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RSPL/BSE/2025-26/
Date: November 24, 2025

To
BSE Limited
Phiroze, Jeejeebhoy Towers,
Dalal Street, Mumbai-400001
Maharashtra

Scrip Code: 504903
,
Dear Sir,

Subject: **Transcript of the Earnings Conference Call related to the Unaudited Financial Results for the quarter and half ended September 30, 2025**

Pursuant to Regulation 30 read with Para A Part A of Schedule III of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby submit the Transcript of Earnings Conference Call made on 19th November, 2025 related to the Unaudited Financial Results of Rathi Steel and Power Limited ("Company") for the quarter and half year ended September 30, 2025.

The Transcript is available on the website of the Company at www.rathisteelandpower.com

The Earnings Conference Call concluded at 5.08 pm (IST) on 19th November, 2025.

You are requested to please take note of the above.

Thanks and regards.

Yours faithfully,
For Rathi Steel and Power Limited

Abhishek Verma

Digitally signed by Abhishek Verma
Date: 2025.11.24 16:18:16 +05'30'

Abhishek Verma
Whole Time Director
DIN: 08104325

Encl. : As above

"Rathi Steel and Power Ltd
Q2 and HI FY26 Earnings Conference call"
November 19, 2025

MANAGEMENT:
MR. UDIT RATHI – PROMOTER – RATHI STEEL AND POWER LIMITED
MR. RAJESH JAIN – PRESIDENT FINANCE AND CORPORATE AFFAIRS RATHI STEEL AND POWER LIMITED
MR. KUSHAL KUMAR AGARWAL – A.V.P. (GROWTH & STRATEGY) – RATHI STEEL AND POWER LIMITED

MODERATOR:
MR. PARTH ACHARYA – KIRIN ADVISORS PVT. LTD

Moderator: Ladies and gentlemen, good day and welcome to Rathi Steel and Power Limited Q2 and HI FY26 Earnings Conference Call hosted by Kirin Advisors Private 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 the conference call, please signal an operator by pressing star then zero and your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Parth Acharya from Kirin Advisors Pvt. Ltd. Thank you and over to you, sir.

Parth Acharya: Thank you. Good afternoon, everyone. On behalf of Kirin Advisors, I welcome you all to the conference call of Rathi Steel and Power Ltd. From the management team, we have Mr. Udit Rathi, Promoter, Mr. Rajesh Jain, President and Mr. Kushal Agarwal, AVP, Growth and Strategy of the company. With that, I now hand over the call to Mr. Udit Rathi for the opening remarks. Over to you, sir. Thank you.

Udit Rathi: Yes, hello, very good afternoon, everyone and welcome to the Q2 FY26 Earnings Call of Rathi Steel and Power. I extend a warm welcome to all the stakeholders, analysts, participants joining us today. I am joined from the company side by; Mr. Kushal Agarwal and Mr. Rajesh Jain will be joining us shortly.

Rathi Steel and Power is built on a long-standing legacy of trust, engineering, discipline and a commitment to quality. Over the years, we have evolved into a manufacturer of stainless steel products and carrying forward a legacy of TMT bars. Our manufacturing operations are driven by approximately 85,000 tons per annum of steel melting capacity along with a 2 lakh tons per annum rolling capacity, enabling us to produce consistent high-grade stainless steel and carbon steel products.

Our products are marketed through a mix of B2B strategy, as well as retail markets. This integrated setup gives us a strong control over quality, flexibility in our product mix and the ability to scale up as demand improves. A strength for us is our strong distribution network across North India, which provides deep market access and ensures that our products reach customers efficiently.

This platform will play a central role as we expand our stainless steel business into stainless steel rebars going forward. We also have a strong distribution network across North India, which gives us wide market access and supports the rollout of 550 and 500 grades of TMT bars going forward.

Our approach is centered on value-added stainless steel products with a very strong focus on recycling-based circular economy steelmaking. This helps us lower our carbon footprint and aligns with the industry's movement toward greener and more efficient steel production. We are also witnessing a growing interest and demand for FE 550 and 550D TMT bars, especially from the real estate developers in the NCR region.

Alongside, all major infrastructure construction activities are also demanding these products in high quantities. With the TMT mill recommissioned and synergies improving, we are gradually strengthening volumes in this category as well.

I will now briefly take you over to the financials. For the Q2 FY26, we achieved a total income of approximately INR 156.4 crores, maintaining an EBITDA margin of around 4% at about INR 6.37 crores. For H1 FY26, we have maintained a total revenue of approximately INR 311 crores, with an EBITDA number of about INR 12.6 crores.

The quarter reflects – rather, the half-year performance reflects a modest performance influenced by industry-wide pricing pressure and rising imports. However, operationally, the business remains stable, supported by steady demand from stainless steel B2B customers and ongoing ramp-up of TMT production. Our focus continues on improving utilization of our facilities and strengthening margins.

Looking ahead, we are pursuing a clear set of priorities, which include ramping up of capacity utilization, scaling stainless steel high-margin products and also strengthening our distribution network, which will allow us not only to roll out the evolving 550-grade of TMT bars, but also will give us access to allied construction products. We are clearly focused in ramping up of our capacity utilization, improving margins through an improvised product mix, and strengthening our distribution network, as I just mentioned.

Side-by-side, we have taken a conscious call to build up a sustainable business model of steelmaking through the circular economy route, thereby ensuring that the consumption of fossil fuels are to a bare minimum, which will also give us an edge over the primary producers as far as the green steel vision and the vision of the government is concerned.

Now, I will just briefly take you over the industry scenario. As I said, the industry scenario has been a little soft, you know, with reasoning steel prices, because of excess supply in the domestic market as well as imports. But, on the positive side, the consumption and the domestic demand in India continues to grow at a decent pace, which gives enough headroom to almost all the steel players across primary and secondary sectors.

I am now open for questions, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Aditi Roy from Patel Advisors Private Limited. Please go ahead.

Aditi Roy: Hello, sir. Good evening.

Udit Rathi: Good evening.

Aditi Roy: I have a couple of questions. I just want to understand, we had some almost flat sales in Q2 FY '26. What were the main reasons?

Udit Rathi: Sorry, come again. You said we were…?

Aditi Roy: We had some almost flat sales in Q2 FY '26. So, I just want to understand what were the reasons?

Udit Rathi: I am sorry. I could not hear you at all. You are asking for reasons for -- can you repeat the question again, please?

Aditi Roy: So, we had almost flat sales in Q2 FY '26. So, I just want to understand what were the reasons?

Udit Rathi: Flat sales with respect to Q2 FY '26 and Q1 FY '26? Or are we comparing it to the corresponding quarter of the last year?

Aditi Roy: Q-on-Q, sir?

Udit Rathi: Q-on-Q, actually if you see, the sales have actually improved. There has been almost an improvement of, I would say, around 27%-28%. So, going forward, if we are able to maintain a guidance around that range, I think right now we are doing pretty well on that account. So, the sales numbers on a Q-on-Q basis have increased. We touched a sales of around INR156 crores in Q2, vis-à-vis around INR121 crores in the corresponding quarter last year.

Aditi Roy: Okay, sir. Sir, what are the current utilization levels and how to improve from here?

Udit Rathi: So, we have two facilities, as I mentioned. We have a melting shop, which is essentially a backward integration support to our rolling mill. Rolling mill capacity is about 2 lakh tons and a melting shop is about 85,000 tons, which means we have a backward integration support to the extent of around 40%-45%.

So, my melting shop is operating at about 55%-60%. And the rolling mill, if you look at the presentation also, the rolling mill capacity utilization has been quite low in the previous years on account of one of my mills not being operational, the TMT bar mill, which we recommenced sometime in April this year. So, that facility is gradually being ramped up continuously.

And we have almost reached a level of close to about 40% to 50% in the TMT, in the total rolling capacity space as well. So, if you compare this with the number of last year in the rolling space, it was close to around 25% only. So, going forward, things are looking encouraging as far as capacity utilization is concerned. And we are very focused on improving that.

Aditi Roy: Good to hear, sir. Sir, are you facing any challenges in sourcing quality scrap or ferro alloys? And has that impacted the melting operations?

Udit Rathi: Quality scrap, the area that we are opeating in, in the NCR region, there are a lot of allied industries around in the auto, engineering space and other industries using high-quality scrap, high-quality steel material. So, obviously, when they are using high-quality steel material, their generations are also of good quality. So, as on date, I am not facing any issue in procurement of high-quality scrap.

Yes, pricing is something which keeps fluctuating. But whatever quantities are required by us, we are able to comfortably source it. And same is the situation with ferro alloys. India is, in fact, a net exporter of ferro alloys. So, the international market is also not being very good because of various geopolitical issues and tariff issues, etcetera. So, there is a decent availability of ferro alloys at reasonable prices. So, we are not facing any problems on that account as such.

Aditi Roy: Okay, sir. And sir, what is your distribution network that is helping expand our presence in stainless steel and TMT bars? And are there any plans to further expand it?

Udit Rathi: Sure. So, we have a legacy brand which the company is a licensee. So, the brand Rathi is a very old brand. I am clarifying. It is not owned by the company. It is owned by the Rathi family to which we as promoters also belong to. So, Rathi Steel and Power has a license to use the brand Rathi, which is a very old popular brand.

And within that brand, there is a very, very strong distribution network of retail outlets, which are not exclusive outlets to the company, but these are outlets which are keeping Rathi branded products. So that network has helped us to re-establish our TMT mill operations. And it was done with a focus and as a strategy to diversify into maybe other construction-related products going forward.

And also with a strategy to roll out stainless steel rebars in the retail segment. But the stainless steel rebar space has not grown to the extent that we would have liked as of now. Although the government is taking steps to promote it in the coastal regions, particularly where there is a saline atmosphere and it is a good product for corrosion. But it has not evolved the way the industry would have liked or was hoping for.

So, having said that, we are ready in terms of our approvals to roll it out as and when there is an opportunity. But in the meantime, the encouraging part is that starting of our TMT operations has given us a massive opportunity to in fact make niche products in that category, for which the demand has really been evolving quite rapidly in the last couple of years.

Aditi Roy: Okay, sir. Sir, I just want to know, for this Rathi brand, do we pay any royalty or fees?

Udit Rathi: No, it's very negligible because the existing structure of that brand ownership was meant for the welfare of the units owned by the family members. So, although that was how it was designed. So, as on date, the royalty outgo is negligible, is almost nil. I think it's about INR 500 per annum, if I'm not wrong. I have to check on that and get back to you. But it's nothing very significant at all. And going forward, how will that sort of evolve is to be seen. Because that is a call which the extended family is taking. And we are just one part to it.

Aditi Roy: Sir, in our earlier presentation, we had mentioned that steel mills have a capacity of around 90,000. And it is 85,000. So, how or what are the reasons?

Udit Rathi: No, no, no. So, it is about -- 85,000 maybe because they must have mentioned 90,000 depending on the number of days assumed that a typical steel plant would run. But maybe they have sort of assumed approximately maybe installed number of days to be, let's say, 330. Earlier, they assumed a little number of days to be 340. So, nothing has changed on ground. It's just that it's probably calculated on a pro rata number of days basis. So, it stands corrected. I would say it is 90,000 tons is what we have -- sorry, 85,000 tons is what we have mentioned. Now, it's correct.

Aditi Roy: Okay. And how many days will it run and how many hours?

Udit Rathi: No. So, the steel mills will stop when it runs. It runs on a 24-hour basis. The capacity utilization right now is about 55%-60%. So, that is why the number of days are the ones which are not close to 330, which is an ideal scenario. So, of course, going forward, we want to ramp it up to 80%.

And, that is how steel plants typically can operate without any problem. And so, that is what the aim going forward is. The rolling mills don't run for 24 hours. The rolling mills run on a shift basis. But my answer was specific to the query of steel melting shop.

Aditi Roy: Okay. And so, can you please share with me the product-wise revenue in H1FY '26?

Udit Rathi: So, in H1FY '26, out of the sales of around INR311 crores, we have the contribution from the stainless-steel products is close to around 60%-65% and from the TMT business, which was sort of, we just recommenced, those numbers are encouraging.

So, those numbers have already reached, close to around 30%. And going forward, as I said, there are a few new categories which are evolving in that space also, to which, we are focusing to sort of expand into.

Aditi Roy: Thank you sir. Thank you for answering all my questions. All the best.

Moderator: Thank you. The next question is from the line of Arth Jain from Mayur Investments. Please go ahead.

Arth Jain: Yes. Thank you, sir, for the opportunity. Yes. So, I have a couple of questions. So, the first one, why can't, like, inventories are growing up from INR60 crores to INR62 odd numbers, and trade receipts have been increased. So, what's the reason for that?

Udit Rathi: You mean the value of inventory is going up?

Arth Jain: Yes, the inventory you have.

Udit Rathi: You know, a couple of things. So, we have to maintain a wide range of products and sizes, etcetera, for stainless steel. And as I said, the markets have been a little subdued, with respect to off-takes and with respect to pricing.

So, we were just ensuring to keep all sort of grades that we want and the sizes available. And the second account, of course, is ramping up of our operations also. So, if you look at inventories in terms of number of days, that has not gone up substantially.

I have to check exactly, but I'm pretty sure in terms of turnover of number of days, inventory levels have not gone up. Absolute numbers may have gone up because of recommencement of the TMT mill also. So, there also, there are various sizes and, we have to keep a decent amount of stock for raw material also.

Arth Jain: So, inventory days also have gone up from 29 to 48 odd days. So, what are you saying that non increasing number of days?

Udit Rathi: So, as I said, I'm not very sure about the number of days. But yes, the level that you spoke about INR61 crores - INR62 crores is, as I said, is on account of recommencement of the TMT mill also.

Arth Jain: Okay. And so, we have like a debt in our books. Like, so, what's the cost for the debt that you're paying right now?

Udit Rathi: Yes, so, we mentioned before in our presentations also that, since the company has demonstrated a very strong turnaround, so, we went through a cycle of sort of, struggling or going bad with the banks because of the Odisha project. You know, in a sort of presentation, we mentioned about it. So, as a result of that, the cost of debt right now is high.

But it was a conscious call that we took to re-enter the banking relationship. It is still being a very, very capital-intensive industry. So, the cost of borrowing is high. It's close to around 18% right now. But we don't have a lot of debt on our books. And as I said, it was more of an initiative to get back to banking space.

But we are in talks with the existing lender to bring it down. They have accorded us a sanction now at a reduced rate of about 16%. But we are sort of, trying to negotiate further and looking at refinancing options also.

Arth Jain: Okay, sir. Sir, and one more thing, like the OPM currently is like stagnant since past three years at 4%. So, are we looking at improving it or it's going to get improved?

Udit Rathi: Yes, so that is what the focus is. So, what has happened is that, before this last 2-3 years, we were operating mainly in the stainless-steel space. With, some business of the TMT bars being run on conversion basis.

So, basically, stainless steel space, last couple of years, there has been, two large acquisitions of plants operating in similar space under IBC. And, they were acquired by fairly large companies. And, as a result of which, there was some supply sort of a pressure.

You know, because those companies were also in the process of ramping up operations. So, that has had an impact on the margins for sure. But we believe that those excess supplies also are slowly getting absorbed in the market because of a general increase in demand of steel products across the country.

So, that is where the margins have been under pressure. But, going forward, we are working on various options to improve the operating margins, including the TMT mill allows us to sort of run the idle assets, which obviously has sort of divides our overheads. So, that is sort of going to help us.

And, once we are able to improve the capacity utilization of the steel melting shop further, even that will sort of help us. We are doing some additional capital expenditure also to replicate the direct charging model, which we completed successfully last year for the stainless-steel operations. We are wanting to replicate that in the TMT operations also. So, once that is aligned, I think overall scenario we are expecting that, it should improve.

Arth Jain: So, for that, we will require cash or capital something. So, where are we planning, like we are going through the bank route again?

Udit Rathi: No, no, no. So, those alignments, whatever capex, whatever balancing capex we are doing currently are being met through internal approvals. Because, if you look at our sort of, the kind of capex we have done over the last three years is close to around INR40 crores. So, larger part was done from internal approvals. Even at the current EBITDA levels, company has sort of, amounts which can be deployed for capital expenditure. And those are not very large capex.

Those are more in the nature of a balancing capex. If at all we feel the need to actually expand the capacity beyond 85,000 tons melting capacity, that is where we are going to be exploring options of, raising capital, at the best possible sort of option. We will explore whether that would be more prudent or maybe some equity infusion to be more prudent. We will see at that point of time.

Arth Jain: So, what is the current capacity right now?

Udit Rathi: My current capacity, utilization you mean?

Arth Jain: No, the production capacity as well as the utilization.

Udit Rathi: My current capacity is around 85,000 tons per annum of steel melting and around 2,00,000 tons per annum of rolling. So, effectively I am backward integrated to the extent of around 40%.

Arth Jain: Okay…

Udit Rathi: So, there is enough headroom to increase the capacity utilization also of the present capacity. And once we are able to do that to a desired level, we may look at expanding capacities further. But that is still being, it is in the drawing board stage. So, right now the idea is to sweat out the existing assets.

Arth Jain: Okay. Okay. Got it, sir. Sir, and according to you, like, where do we get better margins, in the stainless steel or the TMT bar section?

Udit Rathi: See, right now my TMT operations is more of a converter. So, I am buying the material and I am conventionally sort of processing it. So, it is almost without any backward integration support. So, right now the backward integration facility is being utilized for stainless steel. So, stainless steel I am more or less an end-to-end player. So, currently the margins are obviously better in the stainless-steel business because I am end-to-end.

But in order to diversify our portfolio and diversify and mitigate our risks, we want to have an equally significant portfolio in the TMT business also. But it is going to be more margin accretive, once we are able to sort of integrate backward there as well.

So, we are trying to utilize our existing ideal assets capacity of steelmaking shop to start rolling some TMT out of it. So, the standalone operations of TMT will continue. And once this model is aligned, then we will think of ramping up the capacity further.

Arth Jain: Okay. And so, going for two years down the line, where do we see our top and bottom line?

Udit Rathi: I mean, it is kind of difficult to quantify numbers. But I did give a guidance of around, we would strive to maintain a CAGR growth of 20 odd percent. I did give this guidance last year, at least for the next two years. So, we seem to be on track for that.

Arth Jain: Okay. Thank You Sir.

Moderator: Thank you. The next question is from the line of Prashant Shah from E-Mundhra. Please go ahead.

Prashant Shah: So, your EBITDA has historically been sensitive to raw material volatility like scrap, iron ore or coal. But instead of standard hedging, what structural changes have you made to ensure the margins and collapse?

Udit Rathi: It's not exactly the raw materials being volatile. I think EBITDA margins also, how we are able to price the finished products, that also has an impact. Because, being in a commodity, in a steel commodity business, there is a lot of expansion capacity additions which have happened over the last few years.

And as I said, in my space, stainless steel space, a couple of plants did get acquired under the IBC space also by significantly large players and they also got ramped up. So, it is the raw material positioning and more importantly, I think it is the pricing of the finished products also which has a significant impact on the margins.

Prashant Shah: Okay. So, not only just the raw material?

Udit Rathi: Yes, I mean, I would say the pricing of finished products has a greater impact, maybe.

Prashant Shah: Okay. And if any input price spikes like 20%, 25% suddenly, which part of the cost structure absorbs the shock? Procurement, production efficiency or pricing power? Input in the sense of the raw material?

Udit Rathi: Can you come again, please?

Prashant Shah: If any input price spikes up to like 20% to 25% suddenly?

Udit Rathi: So, of course, if the input prices spike up to that level, then we are more or less certain to pass it on. I mean, otherwise the industry, that's the scenario for all the companies. So, any input level, hike to that level will definitely get passed on. And as far as efficiencies are concerned, we are pretty tight on our cost structures. Because in the past, we have gone through troublesome times.

So, our culture is very tight on our costs, very, very watchful. And of course, there is enough headroom to improve the efficiencies and the capacity utilization. And that is what we are focusing on.

Prashant Shah: Okay. But what kind of a cost structure will take the hit? Like procurement or production efficiency? Or will you have to decrease or increase the pricing power?

Udit Rathi: In procurement, these products are widely traded. So, it is not that we can improve the procurement and negotiate a much better price than what is there in the market. Of course, there is scope to do that at all times. But it's more of passing it on when we are selling the products. So, the input prices typically get absorbed there. The finish price will sooner or later match up.

Prashant Shah: Okay. And how much of your capacity is currently protected through long-term sourcing? Agreements like versus spot market exposures?

Udit Rathi: So, what we try to do is that we try to hedge ourselves to the extent possible by procuring raw materials or maintaining inventories at levels which are aligned with the materials which we are selling. I mean, this may not be possible at all times. But we don't take a long position in either procuring from the raw material side or from the selling side.

And as a prudent call towards that, we have curtailed down on our total imports also to very low levels now. Because we don't export. So, in a way, we are pretty content and like the way we are procuring the raw materials domestically.

Prashant Shah: Okay. And as we know that you are optimizing in capacities across steel and TMT. So, how do you ensure this doesn't become a fixed cost trap if construction cycle shows or demand weakens regionally?

Udit Rathi: No, it will not be a fixed cost trap because we already have a plant in an ideal situation which we have restarted. So, we don't plan to incur a significant capital expenditure. Because our plant is an old plant. So, it requires regular upgrades and regular replacements. That will keep going on. And we have been able to maintain the efficiency levels quite decently.

We have a very strong experienced old team which ensures that we are almost at par with the peers as far as that is concerned. So, we are very mindful of not getting into any sort of a fixed trap. A trap of expanding capacities which will remain ideal. We want to be watchful. We want to sweat out the existing assets first. And only then we will take any major step towards expansion.

Prashant Shah: Okay. Any early indicators you track to adjust production before volume drops or fixed costs hit your profit and loss? Any indicators so you can already have any ideas that some slump or slump is going to come up?

Udit Rathi: Yes, I will give you an example. So, typically I have mentioned before also, Q3 typically remains a little weak in the area that we operate. We have a very high level of pollution in NCR region. There is a lot of restriction on construction activities which keep coming up.

But this year, that scenario also looks better as compared to what steps were being taken by the regulatory bodies in the previous years. Recently, even Supreme Court has commented that banning construction is not an option. So, of course, these things are getting a part of the system. But yes, typically Q3 has been soft. So, we are well aware of that.

And as a result of which, we try to take pre-emptive steps and we try to take the annual maintenance of the plant around Diwali time for an extended period. So, we are mindful of those issues and we plan accordingly.

Prashant Shah: Okay. And how do you decide whether to sell into lower margin geographic during downturns versus cutting output or protect margin discipline?

Udit Rathi: Yes, that's a business call based on the feedback that our marketing team gives us on the kind of demand outlook or the kind of underlying current which is there in the market. If you feel that the prices of raw materials are also looking softer based on domestic and international factors, then we try to sell our products a little more aggressively so that we are able to protect from the downward cycle. But as I said, fluctuation in prices, ups and downs is something which is not totally in your control. So, we try to maintain a discipline there that we don't oversell or we don't undersell.

Prashant Shah: Right. So, it's a situational call. Anytime any situation comes up, so you have to decide accordingly.

Udit Rathi: Yes, correct.

Prashant Shah: Okay. Currently, that's it from my side. Thank you for answering my questions. I will get back into the queue.

Moderator: Thank you. The next question is from the line of Arth Jain from Mayur Investments. Please go ahead.

Arth Jain: Thanks again for the opportunity. So, what percentage of revenues like domestic are exported?

Udit Rathi: Sir, we are almost 100% domestic.

Arth Jain: Okay. Completely into domestic?

Udit Rathi: Yes, sir.

Arth Jain: And which geographies do we cater like in domestic majorly?

Udit Rathi: We are largely in the NCR region. Our stainless steel products have a decent presence in Gujarat as well. And NCR, of course, stainless steel also has a presence in some parts of Punjab. So, basically, northern states and on the western side is Gujarat and we sell some small quantities in Maharashtra also.

Arth Jain: Okay, sir. So, going forward, are we seeing any further commitments from some clients from other geographies as well?

Udit Rathi: No. So, basically, the TMT business that we are planning to ramp up will stay focused around northern states because logistics being a very important factor there. We are typically being a very strong brand, Rathi brand, in the northern states. More particularly in Rajasthan and basically the NCR states.

And stainless steel also, the markets are, for the products that we make, predominantly the markets are concentrated in North India and West India. And West India is also, as I said, we already have a decent presence in Gujarat.

So, I don't see, going forward, adding any further geographies. As far as existing products are concerned. But there is enough headroom to expand within the present geographic regions. There is enough headroom to expand there.

Arth Jain: So, who is the biggest client and what percentage of revenue does it contribute to?

Udit Rathi: Which one?

Arth Jain: Who is the biggest client and what percentage of the revenue does it contribute?

Udit Rathi: So, that way we are quite hedged from not being dependent on any large customer who would be taking a large percentage of our total sales. The TMT business is well distributed amongst the retail outlets and a few good-sized builders in NCR region. The wire rod space is also distributed through distributors.

But effectively, my sales to the distributors could be of a reasonable number. But invariably those products are being used by factories in a B2B space. And those are -- largely fragmented. So, as a strategy, we don't want to be dependent on a few large customers. It's better to have a space which is well spread out. And that's what we've been maintaining.

Arth Jain: Okay, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ishita Sen from Urban Sphere Consultant. Please go ahead.

Ishita Sen: Sir, my first question is a steel melting shop was recently closed due to some pollution control notice. Was this for all companies in NCR region or just Rathi Steel?

Udit Rathi: No, I don't think it was an industry-wide notification. I don't know if the other companies got it or not. But yes, we got it. And we believe it was issued without giving us an opportunity to be heard in the first place at all. So, it was on certain wrong interpretation of facts and certain issues which were not truly presented by the team who visited us.

But thankfully, we've been able to resolve that. And they've allowed us resumption, putting certain conditions which we are in the process of complying. So, that's what it is.

Ishita Sen: Okay. Sir, how much are current working capital days and what sort of credit policy you provide to dealers?

Udit Rathi: It all varies depending on the payment terms. But the current working capital days are quite okay because the number of creditor days are also quite high. So, effectively, with the brand legacy that I have, I'm able to sell the products at almost an average sort of debtor days or maybe 15-20 days or maybe less. And with the company's turnaround and performance, there is no problem in getting material on credit.

But of course, as we are slowly building up our businesses, growing our revenues and going forward, the idea would be to curtail on the purchase cost because the credit period definitely has a cost attached to it. While the working capital cycle is quite comfortable, we would like to, I need to sort of bring down our purchase cost going forward.

Ishita Sen: Okay. You are exploring renewable power types. Are these likely to be through open access solar or hybrid renewable resources?

Udit Rathi: No, we are already buying a lot of power through open access which is renewable power. And going forward, we are also exploring and studying possibilities of the rooftop solar facility if we can put in our existing premises, that will also help.

Ishita Sen: Okay. And what cost savings per unit are expected?

Udit Rathi: See, anything which is done from the rooftop, that is going to result in a reasonable amount of savings. We are just working on the numbers and once we are ready, we will make an announcement to that extent also. As and when we have done working on the modalities. Because other than the cost, we are also looking at the technical aspects, how feasible or how efficient it will be on running on rooftops in a steel plant.

Ishita Sen: Okay. So, several government and infrastructure tenders now prefer green steel. Have you started receiving enquiries?

Udit Rathi: Yes. So, that is one area which we are now aggressively moving towards. We have been able to sort of identify that the steel, the route of steel making that we have adopted, it is more of a sustainable model using scrap as a material. So, it is, it is a sort of a circular economy thing which, which adds to the green points.

And unlike the conventional routes where the primary route where iron ore is sort of reduced to by using coal or coke, the emission levels here in the route that we make is much lesser. And we are exploring the possibility of and working on, getting green certificates. And we will be making, we are studying that.

We will appoint a consultant and we will take measures along that. So, those sort of markets going forward look very encouraging. Even the large builders and the, my real estate customers also are preferring, are showing an inclination going forward to buy, give preference to green steel.

Ishita Sen: Okay. So, what portion of green rebars is being sold into real estate versus infrastructure and how do margins compare across the segments?

Udit Rathi: It is something which is evolving and it is going to evolve even, going forward it is going to evolve. You know, I believe there have been talks of sort of mandatory provisions to apply, to use sustainable materials and green materials in, in construction, steel and other products also. So, that is something which is going to evolve.

Government has already made some announcements of buying a certain percentage of the portfolio through the green mechanism. So, those things are encouraging because that is something where producers like us who are using materials from the recycling route will have an edge vis-a-vis main producer, which for them to bring down the carbon emissions is going to be a much tougher task and a longer duration task.

So, going forward we are quite excited about it. And that is where we are sort of, that is where we are going to be integrating our steel metal shop with the TMT mill also, so that we are able to roll out those kind of products.

Ishita Sen: Okay. So, are you planning a separate guiding strategy or certification for the green steel portfolio to strengthen visibility among institutional buyers?

Udit Rathi: Yes, Yes. So, we are in the process of evaluating the process of certification and we will be taking a step towards it very soon.

Ishita Sen: Okay. That is all from my side and thank you for answering my questions. Thank you. Thank you so much.

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

Abhishek Sharma: So, my question is, you mentioned rooftop solar, even though it is just an idea, how much capex would that need?

Udit Rathi: We have not, we, my team has been in touch with a couple of potential suppliers who are good, who had experience to work on rooftop solar for similar industries. So, it depends. I mean, ideally, to maintain a sustainability goals and also with respect to cost, my, our instruction, the management's instruction to my technical team is to maximize whatever we can. We may do it in phases, but the cost would depend upon the potential of the capacity that we can sort of build up.

Abhishek Sharma: Okay. Sir, do we need some additional certification for green steel? Like, are we in process or we already got it?

Udit Rathi: No, no. So, my team has already initiated talks with the people who are working consultants. We already have a certification called CBAM certification. So that has been there for quite a long time. We keep renewing it. And so, we already have the platform to, and we know how the team is equipped to sort of, take this certification also forward.

They are in active talks with, you know, consultants. And as and when we are ready, we will take steps towards it very soon.

Abhishek Sharma: Okay. Thank you, sir.

Moderator: Thank you. The next question is from the line of Priya Jain from Green Capital. Please go ahead. Priya, your line is unmuted. Please proceed with your question.

Priya Jain: So, I'm new to the company, but really curious to understand a few things. So, you highlighted direct billet charging as key to initiative in the presentation. How significant is this process improvement in terms of cost saving, part-time and energy reduction?

Udit Rathi: So, this is something which we, for the stainless steel wire rod space, we started off as a, you know, as probably the first company in the country to be doing so. This has been going on for the carbon steel products for quite a long time. But stainless steel is a different ballgame altogether, different, sort of the requirements, rolling requirements are different altogether.

So, we are, I would say, still in the process of sort of, being in the process of optimizing it. There's definitely, we commissioned it sometime last August. It's been about, more than one year. And the results have been encouraging with respect to my fuel costs being reduced substantially.

There is a lot of savings on respect of carbon footprint also because of lesser burning of fossil fuels. And there is a definite saving with respect to almost half a percent saving or more in the scale loss. But, you know, the process is absorbing some extra power. So, on one side, the fuel cost has come down. On the other side, the power costs slightly have gone up. But net to net, there is a reasonable amount of saving. And we are trying to optimize the higher sort of power cost which is being incurred.

Priya Jain: Okay. And, like, we are, are you seeing any signs of import modernization after, government's 12% duty? Or are imported products still undercutting domestic players?

Udit Rathi: No, no. So, sector specific again, we are into two products, TMT bars and stainless steel. Our product range may not, our specific product ranges may not be being imported in large quantities.

But the overall steel products, especially in the flat product space, both for stainless and carbon steel, the imports have a damping effect on the market share.

Because, you know, once the flat product prices go down, there is a push from the main producers to push the long products more. And that has an impact on the overall scenario. So, 12% duty, the numbers of imports, I don't have the exact numbers. But I think at an industry level, there is a lot of pressure because of imports. And those steps are being taken actively by the industry bodies, with the government.

And similar is the story in the stainless steel space. A lot of import is happening via the free trade route also, you know, via Indonesia, Vietnam. And that the industry is sort of, you know, taking it forward with the government to ensure that they are at least, at a level playing field where they are restricted.

Priya Jain: And what sort of revenue margins we can expect going forward?

Udit Rathi: As I said, it's difficult to spell out numbers. But I have maintained, I have given a guidance of around 20% CAGR growth for the next couple of years in my earlier comments. And we are hopeful to maintain that.

Priya Jain: Yes, I assume this is conservative guidance?

Udit Rathi: Let's hope so.

Priya Jain: Okay, are you planning to enter new states?

Udit Rathi: New states?

Priya Jain: Yes.

Udit Rathi: We are open to all sorts of activities which are allied to steel. And we keep exploring opportunities, both organic and inorganic. But unless I have something concrete in hand, I won't be able to sort of spell it out. But we are definitely looking at options which can help us to improve the margins.

Priya Jain: Okay, good to hear, sir. That's all from my side. All the best. Looking forward to interact with you again in the next call.

Udit Rathi: Thank you. Thank you.

Moderator: Thank you. The next question is from the line of Nishant Gupta from Minerva Capital Research. Please go ahead.

Nishant Gupta: Hello, sir, am I audible?

Udit Rathi: Yes, good evening.

Nishant Gupta: Hi, good evening, sir. A couple of questions. One is, sir, I have observed an interesting trend in the company. I mean, the gross margins have been steadily increasing from FY '21-'22, from 3% to 17% to, 24.% to 25% in '25. But the EBITDA margin has kind of, you know, stayed flat, like 4.3% - 4.4%. And now in H1, due to the industry issue, I mean, your gross margin has fallen. But again, your EBITDA margin has not contracted that much.

So how are we able to, you know, absorb this? And I'm just trying to understand, you know, if let's say, they are able to sustain the gross margins, you know, the industries are able to, can we go beyond this thing of 4.3%-4.4%? This is my first question, sir.

Udit Rathi: Yes, so, see, that is what our endeavor is to expand the EBITDA margins. As I explained earlier, there is, you know, the last couple of years, a few years, particularly in the space that we were operating at, there has been a sort of a push-up in supply.

Undoubtedly, the demand in India is growing. So those excess capacities are getting absorbed. You know, and as a prudent call to sort of diversify our portfolio also, and to of course run our ideal assets, we started our TMT mill. And the TMT mill, what we are operating right now is on a sort of a, like more of a business where it is without backward integration support.

So, once we have the backward integration support lined up, you know, when we are able to integrate the operations from my implemented direct charging facility for my TMT mill also, definitely, you know, margins are likely to improve as a natural offshoot that will be sort of integrated end-to-end. So we are very focused on delivering higher operating margins.

Another reason of, you know, my margins being a little under pressure is because of the history of the company, wherein we run through a cycle and we've turned around. We raised equity last year, which was largely addressed to take care of, you know, a lot of my legacy issues.

But, you know, so there is a working capital cycle, which is comfortable, but it is expensive, because the company buys a lot of material on credit. So going forward, we are also trying to sort of, you know, sort of expand our maybe credit lines or maybe look at other options of financing to bring down the cost of material, which we are buying from my suppliers today.

Nishant Gupta: Perfect, sir. Perfect. This is helpful. Sir, could you also explain, and this is just a question. So I read in some of the earlier presentations that you have a 12-acre land. The facility is located on a 12-acre land, which is a freehold land of the company. But I think the gross book of that is around 2.8 million. That's the book value. Would it be possible for you to give a direction sense of what would be the market value of that land?

Udit Rathi: Yes, so it is around 12-12.5 acres of land that we have. And there has been a lot of activities going on around this region. And, you know, especially in the last 4 years or so, post-COVID, as you know, a lot of -- there has been a lot of across the country. And, you know, it is more regional also. Industrial lands across NCR region have -- hello?

Moderator: Ladies and gentlemen, the management line got disconnected. Please hold while we get them reconnected. Ladies and gentlemen, thanks for being on hold. We have management connected now. Over to you, sir.

Udit Rathi: Yes, good evening. There was a specific question, I think, which I was addressing.

Nishant Gupta: Hello.

Udit Rathi: Hello.

Nishant Gupta: Sir, could you -- so you were telling about the industrial land cost, like...

Udit Rathi: Yes, Yes. Yes. So, firstly I clarify it is not a freehold land. It is a leasehold land from the UP SIDA, the body here. But irrespective of that, yes, land prices have gone up substantially. It is kind of difficult to address, you know, a certain value and tell you offhand.

But our land -- so we have out of the 12.5, 12 acres. About 11 or 10.5, 11 acres is actually a land which we bought, you know, in early 1970s. And the other one was probably bought somewhere in early 2000s, the 1, 1.5 acres where we operate a steel melting shop. So, yes, land prices have gone up significantly.

Nishant Gupta: Perfect, sir. Okay. Sir, could you also quantify the capex that will be incurring over the next 3 years? Like, would it be possible to quantify?

Udit Rathi: No, it is not easy to quantify the figures for next 3 years because of a number of factors. Number one -- hello.

Nishant Gupta: Yes, sir.

Udit Rathi: Yes, number one. One is balancing capex, which the company requires and we continue to do that. As I mentioned earlier, our plants are old, but we ensure that they are kept in good shape, and the machineries which are required to be replaced are replaced. Last 3, 4 years, company has done well. So, we have had that flexibility to do that also.

The fund raise that we did, you know, in February 2024 also added to our sort of financial flexibility. Going forward, so the balancing capex will continue. Now, additional capex will depend upon how fast we are able to sort of optimize my steel melting shop or the capacity utilization of my steel melting shop.

Once we are at a level which is, you know, desired, the current capacity is running at the desired level, then we will immediately take steps to expand the steel melting shop further. But that also, the expansion cost, if I calculate on a per unit or per ton basis, is going to be quite competitive because it is, you know, we already have a basic infrastructure in place and only balancing capex will be required to expand.

But, of course, it's going to be a reasonable sort of, you know, amount. But that will depend on how fast we are able to sort of run the existing assets to the desired level.

Nishant Gupta: Got it, sir. So, there's one final question from my side. There are some contingent liabilities in the annual report, FY '25. So, could you throw some light on whether those liabilities can get crystalized and that might have impact on the books of the company? The VAT liability, the facility suits?

Udit Rathi: No, I think that's a part of the normal business which goes on. In the past also, we've had these liabilities. But to my knowledge, I think to the best of my knowledge, most of these liabilities are sort of stayed. And, you know, our team sort of keeps working them to resolve it. And these are long pending taxation issues which takes time to resolve.

But I think from what I understand, even post the disclosures in the annual report for FY '25, certain of those liabilities have already got crystallized. In the sense, you know, they'll be out of contingent liabilities. We've got orders in our favor.

But I'm sure some additions -- additional contingent liabilities also may have risen. So, this is a part and parcel of the business. And we are not foreseen any significant impact because of any of these liabilities going forward.

Nishant Gupta: Perfect, sir. Thank you, sir, and all the best.

Moderator: Thank you. The next question is from the line of Sandeep Goyal from Davis Index. Please go ahead.

Sandeep Goyal: Good evening, sir. I just want to know, in the last Q1 result, you mentioned the production number in your presentation and press release. But this time, I did not see the same production number for Q2, I'm asking.

Udit Rathi: Yes, if that is something specific that you want, our team can get back to you. You can get in touch with the Investor Relations team. We'll immediately revert on that. Maybe the production numbers we may have missed out to mention.

Sandeep Goyal: Okay. Both for SMS and rolling product, I'm asking.

Udit Rathi: Yes, Yes. So you can just get in touch with the team and we will very promptly reply to that.

Sandeep Goyal: Okay, okay. Thank you. That’s it.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand the conference over to Mr. Parth Acharya for closing comments. Thank you and over to you, sir.

Parth Acharya: Thank you everyone for joining the conference call of Rathi Steel and Power Limited. If you have any further queries, you can write us at research@kirinadvisors.com. Once again, thank you everyone for joining the conference.

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