Baheti Recycling Ind

Operator: Good afternoon, everyone, and a warm welcome to the H1 FY27 earnings conference call for Baheti Recycling Industries Limited. The company's financial results and investor presentation have been published on both NSE and the company website. Before we begin, please note that certain statements made during the call may be forward-looking in nature and are subject to uncertainties. Actual results may differ materially from those expressed or implied on the call. Joining us today from management are Mr. Yash Shah, Joint Managing Director of the company, and Mr. Manoj Shah, Chief Financial Officer. We will begin with the opening remarks from management, followed by the interactive Q&A with the participants. With this brief introduction, I would like to take the opportunity to hand over the call to Mr. Yash for his opening remarks. Over to you, sir.

Yash Shah – Joint Managing Director: Good evening, everyone. Thank you for joining Baheti Recycling Industries Limited's H1 FY27 earnings conference call. I welcome all our shareholders, investors, and analysts, and thank you for your continued interest in and confidence in our company.

We have begun FY27 on a very strong note, delivering healthy growth in both revenue and profitability. During the first half, our revenue grew by approximately 68% year-on-year to 528 crores, while EBITDA nearly doubled to 42 crores and PAT increased by approximately 106% to 19 crores.

What is particularly encouraging is the improvement in the quality of our earnings. In the recycling business, where metal prices can influence revenue and percentage margins, we have used EBITDA per ton as an important benchmark of operating performance. During H1 FY27, our EBITDA per ton stood at approximately 32,000, reflecting a significant improvement over the previous financial year.

Looking ahead, our strategy remains focused on three priorities: increasing volumes, improving value addition, and strengthening the bottom line, that is, profitability. Our upcoming aluminium wire rod division is an important part of this strategy. We are expanding on our existing owned land, with a planned scale-up to 25,000 tons. We also intend to reach peak utilization levels of our total capacity by the end of the next financial year.

Given the improving business visibility, we have also revised our FY28 revenue guidance upward to over 1,300 crores. We are equally pleased to have received in-principle approval for migration to the main board from both exchanges, NSE and BSE, marking another important milestone in our corporate journey.

On the operational front, we continue to focus on building a capital-efficient manufacturing model. Our facilities operate entirely on electric furnaces and TRF, without conventional pit furnaces, which we were using earlier. This approach supports operational efficiency while allowing us to expand capacity with disciplined capital investment.

We intend to continuously enhance our manufacturing capacity to meet growing demand while also increasing the contribution of value-added products to our overall product mix. At the same time, cost optimization remains a key priority.

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Our recently commissioned 1.56-megawatt captive solar plant is expected to generate annual savings of around 1.8 crores, helping us reduce energy costs and, most importantly, helping us reduce carbon emissions.

Our focus is not merely on increasing volumes but on building a more efficient, diversified, and profitable recycling business with higher value addition and better earnings per share. We remain confident about the opportunities in India's aluminium recycling industry and will continue to focus on profitable growth, efficient capital allocation, and long-term value creation for all our stakeholders.

With that, I would like to hand over the call to our CFO to take you through the financial performance in greater detail. Thank you, everyone.

Manoj Shah – Chief Financial Officer: Thank you, sir. Good evening to everyone. I will briefly take you through the financial performance of Baheti Recycling Industries for the half year ended September 30, 2026.

During H1 FY27, revenue from operations stood at 528.47 crores, compared to 315.14 crores in H1 FY26, registering year-on-year growth of 67.69%. EBITDA increased by 99.48% to 42.37 crores, compared to 21.24 crores in the corresponding period of last year.

Our EBITDA margin improved to approximately 8.02%, compared to 6.74% in H1 FY26, representing an expansion of approximately 128 basis points. During the first half, our total production stood at 13,081 metric tons, translating into EBITDA per metric ton of approximately 32,400 rupees, compared to approximately 26,536 per metric ton in FY26.

This improvement reflects our focus on operational efficiency, cost optimization, and improving profitability per ton. Profit before tax grew by 114% to 25.71 crores, while profit after tax increased by more than 105% to 19.08 crores, compared to 9.27 crores in the same period of last year.

Our PAT margin expanded from 2.94% to 3.61%, an improvement of approximately 67 basis points. Diluted earnings per share stood at 18.26, compared to 8.94 in the corresponding previous-year period.

As we move into the second half of FY27, our financial priorities remain centered on maintaining healthy profitability, optimizing working capital, and supporting our upcoming capacity expansion through disciplined capital allocation.

With that, we can now open the floor for questions. Thank you to all of you.

Operator: Thank you, Mr. Yash. Thank you, Mr. Manoj, for giving a brief introduction to the H1 FY27 highlights. We will now open the floor for the Q&A session. Participants who wish to ask a question are requested to use the raise-hand feature on Zoom. We will invite participants to unmute themselves and ask their questions one by one. Kindly introduce yourself and your organization before asking your question. We may now begin with the Q&A session. We will take the first question from Mr. Ayush Dwivedi.

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Ayush Dwivedi: Hi, Manoj. Hi, Yash. Thank you so much for taking my question. I wanted to put some emphasis on the reasons for increasing our guidance. We have increased our guidance from 1,100 to 1,300 crores. Could you highlight some of the reasons for that?

Management: [pause] There are multiple reasons, but one of the biggest reasons is that we have received approval from many OEMs. We are therefore more than hopeful, and based on our forecast, the orders from OEMs have made us realize that the figure of 1,100 crores would be achieved in this financial year. That is why we have accordingly revised our guidance for the next financial year to 1,300 crores, considering the onboarding of the OEMs.

Ayush Dwivedi: Okay. I also saw in your presentation that the expected utilization level we are targeting is around 80%. Are we on track to achieve those levels?

Management: This year, we are targeting to close somewhere around 75% on 40,800 tons, and next year we are targeting somewhere [trails off]

Management: ...a number close to 80-85%. Yes, we are completely on track.

Ayush Dwivedi: Okay. I wanted to ask about the wire rod facility that we are setting up. I am new to the company, but is it something that will be value-added and have higher margins? I also see that there are many players entering this segment. How do we—

Yash Shah – Joint Managing Director: [pause] Earlier, it was completely dominated by primary players such as Hindalco, Nalco, and Balco, as wire and cable manufacturers were buying wire rod only from these kinds of companies producing primary wire rods.

Now, secondary wire rod has come into place because of the EPR norms and other factors. Many people will start buying secondary wire rod without compromising the tensile strength or conductivity of the wire. That is why secondary wire rod has found its place. Going forward, you will see that cable manufacturers will buy more secondary aluminium wire rod.

Ayush Dwivedi: I also wanted an industry perspective on how government policies are shaping up. I met some players in the industry, and they have been emphasizing that government support has been very strong and that various regulatory actions have been taken to support the industry. Could you share some industry or policy highlights, if anything has come up?

Yash Shah – Joint Managing Director: The government is introducing EPR and focusing on the circular economy. The government considers aluminium and other metals, particularly recycling, to be the next big opportunity. From the government's perspective, it wants more and more recycling to happen in India.

That is why the government has developed a platform named JNAR DCC, the Jawaharlal Nehru Aluminium Research Development Design Centre, particularly for aluminium. If we need to develop something related to aluminium, we have access to some of the best people from the government, who will help us develop products and support us in research and development.

Ayush Dwivedi: Okay. This is my last question, and then I will get back in the queue. Our cash flow from operations has been negative. Our working capital requirements have been quite high, and we

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have also increased our inventory. How are we looking to manage this going forward as we scale up and our new facilities come in?

Yash Shah – Joint Managing Director: [pause] If you compare the cash flow with the previous financial year, it is improving day by day as we manage our inventory. The inventory days have reduced. The cash flow has—there is no doubt that it is negative, but over a period of 2 to 3 years, the cash flow will also become positive.

We are onboarding many OEMs, so we have to keep additional stock for them. That was a blessing in disguise for us in the months of March and April, when the situation was not very good and the geopolitical situation was also not very good.

In terms of onboarding OEMs, it usually takes 2 years. Because of that, we had inventory, and for that reason we were able to onboard OEMs immediately. For us, particularly, the geopolitical situation was a blessing in disguise.

Now we are in the system, and we know what kind of stock we need for Bajaj, what kind of stock we need for TVS, and what kind of stock we need for Royal Enfield. Eventually, in a year or 2, when we are holding a larger share of the OEM industry, our inventory will come down.

If the inventory comes down, operating cash flow will eventually become positive. But we are on track; we are on track on that.

Ayush Dwivedi: Okay, that is really great to hear. I also wanted to congratulate you on the approval for the NSE and BSE main board. Congratulations to the entire management team. Thank you so much.

Yash Shah – Joint Managing Director: Thank you so much. Done, boss. [off-mic discussion]

Operator: Thank you. We will take the next question from Gia Solanki.

Gia Solanki: I had one question. I can see that your debtor days and all other metrics are improving. However, your cash conversion cycle has been deteriorating over the period. It is increasing each year. What is the main reason behind this?

Operator: Gia, you are not audible.

Gia Solanki: Hello? Am I audible now?

Yash Shah – Joint Managing Director: Yes, perfect.

Gia Solanki: Yes, I had one question. I can see that your debtor days and all other metrics are improving. However, your cash conversion cycle is increasing year by year. What is the main reason behind this?

Management: [pause] The main reason for the increase in the working capital cycle is the increase in inventory as well as debtors. In our industry, once the debtor cycle begins when we introduce new clientele, the first cycle remains constantly engaged with them while we establish the routine of receiving regular orders from them.

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Gia Solanki: Okay.

Yash Shah – Joint Managing Director: Gia, I will explain it eventually. If you compare it with the previous financial year, the cash conversion cycle has also improved. Eventually, down the line, in a couple of years, you will see everything come into place. Inventory days have reduced. If inventory days reduce, operating cash flow will ultimately become positive, as operating cash flow is part of the entire chain.

We are working on it, and ultimately, in 1 or 2 years, or a maximum of 2 years, you will see that it will come within a reasonable number of days.

Gia Solanki: Okay. I was seeing that your inventory days and cash conversion cycle—

Yash Shah – Joint Managing Director: Inventory days have reduced.

Gia Solanki: Okay. One other thing: with the increase in the top line and the same inventory level, will this improve over the next couple of years?

Yash Shah – Joint Managing Director: Okay.

Gia Solanki: Yes, that is all from my end. Thank you.

Operator: Thank you. We will take the next question from Harsh Patel.

Harsh Patel: Good evening, Yash, and congratulations on a fabulous set of numbers. I have a couple of key questions. The first is regarding the EBITDA per ton, which you mentioned has increased to approximately {? 32,000 ?} this year compared to approximately {? 26,500 ?} last year. That is a decent 20–25% increase. We would like to understand how much of this will be sustainable.

Yash Shah – Joint Managing Director: Any EBITDA margin between 7% and 10% is sustainable. I have been repeating this in every conference call. We will remain in that range, with 7% as the bare minimum EBITDA margin and 10% at the upper end.

If you look at it, it may lag on a quarterly basis. This is because our formula is based on an M minus 1 formula, or a month-minus-one formula. In some periods it will come from an inventory gain, and sometimes it will decline from 9% to 7% because of the inventory. Therefore, anywhere between 7% and 10% is a sustainable EBITDA margin.

Harsh Patel: Fine. One other question that keeps coming up is how we are managing our sourcing requirements. Have we thought about realigning them, considering that a significant portion of our sourcing comes from Europe? There has been some discussion about restrictions being imposed by Europe on the export of scrap. How will that affect us going forward?

Yash Shah – Joint Managing Director: [pause] Our bulk of sourcing comes from the UK; it is mainly coming from the UK. For every region, we have a different kind of sourcing. The situation in Europe has been continuing for 2 years. Earlier, it was in May, and now it has been extended to December.

We are not that dependent on Europe. We have a presence in the USA, South America, the UK, Australia, and New Zealand. Therefore, I do not think there will be any problem in terms of sourcing.

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Harsh Patel: What proportion would come from Europe, if you can say?

Yash Shah – Joint Managing Director: The proportion from Europe is 12–15%.

Harsh Patel: Fine. That is all. Thanks a lot.

Yash Shah – Joint Managing Director: Thank you so much.

Operator: Thank you. We will take the next question from Dhaval Pandya.

Dhaval Pandya: Hello, am I audible?

Management: Yes, audible.

Dhaval Pandya: Hi, good afternoon, and congratulations on a good set of numbers and on receiving in-principle approval for moving to the main board.

Management: Thank you.

Dhaval Pandya: I have a couple of questions. First of all, since I am new to the company, can you explain a bit about what exactly we are doing in the aerospace segment?

Management: We are making an aluminium alloy that is used in the aerospace segment by die-casters who make parts for aerospace. That is how we would like to position ourselves in the aerospace segment for many companies. We are developing this area and working toward aerospace ISO certification.

Dhaval Pandya: Okay, so have you started?

Management: Yes, we have started. We have given a trial lot to one of our clients.

Dhaval Pandya: Can you explain it in a little more detail and in a simpler way?

Management: Sorry?

Dhaval Pandya: Can you explain this in a simpler way?

Management: In aerospace, there is a requirement for aluminium. We are making aluminium alloy ingots that are used to make those parts. The part is made by one of our die-casters, so we have given a trial lot to our die-caster.

Once it is approved by Boeing or any aerospace or aircraft manufacturer, we can obtain that certification. We can then say that our material is being used, has been approved, and is entering the aerospace industry.

Dhaval Pandya: Understood. My next question is about our hedging strategy.

Management: Our purchases are completely based on a percentage of LME, depending on the scrap quality and the scrap that we are buying. They are based on a percentage of LME, and our sales are also based on LME, using a dollar month-minus-one factor.

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For example, the average LME of October multiplied by the average dollar rate of October, plus the delta that we are working on, would be applicable for November. Therefore, there will be a one-month lag, but over a period of 12 months, you will see that we are naturally hedged. Our purchases are naturally hedged and backed by our sales.

It is a price variation clause: if the price escalates, it will escalate, and if it de-escalates, it will de-escalate.

Dhaval Pandya: Understood. One more question: in one of your meetings, you mentioned aluminium billets as well, which is something that CMR Green is currently doing. Could you provide some insight into this?

Management: Sorry, sorry, sorry.

Dhaval Pandya: In one of your meetings, you mentioned aluminium billets as well. CMR Green is currently doing this. Could you provide some insight into this?

Management: We are coming up with an aluminium wire rod project, which is a more profitable business. We will be coming up with wire rod in January. Aluminium billets are in the pipeline, but we have shifted our focus to wire rod first.

Dhaval Pandya: Okay, that is all from my side for now. I have a couple of questions, but I will join the queue again. Thank you.

Operator: Thank you. We will take the next question from Priyansh Mehere.

Priyansh Mehere: Ayush, thank you. Sir, I hope I am audible.

Management: Yes, please.

Priyansh Mehere: We have a great set of numbers. It has been great following you for almost 1.5 years now. Quarter after quarter, your numbers have been impressive.

I have a few quick questions. This electric furnace that we also mentioned will go live in the fourth quarter. Is that also accounted for in our capacity?

Management: The electric furnace has gone live. The electric furnace has gone live.

Priyansh Mehere: Okay. So, from an understanding perspective, the capacity should already have doubled, right? Or is that subsequent?

Management: The capacity is 40,800 tons, and 12,500 tons of capacity will be added by the end of Q4 for aluminium wire rod.

Priyansh Mehere: Okay. Are we also now looking to secure large orders from fabricators as we grow in size, whether value-added orders from aerospace or from any other client that will take up our capacity?

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Management: As I said, for aerospace, we have just sent a sample. If the trial lot is successful and all things fall into place, we will obtain approval and receive the aerospace ISO certification as well.

Priyansh Mehere: In terms of volumes, which industries apart from aerospace are we targeting?

Management: We are associated with steel plants, the automobile industry, the electrical component industry, the transmission industry, and the piston industry. Once the wire rod comes into place, we will also be associated with cable and conductor manufacturers.

There are a large number of industries with which we are associated, as aluminium is the most versatile metal and can be used anywhere. The wide range of applications for aluminium helps us diversify our products across many industries.

Priyansh Mehere: We have not yet enrolled any major customer, right? That will be my last question.

Management: We are associated with ArcelorMittal and Tata Steel in the steel plant segment. In automobiles, we are associated with Bajaj, TVS, Royal Enfield, and their die-casters, such as Minda, ASK Automotive, Endurance Technologies, CIE Automotive, Alicon, {? Altims ?}, Motherson, Minda Industries, and Shriram Piston.

In electrical appliances, we are associated with Siemens and Philips and their die-casters, including Sigma Electricals, Esco Castings, {? Uma Lumerianth ?}, and others.

In the transmission industry, we are associated with International Transmission Limited and Mosdorfer, which is a Canadian company, as well as Mosdorfer India Private Limited.

In the piston industry, we are associated with Shriram Piston, India Piston Limited, Federal-Mogul, and others.

Priyansh Mehere: Thank you, sir. That gives us a good understanding.

Management: Thank you so much. Thank you.

Operator: Thank you. Any participant who wishes to ask a question is requested to use the raise-hand feature available on the Zoom dashboard. We will wait for a minute to see if we have further questions from our participants.

We will take the next question from Kamal Jaiswal.

Kamal Jaiswal: Thank you for the opportunity. Congratulations on a good set of numbers and on the NSE-BSE main board migration. I have one question regarding receivables. Receivables have increased to 135.88 crores. What is the debtor aging, and have there been any significant overdue balances or extended credit arrangements?

Management: I would like the CFO to answer this question. Manoj.

Manoj - CFO: [pause] The 135 crores of debtors are due to the addition of new clientele and top-line growth. As I stated earlier, for every new client, one cycle is held with the client while we

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establish regular routine orders from them. Therefore, debtors have increased to 135 crores.

Kamal Jaiswal: Our borrowings have also increased to approximately 310 crores. What is the actual position? For further expansion, are we planning to take on additional debt, or is the current level sufficient for the moment? What is the guidance for debt going forward this year and next year?

Manoj – CFO: No, we have no plans to increase our debt further. With the same debt level, we are trying to achieve good growth. In this financial year, we have achieved a top line of 528 crores, and as stated by our Joint Managing Director, we are hoping to achieve revenue of more than 1,000 crores. In the ongoing year, we are hoping to achieve 1,300 crores. So we are... [trails off]

Yash Shah – Joint Managing Director: ...with the same debt and the same inventory, we are trying to achieve the same top line. Ultimately, the overall ratios, inventory days, and working capital cycle will improve.

Kamal Jaiswal: Okay, fine. Thank you. I will get back in the queue.

Operator: Thank you. We will take the next question from Ritesh Sharma.

Ritesh Sharma: Hi, congratulations on a good set of numbers. I wanted to understand where the order book stands as of now.

Yash Shah – Joint Managing Director: [pause] For the next half year, H2, we have orders in hand of around 300 crores.

Ritesh Sharma: 300 crores, and will this be executed in H2 FY27?

Yash Shah – Joint Managing Director: Correct.

Ritesh Sharma: Okay. Thank you. That is all.

Yash Shah – Joint Managing Director: Thank you so much.

Operator: Thank you. We will take a follow-up question from Ayush Dwivedi.

Ayush Dwivedi: Sir, thanks again for giving me the opportunity. I was going through your industry tailwind slide from the presentation. You mentioned the European Union low-carbon market. There have been various regulations in Europe around the carbon mechanism. What role are we going to play in this? Could you elaborate?

Yash Shah – Joint Managing Director: [pause] Regarding carbon emissions, we are a proactive company, not a reactive company. I was about to say reactive company, but we are a proactive company because of one of our clients, whom I would not like to name. It is a multinational, 100% EOU company headquartered in the USA.

We are maintaining our carbon emissions in accordance with US standards, which are much stricter than the European Union's CBAM, which is being implemented by the European Union. We have been maintaining that carbon emissions data since 2020.

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We are therefore well aligned with US standards. According to European Union standards, we are more than well aligned. We have that kind of advantage.

That is why carbon emissions, and going forward, the IATF certificate, ISO certification, and everything else will become more expensive. Maintaining those kinds of certificates involves a much higher cost.

Going forward, I believe this recycling industry, which is currently highly fragmented, will become consolidated. Such costs cannot be handled by small companies or small manufacturing companies. [pause] It will become more like the pharmaceutical industry, with the sector becoming more consolidated in a few hands.

Ayush Dwivedi: Okay, got it. Thanks so much for the answer.

Yash Shah – Joint Managing Director: Thank you so much.

Operator: Thank you. Any participant who wishes to ask a question can use the raise-hand feature available on the Zoom dashboard. We will wait for a couple of seconds to see if we have any further questions. In the meantime, Dhaval, you can go ahead and ask your follow-up question.

Dhaval Pandya: Hello, am I audible?

Yash Shah – Joint Managing Director: Yes, yes.

Operator: Yes.

Dhaval Pandya: This is my last question. Thank you for giving me the opportunity to ask again. Have we thought about expanding our portfolio beyond aluminium and entering other metals such as copper, iron, or any other metals?

Yash Shah – Joint Managing Director: [pause] As of now, we are focusing on aluminium and diversifying within aluminium because, as I have said, the government is particularly focused on aluminium. Aluminium also offers versatility, better margins, and better utilization.

As of now, we are focusing on aluminium wire rod. We are also focusing on aluminium billets. We have a good couple of years ahead of us in aluminium. Simultaneously, we will develop something if something interesting comes up.

Dhaval Pandya: Okay, sir. That is all from my side. Thank you very much for answering the question.

Yash Shah – Joint Managing Director: Thank you so much.

Operator: Since there are no further questions, Mr. Yash, we can go ahead with the closing remarks for the call.

Yash Shah – Joint Managing Director: Thank you, everyone, for your participation and for the thoughtful Q&A. We believe Baheti Recycling is entering an important phase of its growth journey. With our existing recycling operations providing a strong foundation, our focus is now on scaling volumes, expanding into value-added products, and improving profitability further.

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Our upcoming capacity addition, together with the growing demand for recycled aluminium, as I mentioned earlier, provides us with a meaningful opportunity to strengthen our position in the industry.

We remain committed to executing our plan responsibly, maintaining financial discipline, and creating sustainable value for all our stakeholders. Thank you once again for your continued trust and support. We look forward to interacting with you in the coming quarters.

Operator: On behalf of Baheti Recycling Industries and Merlin Capital, we thank all participants for joining us today and for their continued interest in the company. As we conclude, we wish everyone a very happy Diwali in advance and a prosperous year ahead. Thank you once again. We look forward to connecting with you in the upcoming quarters. With that, we conclude the call.

Yash Shah – Joint Managing Director: Happy Diwali, everyone. Bye.

Operator: Thank you. Thank you to all of you.

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