Steel Exchange India

Operator: Good afternoon, everyone. This is the fourth day of Bharat Connect Conference 2026, September edition. I welcome you all to the call of Steel Exchange India Limited. Today, from the management, we have Mr. Mohit Bandi, Mr. Rakesh, and Mr. Ravindra.

Before I hand over the call to management, I will explain the flow of the event. We will start with the opening remarks by management, after which we will move on to the question-and-answer session. Any participant who would like to ask a question can raise their hand or put the question in the chat box. We will first prioritize those who have raised their hands and then cover the questions submitted in the chat box. If time permits, we will take questions that I have received from clients who were unable to participate in this call. Without any further delay, I will hand over the call to management. Sir, please continue.

Mohit Bandi – Director: Thank you, sir. Good afternoon, everyone. This is Mohit Bandi, Director of Steel Exchange India Limited. We are engaged in the manufacturing of TMT rebars under the brand name Simhadri TMT. We have a 0.5 million-ton steel plant, which we expanded recently, and we also commissioned the reheating furnace in August. With that, production has almost doubled, and we are achieving the highest production since the inception of our company.

We also have a land bank of around 500 acres, with facilities including a power plant, a sponge iron unit, induction furnaces, four induction furnaces, and two rolling mills. We welcome all the investors to this investment meet. Thank you to Arihant Capital Markets for organizing this.

Operator: Thank you, sir. That was your briefing. Should we move to the question-and-answer session?

Mohit Bandi – Director: Yes.

Operator: All participants, if you have any questions, please raise your hands or submit them in the chat box. In the meantime, sir, I have a request from a client. What is your vision for the company over the next 3-4 years in terms of growth, and what will be your target areas?

Mohit Bandi – Director: We have recently applied to the government for the expansion of our existing capacity from 0.5 million tons to 1.5 million tons by adding another 1 million tons of capacity. We have signed an MOU with the state government of Andhra Pradesh, and we expect to receive the final approvals for the incentives and the GO within the next 15 days to 1 month. After that, we will commission Phase 1 of the project.

We have planned this in three phases, with an investment of more than 5,000 crores. With the first phase, we have targeted achieving the expansion in the next 1 year, by next November, through the addition of a rolling mill. This will enhance our existing capacity from 0.5 to 1.

We also want to diversify our product portfolio by entering the special green steel alloys segment. Currently, we are producing only TMT bars. We want to keep our options open for round bars and wire rod coils as well.

Our vision will be to enter the niche market for special steels and also expand and utilize the brand name that we have had for the past 23 years.

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Operator: Thank you, sir. I have a question from Mr. Kevin. I will allow him to speak.

Mohit Bandi – Director: Please go ahead.

Operator: Mr. Kevin, please unmute yourself.

Kevin: Thank you. I have a few questions, sir. Before I get to the specifics of the company, would it be possible for you to provide some perspective on what is happening in the industry? There has been a substantial incremental price increase on both sides—steel prices as well as raw material prices. Could you explain the industry trend, how it is progressing, and what you see going forward for both raw materials and finished goods?

Mohit Bandi – Director: You are right. Luckily, this was not something that happens in the second quarter of every year in the steel industry, but from July onwards, the market was in a strong uptrend, and prices increased by 20–25% over the last 50–60 days. I think we are at the highest selling price for steel.

As you rightly mentioned, raw material prices have also increased, but not to the same extent as selling prices. There are three factors behind this.

First, because of the El Niño effect and coal shortages across the country, there has been a significant power shortage. Many large primary plants also undertook maintenance in the second quarter. With everything happening at once, factories across Central India, including Raipur and other areas, reduced their steel manufacturing and started selling power to the grid because of the power shortages.

Coal also suddenly became very scarce in the Orissa and Chhattisgarh belts because the government Transcos were facing power shortages. Priority was therefore given to the power sector, and industry took a back seat. As a result, there was a significant demand-supply gap in coal as well as finished steel.

Sponge iron and billets were also affected. As a result, prices almost touched 70,000 and crossed 70,000 per ton, whereas they were normally in the range of 50,000 to 55,000. Prices have therefore crossed 70,000.

Luckily, our raw materials were not affected significantly because we had already completed our procurement tie-ups with NMDC and MCL. Our rates were not affected because of the long-term linkages. We also source pellets and iron ore pellets, and our location is strategically advantageous for sourcing other raw materials.

Kevin: I can hear you. It was very clear, {? Mohit ?} please go ahead.

Mohit Bandi – Director: As I was mentioning, we were fortunately not affected significantly in July, August, and September. We are reaping the benefits of the purchases we made in terms of raw materials. Luckily, I would say that we were not affected by this. Because of the demand, prices have increased.

Kevin: How do you see this trend progressing from here?

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Mohit Bandi – Director: The industry groups expect this trend to continue until February. However, the third and fourth quarters are generally the months when steel uptake is strong, as all the projects and the weather conditions usually support demand in the third and fourth quarters.

I think steel should perform well at least until the first quarter. Margins should remain good, and demand should definitely be strong because of all the infrastructure projects that are lined up, especially in Andhra Pradesh, where the new capital region is being built with an investment of more than 1 lakh crores.

We have also procured CRS or HCRM defense-grade material, for which we have a 5-year approval. We are among the very few brands across India with this approval. That is also helping us in terms of sales and demand. We are producing this material with a 3,000 premium.

As far as Steel Exchange India Limited and our brand Simhadri TMT are concerned, we are on a good path. Earlier, we had issues, but we have overcome them now, and it is a strong turnaround story in terms of production and sales.

Kevin: My second question is specifically about the company. You mentioned the capacity increase from 0.5 to 1.5, and I am not sure whether you were able to complete the explanation, but what I heard was that there is a phase-wise expansion.

Mohit Bandi – Director: Three phases.

Kevin: Could you repeat the details of Phase 1, Phase 2, and Phase 3?

Mohit Bandi – Director: The timelines we are envisaging for Phase 1 are by the end of 2027, when we expect to commission the project. However, to be on the safe side, we have given the government a timeline of March 2028. We are envisaging completion by the end of 2027. After that, Phase 2 will be in March 2029, and the third phase will be completed by the end of 2030. So, it will take 4 years.

Kevin: Is this expansion divided into 0.5 and 0.5, or how is it structured?

Mohit Bandi – Director: It is structured on both the backward and forward sides. For example, we have already purchased some equipment, including a rolling mill. We will erect it and start production first. Then we will add the backend furnaces to support it.

We already have the power because we have excess power of more than 30 megawatts. For the next phase, we will add two more kilns to obtain that power more freely or through waste heat recovery.

Kevin: Sorry, sorry.

Mohit Bandi – Director: Were you asking something?

Kevin: Is my understanding correct? When you say Phase 1, Phase 2, and Phase 3, is Phase 1 essentially the capex for the TMT bar business, Phase 2 related to the furnace, and Phase 3 something else?

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Mohit Bandi – Director: Phase 1 is the rolling mill. In Phase 2, we can diversify into round bars, rebars, and wire rod. These three products can be added. After that, we will also enter the electric arc furnace segment, which will take us into special steels with controlled chemistry, alloy steel, and green alloy steel. That will be covered in Phase 2 and Phase 3.

Kevin: Understood. What was our TMT bar production in 2026?

Mohit Bandi – Director: Do you mean 2025-26?

Kevin: Correct.

Mohit Bandi – Director: It was around 1.8. I do not have the exact figure with me right now, but it was approximately {? 1.8 ?}.

Kevin: I believe that in my last interaction, possibly with Suresh Mundi, I was told that we were expanding TMT bar production and that 2027 should be close to 3,60,000, representing 70% utilization.

Mohit Bandi – Director: Yes, that is for 2027-28. In 2026-27, we commissioned the reheating furnace last month, in August. Last month and this month combined, we produced approximately 50,000 tons. Since commissioning the reheating furnace in August, we will be touching approximately 3 lakh tons.

Kevin: On an annual basis?

Mohit Bandi – Director: Yes.

Kevin: Since this year covers only 6 months, we might broadly reach 250,000-260,000 tons, correct?

Mohit Bandi – Director: Yes.

Kevin: Understood. So the numbers are intact. I think the last EBITDA-per-ton guidance was approximately 7,000, which could now be revised upward depending on prices.

Mohit Bandi – Director: Yes.

Kevin: Are there any broad trends at current prices?

Mohit Bandi – Director: Current EBITDA levels are on the higher side, but the assumption we use for the year is that it should be around 7,000. Right now, the levels are higher, almost touching 10 as well.

Kevin: Understood. Just one last question, sir. There were some warrants for which we had to receive money. Last time, approximately 140 crores had been received. What is the timing for the balance amount, and when are we expecting it?

Mohit Bandi – Director: We are expecting it in the next 3-6 months.

Kevin: What is the balance amount?

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Mohit Bandi – Director: The balance amount is approximately 200 crores.

Kevin: I am sorry, I missed that.

Mohit Bandi – Director: Hello?

Rakesh: It is about 170. They have given 132, I believe.

Kevin: Understood.

Mohit Bandi – Director: No, that is only IMR. I am referring to the total amount, including the other share warrants as well.

Kevin: You are not doing any fresh warrant subscription from a new investor or anything of that sort, correct?

Mohit Bandi – Director: That will mostly happen in the future, but not now.

Kevin: Understood. That is all from my side, sir. Thank you very much. I wish you all the best.

Mohit Bandi – Director: Thank you very much.

Operator: Thank you, Mr. Kevin. Mr. Manali Bhoir, I will request you to speak—sorry, I believe that was by mistake. I have a few questions in the chat box, which I will cover first.

The question is: Beyond the capital infusion, what specific benefits has IMR already started bringing to Steel Exchange in terms of raw material sourcing, export opportunities, customer relationships, or financing costs? What tangible milestones should investors track over the next 12–24 months?

Mohit Bandi – Director: [inaudible]

Mohit Bandi – Director: IMR brings to the table what you clearly mentioned. One benefit is support for working capital through LCs and similar facilities. There is also raw material sourcing from different regions through imports of [inaudible] and procurement of billets. Their mine will also be commissioned in the next 6–9 months.

The mine in Jharkhand will also be commissioned in the next 6–9 months.

Operator: The second part of the question was: What tangible milestones should investors track over the next 12–24 months?

Mohit Bandi – Director: IMR is with us for the expansion plans as well. They are very positive about Steel Exchange India. We want to start entering the global market as well, where we will produce special export products. Since they are also involved in mining, we will utilize their raw material sourcing capabilities.

Their vision is to take Steel Exchange to its maximum potential at the same facility. As far as we are concerned, we were looking at 1.5 million tons. However, since IMR is a large coking coal player, in the future we may also consider moving toward the blast furnace route. That is still under consideration.

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Financially, we are also looking at revisiting or refinancing our existing debt and working capital at much lower interest rates. With increased EBITDA and lower interest rates going forward, the company will definitely benefit from IMR as a global partner.

Operator: Mr. Harsh would like to ask something. I will allow him to speak.

Harsh: Good afternoon, Mohit. My first question is about the warehousing opportunity near the port, which I read about in your previous transcripts. Could you explain the current status?

Mohit Bandi – Director: We have a particular USP: we have a railway siding within the factory facility itself. It is a three-line railway siding, which we are currently using for iron ore and coal rakes from NMDC and Mahanadi.

We have also obtained some co-user permissions for others to bring in material at a service rate. We want to utilize this opportunity in logistics as well, since we have our own fleet of trailers, tippers, payloaders, excavators, and other vehicles.

We want to convert it into a GCT and simultaneously use the additional land bank we have. Since we are in a port city and are well connected by rail to Central India, Eastern India, and the Vizag port, we can warehouse raw materials such as coal and iron ore and construct warehouses on the land banks we have.

We want to develop it into a logistics industrial park spread across approximately 100–150 acres. We have also entered into initial MOUs with the government. The Andhra government has introduced an industrial policy under which it is willing to provide incentives to entities creating an industrial park over 100 acres. We are also examining this opportunity and will work with the government.

Harsh: What stage are we currently at? Is it only at the MOU stage, or are we already taking further steps?

Mohit Bandi – Director: The MOU stage has already been completed. We are now at the stage of completing the paperwork with the government and submitting the DPRs.

Harsh: What kind of revenue can we expect, say, 3 years from now?

Mohit Bandi – Director: With the expected expansion and other developments, the company should achieve turnover of more than 5,000 crores in 3 years.

Harsh: No, I am asking specifically about the warehousing opportunity.

Mohit Bandi – Director: Logistics and warehousing are separate. The volumes are large in terms of steel. If we enter the trading and handling of these products, it will be a separate entity with revenue of approximately 1,000 crores.

Harsh: Will that be a wholly owned subsidiary of Steel Exchange India?

Mohit Bandi – Director: Yes, it will be a wholly owned subsidiary of Steel Exchange.

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Harsh: My second question is about our entry into green steel.

Mohit Bandi – Director: Yes.

Harsh: What is the margin difference between normal steel and green steel?

Mohit Bandi – Director: It depends. We can compete with the primary players across India as well as in the European and US markets. Green steel is being considered a premium-grade steel, and as the government implements low-carbon-emission requirements and provides incentives, we should achieve better margins from green steel.

Harsh: Could you give us a rough idea of how much additional margin we can expect—1%, 2%, or 5%?

Mohit Bandi – Director: I would say at least 2%.

Harsh: 2%.

Mohit Bandi – Director: Yes.

Harsh: What will be the total capital required for the entire capex being undertaken in three phases?

Mohit Bandi – Director: We are at the initial stage of this process. We have submitted the MOUs that we have already signed with the government. The plan we have submitted is for approximately {? 5,000 crores ?}.

Harsh: Out of that 5,000 crores, are we expecting to receive incentives from the government? If not, how are we going to fund the expansion?

Management: We are expecting significant incentives from the government under the industrial policy, for which we have sought the ultra-mega investment bracket. We have requested different incentives in the form of land, water, power, taxes, and capital reimbursements as well.

Harsh: What about the overall net outflow from our books in terms of capex? If we account for all the incentives from the government, what could be the approximate capex outflow from our books?

Management: We will have a clearer idea once the proposal is approved and everything is completed in the next 15-30 days. After that, we will be able to put it into figures.

Operator: I believe that is all. Mr. {? Satish ?}, I think we are done.

The next question from the chat box says: Despite stronger profitability, the operating cycle increased to 161 days and operating cash flow remained under pressure. What specific actions are being taken to bring working capital back to historical levels, and what is the realistic target operating cycle over the next 2 years?

Management: We have already started working toward this, and the operating cycle has already reduced. It was earlier 160 days, but now we are targeting approximately 120 days. Over the next 2 years, our target will be approximately 60-90 days.

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Operator: I have one more question related to this. There has been an increase in debtor days and inventory days. Could you explain this?

Management: I will explain the reasoning behind both. In the first quarter, prices were on the higher side. When the market was declining and prices were falling, we leveraged the situation. We did not want to give up our margins, so we extended the credit period and sold only at premiums.

In the second quarter, we realized those debtor amounts, and inventory also declined as production increased from August. Therefore, in the second quarter, both receivables from debtors and inventory would have declined.

Operator: The proposed 1 million-ton green steel project is ambitious relative to the current scale of the company. What return thresholds, competitive advantages, and funding structure would need to be in place before management commits significant capital to the project?

Management: As I mentioned, with interest rates declining, EBITDA and accruals improving, and the investor coming in, this should support the expansion projects, at least Phase 1. After Phase 1, we will assess the profitability and all other factors before moving to Phase 2 and then Phase 3.

In terms of our competitive advantage, we are the most trusted brand across Andhra Pradesh. As I mentioned earlier, with CRS or HS-CRM defense steel, we are supplying from Gujarat to West Bengal across the coastal belt. We will be able to serve the entire defense-project segment.

With capital also coming into Amaravati, where we have received our {? CRDA and ADCL ?} approvals, we are in a position to supply more. In the future, in the special steels segment and through our expansion, our port location will also enable us to export.

Operator: We have received an upgrade in our rating to triple-B plus. Will we receive any benefit in terms of interest rates from the banks?

Management: Yes, definitely. We are expecting and seeking a single-digit interest rate, and that should happen following the latest rating upgrade.

Operator: We appointed a new director. How much cost optimization has he been able to achieve so far?

Management: I would not describe it as cost optimization. He is an investor and an IMR Resources director and owner who has joined the board of Steel Exchange India Limited.

It is a significant value addition because he runs a company with approximately 3.5 billion dollars in revenue that is located and conducts business across 20 countries. Having him on the board, strategizing with him, and planning our future together should produce significant results for Steel Exchange India Limited.

I would not view this from a cost perspective at all because the cost would be negligible.

Operator: What is our current sales mix between B2B and B2C?

Management: B2C is approximately 70% and B2B is approximately 30%.

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Operator: How much of our revenue is contributed by the Andhra Pradesh and Telangana regions?

Management: Almost 90% comes from Andhra Pradesh alone.

Operator: Are there any future plans to target new geographies?

Management: We were earlier trading across South India. We want to restart that activity with our enhanced capacities. We are targeting at least 20-30% of our sales from outside Andhra Pradesh in the coming months.

Operator: If we look at a 2-year period, what would that percentage be?

Management: Over 2 years, I also want to expand globally. I want to make it a 50-50 mix, with 50% from Andhra Pradesh and 50% from outside Andhra Pradesh.

Operator: To achieve our FY31 targets, how much capex will be required, and how do we plan to fund it?

Management: That is what I mentioned.

Operator: Yes, you already mentioned it.

Management: It is a long way ahead. The first source will be internal accruals generated year by year. The second source will be investments that come in. The third source will be government-based incentives.

Operator: Another question is from Mr. Zuber. He asks: Today, Steel Exchange generates approximately 1,000-1,200 crores of revenue. As the new capacities, the IMR partnership, raw material integration, and future expansion plans mature, what do you believe is the sustainable earning power of the business through the cycles?

Management: Turnover has already increased over the past 2 months and will increase substantially over the coming 6 months. We are projecting turnover of approximately 1,300-1,500 crores.

EBITDA percentages will also increase as fixed costs remain the same while we produce more and leverage the additional production. EBITDA margins should increase by 3-5%.

Operator: Are you seeing any inquiries or orders related to the upcoming data center project in Visakhapatnam? How significant could this opportunity be for the company in terms of potential revenue or order inflows?

Management: As I mentioned in the earlier investor call, Adani is taking up the largest Google data center in India, which is being built in Visakhapatnam. We have already been empaneled with Adani for the supply of steel. Their engineers and technical team have visited our factory and taken the samples and reports.

I believe they will start the project in November or December, according to the timeline they have provided. Once it starts, it will add significantly to our order book through Adani and Google.

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Along with Google, other data centers are also coming up, although they are still at the initial stage. We will also look at obtaining orders from them.

As far as Visakhapatnam is concerned, at least 10-15 new hotels have signed up in the last 1 year, and approximately 4-5 have started construction. We have entered into sales contracts with all those large hotel groups.

Therefore, a significant order book is available for the future, and we should not face any problems because supply and production are increasing. Demand should not be a problem.

Operator: What is the peak revenue potential from the existing gross block?

Management: As I said, it is 1,500 crores.

Operator: What is the current order book and execution timeline for it?

Management: We are already producing approximately 800-1,000 tons daily. After Dussehra, around the Dussehra-Diwali period, we will increase production to approximately 1,200-1,300 tons per day. We are targeting approximately 40,000 tons.

Operator: Understood.

Management: With the 40,000-ton target, our revenues should also increase to more than 150 crores per month.

Operator: Mr. Kevin, would you like to ask something? I can see that your hand is raised.

Operator: I believe that was from the earlier question. If there are any other questions, please raise your hands or submit them in the chat box, and I will cover them.

I believe your presentation and discussion provided a comprehensive overview of the company. I do not see any other questions. Thank you very much for your presentation. On behalf of Arihant Capital Markets, I thank the management and all the participants.

Management: Thank you to Arihant Capital and to all the investors who joined the call. Steel Exchange is definitely on a growth path, and we will achieve strong production and good numbers. That is something we can definitely say.

Operator: I wish you the best of luck.

Operator: Thank you, everyone. Thank you, Mohit, thank you, Rakesh, and thank you to everyone.

Management: Thank you very much.

Management: Thank you.

Operator: Thank you, everyone.

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