit. That is at the well level, number one. So you'll remove the impurities, etc.

The final helium basically is not a manufactured product. It does not come from a company, does not come from process of this. So, it is a natural product that exists in the environment on earth. So, from

there, you will be getting it from the various like major places, Qatar, you've got USA as one of the largest, then Russia. So, you've got like four, five major places from where helium would be available, number one.

Number two, now helium is the smallest molecule, lightest molecule. You cannot transport it in, how to say, gas form. It'll be very expensive. So, you have to bring it in liquid form. So, you've got specific containers, etc. It comes in liquid form. When it comes to us in liquid form, it has to be first, what requirement of liquid you have, has to be handled in liquid.

Now, just to explain to you what is helium, it is liquid at -257 degrees Celsius. There is nothing on earth that can get you to bring the temperature as low as -257. So, how do you retain it in liquid form? It comes in special isotanks, which have got a vacuum layer. Above the vacuum layer, you've got a secondary layer in which liquid nitrogen is put. Liquid nitrogen is at -190 something. And that is what slows down the evaporation rate of helium and allows it to be in liquid state for that one month of transit. But still you have operational losses there.

Now, handling all these cryogenics and handling and refilling it in liquid, again, same similar containers, vacuum containers, etc., transporting it to where the end uses, where is liquid helium used. It's used for in a store, it's used in fiber optic manufacturing, it's used in semiconductors, it's used in MRI machines in medical field. It's used in, like, the Navy where you go for ultra-deep, ONGC and Navy where you go for ultra-deep sea diving. So, you cannot breathe normal oxygen. Your lungs will collapse. So, there's a mixture of helium and oxygen. So, basically, it's used in a huge variety of things. Testing is one of the normal uses that people are aware of as a carrier gas. So basically, there's a portion that will get sold in liquid form. There's a portion that will be sold in gas form.

Now, handling this is a very specialized thing. Like the isotank that carries the liquid helium costs $1 million, about INR 10 crore, just the empty isotank. Second, the value of the gas is almost equivalent. If you do not know how to handle, you'll have evaporation of that much amount of material with no chance of recovery. So, it's a very specialized way of handling. Secondly, with the semiconductor, medical, etc. With semiconductors, you need 6N handling, 6N purity. That is 99.999999 like that, the purity.

You have to have testing capability. You have to have the knowledge of how to maintain that purity. Meaning if I give you that 6N purity helium and you just fill it in any clean new cylinder, your purity will drop down to 4N, 3N. The cylinders have to be conditioned. They have to be of the ability to hold this. You have to know how to handle it, number one.

Number two, more important than that is the continual repeatability of your process where guaranteed you'll be able to provide YoY, MoM, the same quality of supply. When you're supplying for semiconductors, etc., there's an approval process. So, you go. So, this is what all how helium would be handled.

And the third most important thing is your capability of upgrading. Now till now, in India, it was 200 bar pressure helium that was handled. What is 200 bar? One bar is like 14.5 kg. So, it's basically the pressure at which the helium is kept. So, in a cylinder, if you are getting like 200 bar pressure, you'll get about 7 cubic meters, 8 cubic meters. Now, the same cylinder, if you upgrade and you get a 300 bar cylinder and you get a 300 bar complete helium plant system, your same cylinder that you are supplying 7 cubic meters will now supply 12 cubic meters. So, your transport costs will come down literally 50% of what it costs somebody else. This is what gives you the cutting edge.

Now Stallion, we were just starting when Linde upgraded to 300 bar in India, and they are the only people with capability of 300 bar handling in India. Our entire plant has been revamped, and we will only be having 300 bar systems. So, we've upgraded to the best that is available in India.

Thank you.

Ranvir Singh

Yes. Thanks for that detailed answer. So, I believe that apart from Linde, who are the other players who are engaged in this kind of handling of helium type of gases?

Shazad Rustomji

Linde is the largest. Second comes Global Gas. Then you have various players. All the rest are almost equal, like Iwatani, Helios, LifeAire, Air Liquide. You've got about five, six players, all approximately in the same category. The two largest ones are Global Gas and Linde.

Ranvir Singh

Okay. Thanks. And another question is.

Moderator

Ranvir sir, could you please join back the queue.

Ranvir Singh

This was same question I was discussing. Anyway, you can proceed. I'll be in queue. Thank you.

Moderator

Thank you so much. Participants are kindly requested to restrict the two questions in the initial round and join back the queue for more questions. The next question comes from Nitesh Dhoot from Anand Rathi Institutional Equities.

Nitesh Dhoot

Yes. Hi, sir. Thank you so much for the opportunity. So, you know, my question is again on the HFC. If we see the observation period is 2024 to 2026, and we've already crossed the midpoint of that period. So far, we haven't manufactured refrigerants. And by the time our plant commissions, we'll be at the fag end of the observation period. So, how would we get the production baseline and what I'm trying to understand for HFCs?

Shazad Rustomji

One is having production during the baseline period. There are other ways also in which you can do. Like, one, we have said the quotas are tradable. Number two, more than tradable, there are processes in which you would be able to get the quota.

Number one, the government has not laid down its policy of how it's going to grant what it's going to be doing. So, whatever anyone speaks today is speculative. Second, you have companies like Tanfac,

which have specifically got the EC clearance done. They don't have a plant. So, how is it that they have processed, they would be going ahead with getting the quota? Obviously, there are processes. There are ways of going about. We would not like to discuss it on an open forum.

Nitesh Dhoot

All right. Okay. And the thing is that incumbents also have a 65% HFC baseline advantage. So, we don't even have that. So, I was just trying to understand that how would we be operating at maybe suboptimal levels later. But again, maybe I can take it offline with you on this.

Shazad Rustomji

Like I said, this is something we would not speak, meaning this is what you call the knowledge and the experience of knowing how to manoeuvre in this and how to be able to come out and get what we require. And if we had to sit and outline it in public, I left 10 other people in line starting to do what we are doing.

Nitesh Dhoot

Okay. And sir, just maybe, since you said that you would be manufacturing AHF also going forward at some point. Okay. So, the first thing is, where do you source your MDC from currently? And for our 32 production MDC and AHF, where would you be sourcing from?

Shazad Rustomji

It would be local, that's sufficient. And internationally also, we would be looking other than China for AHF. There are swap deals available. There are various mechanisms in which we can do it. So, already the basic discussions and everything are already done and in place. MDC, there's a Gelatin India.

Nitesh Dhoot

Right. And any colour on the AHF manufacturing? Or would it be too much right now?

Shazad Rustomji

No. Our original plan, see, this is not the first time Stallion has wanted to set this up. Meaning, is the thinking that after the Stallion had -- immediately in 2022, Stallion has started the work. In 2023, we had already got the whole quotation. We were to set up a 15,000 tonne AHF plant. MDC would have been in the second stage. And to complete like 40,000-tonne sulphuric acid plant, 15,000-tonne AHF plant and a 10,000-tonne 32 plant. The whole plans were drawn up.

We had done extensive work on the reports. We had the whole thing in this. Meaning the plan was 2023. We would have been very much in time for the 2024 to 2026 baseline period. This 1 year, 1-1/2 years that got wasted during the IPO process for us, locked that part out for us. So now when we are setting up the plan, the reason we have not gone for AHF is, number one, it would take us minimum, minimum of 18 months to have that whole facility set up. And right now, we don't have that time. We want to complete in 9 months the basic first stage. So, the first stage of the integration would be just the 32 manufacturer. In the second phase, earlier, we had planned 5,000 plus 5,000. Now, we're going for 10,000 at one stroke.

The second stage, we would go for AHF and MDC. The reason we would do it is it would add another INR 500 crores to revenues with the same 20% PAT because currently, what we are calculating is at a 20% higher price than what if we would have manufactured. So, when we go into backward integration, that would give us that much more revenue stream and that much PAT increase.

Nitesh Dhoot

Right. Sure. So, thank you so much for answering my questions. Wish you all the best.

Shazad Rustomji

Thank you.

Moderator

Thank you. The next question comes from Yogesh Soni from NJ Wealth.

Yogesh Soni

Good evening, sir.

Shazad Rustomji

Good evening.

Yogesh Soni

Congratulations for a very good set of numbers. And sir, my question is that why are you so confident into entering the semiconductor gases and other electronic-related gases in your product lines and value chains. Can you explain it further?

And how the backward integration will help you to manufacture this high as you told in your earlier conference call that they are the high-margin semiconductor gases and all. So, how the backward integration going to help you? That's my question.

Shazad Rustomji

Okay. Actually, I always get into trouble answering this kind of question because what happens is we end up revealing much more and what sounds like forward statements or like projecting very big growth ahead, what we have planned. So, we usually try to suppress or speak little on the forward plans. We don't like to speak too much without achieving each milestone. Now, I'll just give you a brief.

We have been 35 years in this industry. Thirty-five years has given us enough experience, enough knowledge, enough understanding, global reach of how to do, what to do, how to grow. We approached the capital markets because now from the level that we were to grow above, you need money. So, that is why we approached and we became listed and public limited to start achieving the growth. Now, it is not that for the investor group or for the people who are there on this call, it should not appear that suddenly, like Stallion says they'll do this, then they'll run and do this and they'll do this also and they'll do that also.

It is 35 years in the business, 35 years of knowledge, 35 years of wanting to grow in each field. So in each field, we have reached the optimum level, where now if you want to go ahead, you have to now scale up. So yes, 32, our whole understanding and want to grow is the next-generation HFOs. We will be setting up in future. When I say future, I'm not speaking very far, 2028, we would move into HFO manufacturing, number one.

Number two, why have we done 32? In HFO, HFO blends, major component requirement is R32. R32 will also be around in the Indian industry for the next 20. So, if you do not have a critical raw material like R32, you will not be a very strong or big player moving ahead. You will be knocked out of HFO blends. You will be knocked out of 32 business itself. So, it is critical that you have control over what is -- so our first step would be R32.

Second, you will say, why do we want to go into backward integration of AHF and this? AHF movement is restrictive. AHF appears, though there is a glut, by next year, there will be a glut in the industry for AHF. It doesn't matter. We can manufacture what we require, plus we can manufacture about 2,000 tonnes, 3,000 tonnes of electronic-grade AHF required in the semiconductor industry. So, it gives us control over the basic raw material. Once which you qualify, you are a player in the semiconductor side. 2,000 tonnes, 3,000 tonnes is not a small quantity of that grade.

Third, MDC. Currently, MDC, 2:1 ratio, we require MDC. But MDC is the basic raw material to make CTC, and CTC is the raw material to make HFOs. So today, for 32 also, tomorrow for HFO also, if we go. So, it's not that we are running around that today, we'll put up a 32 plant, tomorrow, we'll put up an AHF plant. These are all interconnected. If you understand the industry, you understand the business, you'll understand that once you have the complete backward integration portfolio in your hand, you become a very strong integrated player.

The peer industries, the peer companies that are there are beautifully integrated. They're very strong companies. They're very beautifully integrated backward, meaning that, that is what they're doing. And we would want to be like that. We would like to have the control of the raw materials in our own hand.

One, going forward, answering a semiconductor, the next phase of development after the 32 plant before we put up the backward integration, etc., there are one or two molecules that we have. Those will not be very big plants, but they'll be like 2,000-ton, 3,000-ton plants, which will open up the rest of the chain of fluorine molecules for us, which will be the major semiconductor gases that would be required. It would allow us the entire fluorine specialties.

Once we do that, once you're manufacturing and you're able to bring it up to semiconductor grade then start your approval process, which is like a two-year process.

Yogesh Soni

From government?

Shazad Rustomji

No. From the semiconductor users like Tatas or whoever the companies are coming.

Yogesh Soni

Okay.

Shazad Rustomji

So, you cannot just walk in and sell to a semiconductor manufacturer that, yes, I've got this gassed seat. Suppose Linde is selling at 2,000 and I can sell it at 400, Tata will not buy at 400. The process, you have to get approved. So, you have to go through that whole two-year, three-year process of approvals, of verification, of your reliability, etc. Then, it's not just Tata. Basically, they would have a tie up global. So, the global partner has to approve you. So, there's a validation process that is there.

So, not many companies have the stomach for this long gestation validation period. But those who go through with it, you reap the benefit. There is no competition for you. The price set is like 100%, 200% markups. So, you will see the benefit of that gestation period, etc. in this. Now, why is it that we are interested in semiconductor gases?

Our Prime Minister has led India down the path of semiconductor self-reliance. If we realize semiconductor itself can double our GDP if it's done in the manner that is envisaged. Now, that is a huge number. And whichever players are associated with it, we'll see the maximum growth. It's also a very profitable segment.

Third, important, all products have a cyclical nature like helium. Today, helium is, say, at INR 1,200. Three years ago, the same helium was at INR 4,800. So, you'll say what has gone wrong. Globally, there's still a shortage of helium. Overall, when you see the plus-minus. As we continue growing, helium will always remain in short supply, but the periods of gluts, the periods of cyclical downturns. So, what happens is if you have variety of industries that you're dealing with in the same fluorochemical range, when one product is down in a cyclical downturn, the other product will be in a cyclical upturn. That will balance out and give you a very constant steady growth.

Yogesh Soni

Okay. Got your point, sir.

Shazad Rustomji

Thank you.

Yogesh Soni

Thank you.

Moderator

Thank you. The next question comes from Deepak Poddar from Sapphire Capital.

Deepak Poddar

Sir, am I audible, sir.

Shazad Rustomji

Yes.

Deepak Poddar

Yes. Thank you very much for this opportunity, sir. Sir, just I have a few queries. Now first on this three expansion that you are planning in Khalapur, Mambattu and Rajasthan. So, just wanted to understand what is the respective CapEx that is going into each of this plant? And what's the commissioning time line and corresponding revenue potential and margins that each of this plant can see, yes?

Shazad Rustomji

Okay. Now for the Mambattu plant and for the Khalapur plant, the helium plant, these are the only two projects for which CapEx was raised in the IPO. Currently, the activity that is being done at Bhilwara, it is not covered under the CapEx of the IPO. Even the expansion at both the plants over what we had planned is not covered under the IPO. So, in the semiconductor side, in Mambattu side, I think it is about INR 20 crores. And in the Khalapur, it is about INR 30 crores.

Deepak Poddar

CapEx, right? INR 30 crores in CapEx?

Shazad Rustomji

Yes, the CapEx. Yes, INR 50 crores, INR 52 crores was the CapEx outlined. Now, the difference is, in Mambattu, we had originally planned only to have five tanks and just a simple blending facility. Suddenly, we realized the potential, and we also realized that once we start up, we cannot go and take a shutdown to expand each time. So in reality, the project at Mambattu has been enhanced 2.5 times.

Now, we'll be having a 10-tank or 12-tank facility. We will be having the same helium and semiconductor facility that we are setting up here. We'll be setting up there. We'll have hydrocarbon handling capability out there and the multiple number of tanks and all to the maximum that, that plant can be utilized, we are doing. So, our CapEx requirement there has significantly gone up.

Secondly, the time line, what we were planning to come out in by November end, we would probably move into January end or February. But that would be a plan that is 2.5 times of what was envisaged earlier. And the cost is from internal accruals. The enhancement is all from internal accruals, meaning it goes over the CapEx requirement.

Deepak Poddar

And what's the revised CapEx from INR 20 crores that you mentioned?

Shazad Rustomji

It would be significantly higher.

Deepak Poddar

I mean, any number you can put to it? I mean, is it INR 100 crores, 50 crores?

Shazad Rustomji

No. It won't be that way. It would be -- see, basic understanding, the original CapEx, we had already taken into account that tomorrow, we would have to go for this size. So, basic things are already covered, just giving example, like the RCC fire tank. We will not go in for a 200-kl fire tank. We'll go in for a 600-kl fire tank. The foundations, when they are made, the foundations will be made for the last expansion. So, the CapEx requirement would jump from INR 20 crores to INR 30 crores there.

Deepak Poddar

INR 20 crores to 30 crores?

Shazad Rustomji

Yes.

Deepak Poddar

Okay. And what sort of revenue potential we can see in each of this plant at optimum utilization?

Shazad Rustomji

See, you have to understand. HFOs currently are under patent this. Association with Honeywell allows us access to all HFOs, which other players in India cannot access. The local manufacturers cannot touch it yet while it's under patent. Maybe one or two other companies who also have access to patent, foreign companies can only access it, not the local companies.

Now, one of the reasons for delay is we are also working with Honeywell to see the blending and the process, not only for India, for abroad or wherever else it's required, which would allow a much more robust working for us and much more fuller capacity utilization.

Deepak Poddar

Okay.

Shazad Rustomji

And revenues, see, all the growth onwards is going to come from HFO growth.

Deepak Poddar

Okay.

Shazad Rustomji

So, you're asking revenues in terms of -- it would have an incremental like INR 50 to INR 100 crores, INR 150 to INR 200 crores like that. It will keep increasing every year. Same way with helium.

Deepak Poddar

Okay. Understood. And what about the Rajasthan? What sort of CapEx and commissioning time line?

Shazad Rustomji

Rajasthan, we would be looking at meaning it would have a minimum requirement of INR 200 crores in CapEx, number one. Number two, it would have a requirement for working capital also. The working time, normally, a plant of that size, it would take about 18 months. We will set it up in 9 months working around the clock, including night shift, etc., and we will ensure that within 9 months, we are up and running.

Deepak Poddar

Nine months from now?

Shazad Rustomji

Nine months from now.

Deepak Poddar

So by June 2026, around about.

Shazad Rustomji

By July 2026.

Deepak Poddar

And what about Khalapur time line?

Shazad Rustomji

Khalapur also, we should be ready by December or January max.

Deepak Poddar

Your voice cracked, sir. Can you just repeat?

Shazad Rustomji

We would be ready by December end or Jan maximum.

Deepak Poddar

December end.

Shazad Rustomji

Yes. Both these plants, you have to understand, we had to completely redesign both the plants. Because once you have changed the whole engineering design from 200 bar to 300 bar, everything needs to get changed. All the cylinders have to get changed, everything has to get changed.

Deepak Poddar

Correct. Understood. And just one final thing, Rajasthan one, the entire produce will be internally utilized or will be selling from that plant as well?

Shazad Rustomji

No. We'll be selling from that plant.

Deepak Poddar

So what can be the revenue potential there in the Rajasthan plant?

Shazad Rustomji

At the minimal, at the worst case figure is INR 500 crores. And a sensible figure YoY by 2028, it should be INR 700 crores.

Deepak Poddar

INR 500 crores to INR 700 crores. And that can see a PAT margin coming?

Moderator

Mr. Poddar, I'm very sorry to interrupt you.

Shazad Rustomji

24%.

Deepak Poddar

24%, okay. Thank you very much. That's it from my side.

Moderator

Thank you. The next question comes from Ajit Sethi from Eiko Quantum Solutions.

Ajit Sethi

Yes. Thanks for the opportunity. Sir, in Q2, we have done around 15% margin. So my first question, is this margin sustainable?

And my second question is, this we have done without our manufacturing facility coming online and our new semiconductor process. So going forward, can we increase our EBITDA margin from this level?

Shazad Rustomji

No. From the current business, see, we had promised turnover growth to INR 430 crores and the corresponding PAT INR 40 crores. This was not considering the semiconductor or the Mambattu

facility. We had committed to this number that we will achieve, we are targeting and we'll be achieving this. We are happy to say that in the worst two quarters, we have achieved 50% of the figure both for the PAT and the revenue. So, in the next two good quarters, meaning we are confident that we will achieve whatever we had set out.

Now the good thing for the investor group also is Stallion has got such small milestones, 3 months, 2 months, every 4 months. The milestones are so close together that you don't have a long gestation period or a long wait to see are we actually completing whatever we commit. Like a simple thing, like now if you're talking about this Bhilwara facility, we're talking of July 2026. It'll come in two quarters, you'll blink, and you will be in July 2026.

So, the milestones of everything that we are speaking is so fine, so close and so well defined that it's very clear to you whether we have achieved, we have not achieved, did we speak more, did we do as we committed or not, number one.

Number two, basically, the revenue growth that will start coming from the helium semiconductor side of the thing from the Mambattu facility that will start kicking maybe a little in Q3. And from next year, it would kick in fully.

Ajit Sethi

Okay. Understood. But so as we have guided, we will increase our profitability margin by 3% to 4%. So, we can increase from this level, right?

Shazad Rustomji

In the current business that we are, this is optimum. No other company operating in the same field, in the current business, you cannot get more than the current margins that we have. When we start the blending process, when the helium starts, there the EBITDA and PAT will increase significantly. That 3%, 4%, what we're seeing will come from there.

And when you go into the manufacturing full scale at Bhilwara, there, the PAT would be 22%, 24% that is the kind of returns you'll get. So, you have to understand, if I'm going to do INR 500 crores or INR 600 crores of manufacturing, my other business also that we are currently in is not going to go lower. That will also go from INR 430 crores to INR 500 crores and INR 500 crores to INR 600 crores. So, INR 600 and INR 600 crores, so one is, say, 10%, one is 22%, 32 divided by 2, 16%, like that.

So, you will see a significant growth in the margins coming in. And later, as the percentage of manufacturing increases much more, like with the backward integration and with the HFO, etc., that time, real margins in a year or two will jump up to 20%, 22%.

Ajit Sethi

Okay. So my last question is, sir, our Rajasthan facility will be operating at coming July 2026. So, in the first year, at what utilization we are expecting to operate?

Shazad Rustomji

We would hope to have 50% utilization.

Ajit Sethi

Okay, sir. Thank you.

Moderator

Thank you. We have the next question from Vedant Sarda from Nirmal Bang Securities Private Limited.

Vedant Sarda

Thank you for the opportunity. Am I audible?

Shazad Rustomji

Yes.

Vedant Sarda

Sir, I wanted to understand like we are targeting 30% to 35% growth for next three years. I can see that our previous year sales have been increased earning only. Like, one year, we have 58% growth. In one year, we have 3% growth, then 62% growth. So, how this growth will be phased out now?

Shazad Rustomji

Which year are you referring to?

Vedant Sarda

Like March 2023, we can see INR 226 crores of sales and March 24, INR 253 crores of sales. Like it was a 3% growth. And then March 2025, 62% growth.

Shazad Rustomji

Because in March 2024, one of our companies, Stallion Enterprises, that turnover was not counted.

Vedant Sarda

Okay.

Shazad Rustomji

It was taken over in a slump sale, but the turnover was not counted. The six-month turnover was not counted. The gap between that 62%, that jump what you're saying, 62% was very high. That one was 3%, one was 62%. It was not 3%. It would have been like 30% and then another 30% like that. But that turnover was not allowed to be counted.

Vedant Sarda

So, this we will be seeing 30% to 35% compounded growth?

Shazad Rustomji

No. Let me put it this way. I don't think many companies have that kind of growth rate. So, it is not an industry standard that 30% will grow. The 30% is a very aggressive, very strong target that we have put on ourselves, and we hope to achieve and grow it, meaning through expansion, through backward integrations, through everything. So, the plan is to ensure that we maintain the 30% growth. But if you're asking whether it's an industry standard or every other company can do it, no. We don't think that is the case.

Vedant Sarda

No. My question was, like, we would be growing, like, 30%, like 25% growth, then 30%. Like it would be 10% in one year and 40% in second year?

Shazad Rustomji

No, it won't be. See, it's like this. You've got to understand all products are cyclical in nature. There is a cycle, the up cycle, down cycle for all industries. It's not that it's a constant, number one. Number two, there are other issues like right now, you're in the quota period. Okay? There are many factors that will play up at this period. Third, you have geopolitics playing out like the restriction on the U.S. imports, the tariffs that have started coming about. All these things will have a major impact. So, it's not necessary that every year, you'll have a constant 30% growth.

Vedant Sarda

Okay. The last question, like you told, like, you are from 35 years in this business. And now you are entering in this manufacturing phase. So, what have increased you now to enter into this manufacturing of all chemicals and gases?

Shazad Rustomji

We always wanted to enter. It's not today. When I started this company first hand, 1991. In 1994, my first OEM customers were Tata. And the first question they asked, what do you see yourself 10 years down the line? So, we said we want to get into the manufacture of these gases. So from day one, we have had a single goal. We have not had any change in our direction.

To move to manufacturing, you first need to come to a sort of a stable size. You have to have some level or some scale after which you can move into manufacturing. So, till you don't achieve those economies of scale, you won't be able to go into manufacturing. So when we achieve that, because of COVID, we are off by about 4 years, 5 years. Otherwise, we would have hoped to have gotten to manufacturing by 2021, 2022 at the latest.

Vedant Sarda

Okay. Thank you so much, sir, for answering my questions.

Shazad Rustomji

Thank you

Moderator

Thank you. We have the next question from Jay Mehta from Elios.

Jay Mehta

Hello?

Shazad Rustomji

Hello.

Jay Mehta

Congratulations, sir, on a very good set of numbers you posted recently. I have two questions. Firstly, what's the progress on the CapEx of the currently two plants going live, one in Andhra and one in Maharashtra? And also about the Rajasthan plant?

Shazad Rustomji

On the CapEx of the earlier two plants, one is the Khalapur plant and one is the Mambattu plant?

Jay Mehta

Yes.

Shazad Rustomji

The Khalapur plant is meaning the construction is almost over. Now, the fit-out of the plant and machinery will be starting currently, number one. All the equipments ordered would come in time. Basically, we would expect that by December end, we should be operational in the Khalapur facility.

In the Mambattu facility, we had severe flooding. Now basically, the APII's land is adjoining a lake. And unfortunately, in that early rains in May, all the land, including ours, became a lake. So, three months went into first going in for that. If you notice, there's excessive mud filling requirements to raise the height of the entire land by 4 feet, 5 feet. So, that was undertaken. And three, four months have gone off in that.

Second, more than that is the expansion. The plant has been enhanced 2.5 times. So, you have to completely change and integrate the entire design of the piping, of the infrastructure, of everything around that. So, that has been completed. That plant, the work is on. Like the construction work now is full swing on. Even today, it was raining. Last night, it rained very heavily. But now, there's no longer that flooding rain that was earlier in the season. So, work continues. That should become operational by January end is what we assume.

Equipment, all the plant and machinery, all the tanks are ready, all the equipment, the compressors, tanks, pipes, everything is ready. The construction work is going on now.

Jay Mehta

Understood, sir. And what about the R32 plant?

Shazad Rustomji

R32 plant, basically, we have put into the government for all the clearances. See, these require environmentally clearances. They require clearances from Ministry of Environment and Forests. In principle, they need a clearance from the government to get the license to start this activity of manufacturing of these plants. It's not a free industry where you can just set up and start working on that.

So, we have already applied the process of all the technical evaluations, all the regulatory requirements, fulfilments, etc., is underway. This should shortly happen, meaning it takes time. It's not something that happens overnight, but the process is on. The land possession has been taken. In fact, over the next this, we will be going taking the possession. Our engineering teams will be visiting. Like, Diwali, I'm not here. I'm at the at the land site only for a period of three, four days. And we will be sitting with all the teams that are required and doing the evaluation of the how and when the work can be started, etc.

Jay Mehta

Understood, sir. Sir, so, we are yet to receive the legality approvals, all the, let's say, the water and all the related approvals.

Shazad Rustomji

All the other approvals are in place. Your regulatory approvals from the government have not come. The process is on.

Jay Mehta

Okay. But we are starting to happen by July, basically, the plant?

Shazad Rustomji

Yes. If you realize one thing, the company has not taken any money from the investors for the Bhilwara project for which the land is purchased. The work has been started. Most of the ordering and contracting and everything has been done. It's all been done by the company's internal accruals.

So, the company definitely must be confident when it's doing all this.

Jay Mehta

Understood.

Shazad Rustomji

See, there's a different confidence when you've taken money from public, and then you say, okay, I've put it up. When you put your own money up, that time, what happens is you truly have to be confident in what you're doing because if you fail, it's going to reflect very badly.

Jay Mehta

Absolutely, sir. Obviously, I'm going back, like, and definitely tell us something you would be proud of with the saying earlier. But okay. I was asking, like, what's the payback period we can expect from these plants, basically?

Shazad Rustomji

The Bhilwara plant should be between 3 years and 4 years. Maybe less if it's a good year. Helium, if you come into the good cycle, maybe one year.

Jay Mehta

Understood, sir.

Shazad Rustomji

Like I said, two years ago when there was shortage, the same INR 1,000 helium was INR 4,000, so if you run into that cycle in less than a year.

Jay Mehta

Okay. That's my question.

Moderator

Thank you.

Jay Mehta

Thank you.

Moderator

We have the next question from Paras Chheda from Purple One Vertex Ventures LLP.

Paras Chheda

Yes. Thank you, sir, for this opportunity. Sir, just wanted to understand, and when you said on this Bhilwara R32 manufacturing capacity, the peak revenue could be between INR 500 crores to 700 crores that would be for 10,000 metric tons, right?

Shazad Rustomji

Yes.

Paras Chheda

Okay. And secondly, sir, with this Mambattu and Khalapur and the current existing capacity, which is the 23,000 metric tonnes, right, what would be the peak revenue potential on the current one and number two in Khalapur? Sir, we still have the manufacturing, which we know around at INR 500 crores to INR 700 crores? Let's put it that way.

Shazad Rustomji

See, it's like this. The current business that we have, we have already given indication. This year, we would close at INR 430 crores. When I'm stating INR 430 crores, we take it as a target that there's no question of not achieving INR 430 crores. Usually, if you go by the last two years' track record, we say INR 430 crores will always end it on a much higher note, not lower. So, INR 430 crores is this. Next year, the target would be INR 500 crores for this.

Now, the helium part would be like INR 50 crores is what we would look at the starting year, the first year. Same way with the Mambattu, we would be looking at INR 50 crores as the starting year. And then every year, it would keep going up, like INR 50 crores would become INR 100 crores for both the facility and your normal growth that you have here.

Paras Chheda

Right. So yes, I understand. And for the first year for Bhilwara, how much would it put? I mean, assuming it will be probably only activities of INR 250 crores.

Shazad Rustomji

If we start on July 1, as we have targeted, it would be about INR 250 crores. A 6-month turnover would be INR 250 crores.

Paras Chheda

Okay. So, we're talking about almost roughly INR 850-odd crores next year potentially?

Shazad Rustomji

Yes. If we meet our target, then INR 250 crores will be.

Paras Chheda

Yes, all going well?

Shazad Rustomji

All going well, yes. Hopefully, all going well, we would reach INR 250 crores for that and INR 500 crores in the next year.

Paras Chheda

And margins will be broadly similar about 15% odd levels?

Shazad Rustomji

No, that would be about 22%, 22% to 24%. The margins would significantly increase with more backward integration.

Paras Chheda

Yes. Okay. With the manufacturing also coming in?

Shazad Rustomji

Yes. But 22% would be there.

Paras Chheda

Fair enough. So, just to stress test this further, so I understand for effort reduction, I've understood some sort of an indication for now. But I mean, just to stress test, just if you continue with these capacities that are coming up and the current capacity, and of course, you've indicated for Bhilwara. So I just want to understand, at peak, how much can you expect and extract out of these? And beyond which, you'll have to just expand and undertake further CapEx?

Shazad Rustomji

See, Bhilwara, 10,000 tonnes would remain 10,000 tonnes. You cannot produce 10,100 kilos because you've got a quota. Second, your plant capacity is 10,000 tonnes. You cannot produce more than that. So, there's no debottlenecking or anything.

Now technically, every five years or three years as the government, whatever they set, you will be reducing 15% of your capacity onwards through final phase out. Now, what happens is the price, in January, why did suddenly all the shares of the local manufacturers go up? Why there was so much of excitement and everything? The 15% cut came and the price of the gas has increased by 25% to 40%. That is what will happen every 3 years or 5 years whenever the cut comes.

So, your realization will go much more. Your turnover will come down. But basically, what we expect that the current pricing of 32 would not remain at this level. It would go up every year, it would go up significantly.

Paras Chheda

Okay. So that's on blending?

Shazad Rustomji

Not blending.

Paras Chheda

Not blending, all manufacturing. Yes, on that.

Shazad Rustomji

Like, say, 32%, I'll just give you an example. Two years ago, it was $2.2. It was $1.9 actually. Then it went up to $2.2. Then it went up to $2.7. Then it remained stagnant at $4.7. Then it moved up to $5.5. Now today, it's $7.5. In three years, this is the flow.

Paras Chheda

Yeah. That the exact import quota build that you mentioned on R32, just how have they been coming? Yes.

Shazad Rustomji

It's not just R32, all HFCs.

Paras Chheda

Okay. So, the imports also indicated in the consumption and the utilization will be priced by 15% every year. Yes?

Shazad Rustomji

Yes. Not every year. Every five years or so, three years or five years. It depends. Like I said, currently, you see what everyone is talking, what I'm also speaking to you is the broader mandate of the Kigali Accord, which has been signed by the country and how the other country groupings that have initiated earlier to us, how they have proceeded, we are basically seeing that and saying that this is how it will be done.

Please understand, there is no government notification that says this is what will be done. There's no government official communication that says that this is what Government of India will follow. Everyone, including me, is seeing our knowledge, okay, we are seeing how other countries have done. We know how the Kigali Accord has been outlined.

So, everyone's determining based on the broader outlines. And okay, there are certain fundamentals that nobody can change. Even the country cannot change. It's set. But within that, how they frame it, that is the government's prerogative, meaning me opening my mouth and saying is, I would be speaking more than I'm, how to say, have authority to speak about.

Paras Chheda

Right.

Moderator

Mr. Chheda, I'm very sorry to interrupt you. Could you join back in queue, please?

Paras Chheda

Okay. Thanks.

Moderator

Thank you, sir. We have a follow-up question from Yogesh Soni from NJ Wealth.

Yogesh Soni

Yes. Sir, my question is that, as you said earlier, after manufacturing semiconductor gases and specialty gases, do you think you can get patented your gases, specialty gases and all if possible for your specialty gases, you can patent them or not so that you can maintain your margins or you can maintain your uniqueness in that particular sector?

Shazad Rustomji

Okay. Let me put it this way. I would not like to mislead by saying that we can patent. Yes, if we do something different, I think the way everyone would answer this kind of question would be to leave it in your mind that, yes, we can do something, and this will set us apart, etc. In reality, how can you patent? I'm just giving example, like helium. It's a natural product. Nobody can patent it.

Now, I'm saying the products like HFC, like R32. It's come out of patent. Everyone is manufacturing. How will you patent? Okay, I'll patent that I have done this something special in my process, does not give you control over the product. Meaning, I can make a patent on a different part or a way that we have done, but that does not give me any value or any of this.

It may be used for me to try to impress that, yes, we have more control and this will have great income, etc., but it would be a false statement. All the products we are talking about are free of patent. There is nothing that you can actually patent. You may be able to patent some process or some change that you're doing, meaning somebody used a steel glass, you are using aluminium glass. You can patent that I've used aluminium glass. But will it be give you any safety, give you any advantage? Will it give you anything? No, it won't give you anything.

So, I would not like to mislead and say that any of the products can be patented or anything. They're all free of patent. HFOs, the patents lie with Honeywell and one or two other companies. You cannot get the patent. The patent lies with them. The patents will expire in a couple of years. Then it'll be free for everyone to use. What will set us apart? This is a very small growing field, which is in infancy. This is actually like baby steps the industry is taking towards the semiconductor gases and HFOs, etc. This will grow exponentially.

So today, Stallion sets up. See, there are two ways of handling semiconductor gas. Probably abroad, maybe to China or I go to a company like Iwatani or Matheson or like Linde or Air Liquide, who is already in the semiconductor field, I say, okay, we'll work together. We'll explore the Indian market. They say, okay, we'll jointly work with you. So, now I bring their filled cylinders and their approval process and then I become like a trader. One is that route.

One is you initiate it that way, but then you go into the backward integration and start manufacturing the very same products. And you go through the two-year rigorous approval process in the semiconductor field with the main players. Once you are approved, that will set you apart. Then if you are charging INR 2,000 and someone comes and offers INR 400, nobody can buy from that guy. They have to buy from you. So, that is the key advantage where we would play and grow, but you cannot patent.

Yogesh Soni

Okay. How are you seeing the solar cell gases for electronics and solar cells? How much growth you are expecting from them? Are they going to form a significant part of your revenues?

Shazad Rustomji

They will be a lucrative part of our revenue. They will be a very good insulator against like the common commoditized products, but they will not -- see, each product on its own will not play a major part in our turnover. Like, okay, I'll explain what I'm trying to say. NF3, nitrogen trifluoride, it's one of the key products in solar cell manufacturing. Like, there are many other products, three, four other gases that are used. One is currently, you get it from the where tie-up you have, which is already preapproved.

Tomorrow, when you go into one or two molecule manufacturing that we are looking at, you will also open up this stream where you can manufacture it. That when you go through the approval process, that you will be on par to any of these people. Now, how much NF3 is going to be used? Like, you're speaking of like 200 tonnes, 300 tonnes.

Now, 200 tonnes, 300 tonnes and 10,000 tonnes or 20,000 tonnes is not going to play a significant ratio. But as solar manufacturing, as Adanis, Ambanis, Tatas, everyone are growing that business, tomorrow, it may become major volumes. Today, it's not major volumes. But each of these products, when you add it up together, create the significant value and turnover.

Yogesh Soni

Okay. Got your point, sir.

Moderator

Thank you. We have the next question from Devansh Tandon from Findoc.

Devansh Tandon

Hello. Am I audible?

Shazad Rustomji

Hello. Yes.

Devansh Tandon

Yes. Hi, sir. Thanks for the opportunity. I have two questions. First is, if you can share some light on demand supply scenario of R32 in the global market?

And second one is, it will be really helpful if you can share the capacity utilization across all plant.

Shazad Rustomji

Okay. First thing is, I'll go on the capacity utilization. Current plants that we have are not manufacturing plants. So, capacity utilization, meaning during the IPO, basically, SEBI and the merchant banker said, we want the capacity, we want the capacity utilization. What is not a manufacturing plant, it's illogical to speak on capacity. There's no capacity. So, it's okay. I'll explain what I'm trying to say.

Now, I've got a godown. Okay. It's like, say, a 1,000 square foot go down. What is your capacity of this go down? Okay, every day, I can unload thousand cylinders in it. I'll upload thousand cylinders. So, is my capacity 3 lakh cylinders? I think it's illogical sort of a way in nonmanufacturing setup. You cannot

speak on capacity. So, what started off as a wrong thing, which we could not change because once it was put up in the DRSP, we could not say anything on that. So, we continued.

But technically, in a non-manufacturing activity, you cannot speak on capacity. Yes, capacity handling, like our debulking facilities, when we say it's 11,000 tonnes, what is that capacity we are talking? That is a peak handling capacity if I work fully. Now, you'll say your utilization is not even 50% or 40%. You have to understand that in the fluorine industry in the refrigerant side, only 4 months, your requirement is like 150% of your capacity. Two months, you will be at 80% of your capacity and remaining six months, you will be at 20% of your capacity. So as a result, you will never have more than 50% utilization. The 50% is also a very high number. You will never have more than 40% capacity utilization.

Now, I would like to ask you one thing. If we had to set up a plant, will you take 100% of your 20%, the 6 months where 20% sale is there? Or will you take off the 4 months where 150% requirement is there? Because at that time, if you're not able to meet the market demand, you won't even get 20%. You will get something like 4% in the off season.

So, your plant capacity, when you're in the nature of the cyclical business, will always be underutilized. Now, this significantly changes when you move into like a manufacturing of a molecule like R32. Here, the same principle applies. But here, what happens is your capacity actually means capacity. Like when I say 10,000 tonnes, that means I can only make 10,000 tonnes. I cannot make 11,000 tonnes.

Second thing is here the capacity utilization talk comes into very serious focus because your plant CapEx, your plant running costs, your plant everything depends on how much of this 10,000 tonnes you manage to produce and sell. Now, in a 10,000-tonne plant, if I sell 5,000 tonnes, I'll go into loss. You have to sell 10,000 tonnes to be highly profitable. You will have a breakeven of like 60%, 70% manufacturing. So, there capacity utilizations come in, but not in the current mode that we are in, capacity utilization means nothing.

Devansh Tandon

Understood, sir. And the second one is regarding the demand and supply scenario of R32 in the global market.

Shazad Rustomji

R32, current requirement in India is anywhere meaning the figures are not absolutely perfect. The requirement is anywhere between 16,000 to 18,000 metric tonnes. The manufacturing capacities in India are much in excess of this. It's like 30,000 to 40,000 tonnes after our plant also comes up. So majorly, your profitable segment is not sale in India, it is exports.

Secondly, the air conditioning refrigeration industry has, if you go by the last seven years and the next seven-year forecast, has got a 15% to 20% growth YoY. So, the capacities will quickly reach up to peak maximum. Secondly, all the next-generation gases, the HFO blends, are all 60% to 50% R32. Now, it's not just the HFO blends used in India, but globally as the HFO blend use grows, the requirement for 32 would go up. Third is China's capacity reductions will happen one phase earlier to India's.

So, you'll keep on having a capacity cut there. So, combined with the captive use in making blends, in the use for exports as blends and direct as 32 and the growth in India, I think we would be having in couple of years, whatever seems as excess capacity would even out.

The demand-supply scenario, what you're asking, currently, technically, let's put it this way, China is a driver of the pricing. And today, China is just increasing the pricing YoY because they want to move faster to HFOs. So, the price just keeps moving up.

Now, China is like Saudi Arabia with oil. If China decides that I want to reduce the price, the whole world's price will come down. The 85% global -- 85%, 90% capacity is with them. So if they open the tap and say, I want $4, tomorrow, the price is $4. If they keep saying I want $8, the price will go up to $8.

Devansh Tandon

Okay. Thank you, sir.

Moderator

Thank you. We have the next question from Prasad Vadnere from HDFC Securities.

Prasad Vadnere

[inaudible 01:18:27] 5,000 will be without AHF and next 5,000 will be within the AHF. Right, sir?

Shazad Rustomji

Sorry, the voice was jarring. I didn't hear. You're asking that for manufacturing R32, what is the ratio of AHF and MDC? Is that the question? Hello?

Prasad Vadnere

Yeah. I mean, in current CapEx. Hello? Am I audible, sir?

Shazad Rustomji

Yeah. Audible.

Prasad Vadnere

Hello?

Shazad Rustomji

Hello?

Prasad Vadnere

Yes. I'm asking about same, sir.

Shazad Rustomji

Yes. You're asking same. So MDC and AHF are used in 2:1 ratio.

Prasad Vadnere

Okay. Thanks.

Moderator

The next question comes from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah

Hi, good evening, sir. Can you hear me?

Shazad Rustomji

Yes, good evening.

Rahil Shah

Yes. Hi. Sir, one clarification with regards to one of the previous [inaudible 01:19:40]. So I believe, you're calculating how top line potential can be in the range of INR 850 crores or everything goes well, right, next year if all the plant expansion is in place.

Now with this, are you expecting 22% margin? Did I hear it correctly? Or was that specifically for the Bhilwara?

Shazad Rustomji

It's specifically for Bhilwara. None of our activity here will get 22%. Bhilwara will get 22%.

Rahil Shah

With them at the PAT level.

Shazad Rustomji

Yes. The helium would generate between 16% to 18%, which averaged out would raise our PAT up. But 22% would specifically be from Bhilwara.

Rahil Shah

And at the PAT level. Okay?

Shazad Rustomji

Yes.

Rahil Shah

So any sort of still overall consolidated level, can you give us sort of range for the next year, which you expect you can achieve EBITDA margin?

Shazad Rustomji

Sorry? I didn't understand. Sorry?

Rahil Shah

At the consolidated level, any sort of EBITDA margin range you can guide us for? Or is it sort now you think we can achieve?

Shazad Rustomji

Very honestly, this would be, again, a misleading forward statement from my side if I make it. I should not be making it because for the simple reason, it all depends on our capacities at Bhilwara coming into production by July. My facilities coming on stream by January, etc. So what happens is if there's any delay, nobody is going to link that, okay, this got delayed two months or three months or anything. It is the figure that I have said that this is good, we are going to achieve this.

So, we don't want to put it this. I have made it very clear that the Bhilwara, whatever production happens, that it's a total manufacturing activity, it would enjoy a 22% level. The helium would be between 16% to 18% PAT level. And the current activity we are in, it will never grow. The PAT level cannot grow, meaning it's at optimum.

Yes, in a cyclical year where the upturn and the pricing, etc., is there, in that one year, you might see a spike to 13%. But otherwise, you're at optimum levels.

Rahil Shah

Perfect, sir. Got it. Thank you so much. All the best to you.

Moderator

Thank you. The next question comes from Prerak Gandhi from Vruksha Capital Research.

Prerak Gandhi

Hello, sir. Good evening and thank you for taking all the questions. Am I audible?

Shazad Rustomji

Yes, sir.

Prerak Gandhi

Yes. So sir, with respect to the Mambattu facility, I just wanted to ask that what will be the target customer base? Do we target domestic manufacturers? Or are we in line towards the exports?

Shazad Rustomji

Currently, we are looking 100% towards domestic customers. Now, most of the auto segment would move towards the HFOs in two years' time. Most of the fillers using 134A would move to HFO blends like 513A, etc. Most of the air conditioning usage would move towards 454 B, which is also an HFO

blend. Now, the growth in the market is going to be significant for the HFOs, HFO blends because from this year onwards, the growth of HFOs will be like a constant graph up, and HFCs will be on a constant graph down.

So export, see, once if you're working, like, we partner Honeywell in this in the sense, we are, like, the local partner or distributor in India. So, what happens is we can slide with them. They don't slide with us. So, how to put it? If we are manufacturing and we are qualified, then it's not necessary that the product is only used in India. If it's required outside, there also it can be done, it can be exported. And technically, when we have control over R32 from our Bhillwara facility, we would be as competitive as anyone else in the world.

Prerak Gandhi

All right. Perfect. Thank you so much and all the best.

Moderator

Thank you. The next question comes from Jaiprakash Kumhar from Korman Capital.

Jaiprakash Kumhar

Hello? Yes, hi. Sir, my question is that previously you mentioned that you were not expanding because you needed money and you needed certain size, right? But then later you mentioned that one of the plants you are putting on your own internal money and that's where you are serious about that. So, if you can just explain it a little bit further, it will be helpful.

Shazad Rustomji

Well, maybe I was not clear because from maybe I've not been able to make myself clear in that. What I said was that from the day we started work in this business, we were very clear that we are not into trading. Our ultimate goal is to move into manufacturing. So from the day one, we had a target set on manufacturing, never on trading. Now, if you want to start manufacturing, you have to have sufficient economies of scale or size where you yourself have so much of requirement that it makes sense to backward integrate and manufacture it.

Meaning if you're not selling 5,000 tonnes, 10,000 tonnes, you cannot go to think of putting up a 5,000-tonne plant or a 10,000-tonne plant. So, you need to be in that scale of operations. You need to be having that many plants that can handle that volume, etc. So number one, till 2020, we were working towards that. Now onwards, when you want to scale up from the current operations that we were to manufacturing plants, you need INR 200 crores, INR 300 crores CapEx requirements and higher.

Like when you go into the AHF, etc., backward integration, you'll require something like INR 450 crores, INR 500 crores. When you go into the HFOs, you'll need INR 500 crores to INR 700 crores. So basically, that kind of requirements, meaning in-house, we did not have. The company is not sufficiently capitalized to do that kind of CapEx spend. So, that was the reason we moved to being a publicly listed company. So, when we're required to raise the funds for that growth, it's available. That was my point.

Jaiprakash Kumhar

I understood that part, sir. But just that, another point you made is basically you used your own internal money for certain plant, right? So that's where, I got a little bit confused. Like you were able to put certain internal money?

Shazad Rustomji

Yes. See, now the company is showing INR 40 crore PAT and INR 20 crore PAT. So, the money is there now with the company. So, everything why do we have to run to the market and us. So, smaller requirements like now the Bhilwara, the land that we have gone ahead, we have purchased, the basic work, the basic contracting that we needed to do to start moving the processes on. We have already invested in that. We have not come to the market for that.

Now for the Mambattu facility, we saw the advantage of scaling up and completing the entire last stage of that plant completely. So, we went ahead with that, and we've moved ahead and enhanced that project. Both the projects we enhanced, we didn't come back to the public.

Where we require funding, we'll come to the market. Where we don't require funding, why should we come back?

Jaiprakash Kumhar

Got it, sir. Okay. Thank you.

Moderator

Thank you. The next question comes from Ashish Soni from Family Office.

Ashish Soni

Yes, sir. Regarding qualification with the semiconductor company, has that process started? And are you going to work with all the major semiconductor players in India?

Shazad Rustomji

Once the facilities are up, only after that, we can go for that. See, first thing is when you go for any semiconductor manufacturer or any that level of companies, qualifications, you need three criterias. First, do you have the testing capability? Now just to give you an example, semiconductor grade 6 end quality, 99.99999, that kind of quality testing, there are no labs in India that are qualified. Meaning, we hear of these big lab groups like SGS and the testing facilities, etc.

Nobody has the capability to test this kind of testing because normal usage, you don't require it. So, why will you buy a testing equipment of INR 2 crores and INR 3 crores and INR 1.5 crores when regularly, you don't require to test that. So, first thing is you have to have the in house capability to firstly test it. So, you will be setting up. Then second thing is that your testing is genuine and reliable. You have to get an NABL accreditation. So, a lab will be NABL accredited. Then you have to have the standards, etc., that you will have to import from abroad, and it's not available in India. So, you'll have to bring those semiconductor-grade samples, standards and set up the lab. So, that's the first part.

Second part is the capability of the plant to handle that level of purity. Third, your understanding and your capability to have the cylinders or whatever requires that to hold that kind of purity and fourth,

is the raw material yours? Is it coming? Now, helium is our raw material as much as it is at Linde or anyone. So there, it would go as our product. We would qualify it for semiconductor grade.

Now, I'm just giving an example like silane or NF3 or any other gas that's required. We don't manufacture that. So, you have to buy a qualified supplier's product and then qualify it further in your handling process, documentation process, testing process of what you're going to give ahead. Now, you would only do that if you have plans onwards of making that product because the real money in that would be once you manufacture, you have qualified your own product and in house you have production of that product. That's where the real money would be.

Ashish Soni

And regarding this HFO blend you spoke about, right, this, across the industries. And you said you are, like, the one of some quota limit. Can that be enhanced for you? Or do we have to work with government? How does that work? Because the demand side, I think, the business on whatever you're telling is huge, right?

Shazad Rustomji

Quotas, once established, cannot be enhanced. It can only be reduced. That is why it is important for Stallion to have taken this move that if you want to be serious clear in the market, we need to be there. We need to have production. We need to have the quota.

Ashish Soni

Okay. But will we cater to all this demand? Will it again be import? Or do you think other companies can also come into this phase? Because the demand seems to be good.

Shazad Rustomji

See, I explained how quota would work. Suppose today you are doing R32. R32 is 600 GWP, 650 GWP. Okay. Now I am a manufacturer. I'm making ACs. My business has grown. So, I need to grow 100%. So, that means I will now need 1,200 GWP. But government says, no, you've got only 600 GWP. You cannot enhance anything. So I've got two choices. I move to HFOs or HFO blends. HFOs would be like 150 GWP. I can grow 4 times if I move to HFO. Or if I move to HFO blends, I can double my capacity.

So, the government will move the industry to away from high global warming products to low global warming products using this quota as a tool. Now, there are two options for me, either I move into this or I buy a quota from someone who's got the quota already. So if somebody buys my quota, now he's using my quota to just enhance and produce. But now I cannot use my quota. So, it removes that much out of the total pie of GWP. The whole idea is to reduce the GWP and move industries faster towards low-GWP products.

Ashish Soni

One last question on the Bhilwara expansion. You said it was supposed to be initially 18 months' project. Now, we're compressing to 9 months. What risks do you see to really complete in 9 months? Because I think in your other expansion, you had range challenge because Bhilwara is in Rajasthan, something of heat or something of that challenge? What challenges do you anticipate right now?

Shazad Rustomji

First thing, we are not pulling out a magic wand and saying we'll do it half the time or we are very smart. We have simply done the backward integration halfway. We removed the AHF and any other product's manufacturing, any other backward integration, which takes 18 months. Now, R32 manufacturer would take roughly like about -- according to us, it would take anywhere between 12 months to 15 months. Now, that by working double shift, we can do it in 9 months. So meaning, we are not overpromising something or we're not overcommitting something, it can be done, number one. Plus we will remove what would have taken a long time, like the AHF plant, the sulphuric acid plant, all that we have removed from the current backward integration. It will be in the next stage.

Secondly, Rajasthan working, meaning I would give the testimonial of my experience of having worked across India in every single state, I have never come to a state as beautiful as Rajasthan, where the government is cooperative, the people are cooperative, the local administration is cooperative, everyone is cooperative. And very honestly, you do not face any problem in that state where you have delays and where you have like literally extortion in many places. You'll find nothing. It is a beautiful state to work in. Currently, we will go into the cold season. Cold season in Rajasthan, and that area will be like two degrees, one degree.

It's a beautiful time to work. Yes, it will hamper the work a little. Your productivity may not be full swing, but it's a beautiful time to be in that state at that time. In summer, everyone thinks Rajasthan is like desert or anything. I've seen more greenery in Bhilwara and that area and I've seen more rains there than I've seen in many places. So meaning, we're in a good place to be.

Moderator

Thank you, sir. There are no further questions. Now, I hand over the floor to Mr. Shazad Rustomji for closing comments.

Shazad Rustomji

I would take this opportunity to thank all of you all. Basically, it has been your confidence and your support, which has allowed us to reach here and also to look ahead to grow where we want to reach. We've given a clear indication of what our targets internally we have set for up to 2030. We are working relentlessly to achieve that in these certain times and to reach it sustainably. We are not interested in any turnovers or anything, which will give us a high in one year and then drop out or move.

That is why you don't see very high spikes or very high turnover growth or anything. Only what is sustainable long term is what we are focusing on. Also, what is sustainable in terms of maximizing the return on investment, maximizing the returns for our investors and for us is what we are touching. So, it's in a very sustained way and in a very focused way that we are working. It's a very focused vision and drive where we are working towards.

And by 2030, we would achieve mostly everything we have set out to do. The reasons are like I said we've got very small milestones. The difference between Stallion and another company is usually when you come for a project, the company will say, okay, give us the money we require, two years to set up, three years to set up, we'll need one year to stabilize. And after that, the returns will start flowing. So, your milestone is like three years, four years away.

Now, everything that we talk, my milestones are like two months away, three months away, six months away. So every month, every two months, as we cross each milestone, it builds more

confidence in the investor community. It gives more confidence that, yes, the company will achieve where we are setting out to reach. And we look at it as excellent check and balance because it keeps us also on our toes. So, I would take this opportunity to thank all of you all for the support and being part of the journey with us.

Thank you.

Moderator

Thank you, sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's Conference Call Service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note: 1. This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.