Sunlite Recycling

Operator: Recording in progress. Ladies and gentlemen, on behalf of the Captify Consulting Investor Relations team, I welcome you all to the H1 FY27 post-earnings conference call of Sunlite Recycling Industries Limited. Today on the call from the management team, we have with us Mr. Nitin Heda, Managing Director, along with the rest of his management team. As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements that may involve risks and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to brief us about the business and performance highlights for the period ended September 2026, the growth perspective, and the vision for the coming year, after which we will open the floor for Q&A. Over to the management team.

Nitin Heda – Managing Director: Good afternoon to each and everyone. On behalf of the entire Sunlite family, I welcome you to the company's H1 FY27 earnings conference call. Thank you for joining us today. I will begin with a brief overview of the company, followed by our operational performance, financial highlights, and key strategic developments during the first half of FY27.

Sunlite Recycling Industries Limited was established in 2012 and is engaged in the manufacturing of a diversified range of high-quality copper products through the recycling and processing of copper scrap. Headquartered in Kheda, Gujarat, the company operates a state-of-the-art manufacturing facility and sources copper scrap from both domestic and international markets, including Saudi Arabia, the UAE, and the USA. Our product portfolio caters to a wide range of industries, including electrical, power generation, transmission and distribution, automotive, and solar.

Over the years, the company has focused on strengthening its recycling-based manufacturing capabilities, expanding its product portfolio, and increasing its presence in value-added copper products. The company has also expanded its offering into copper and aluminium products, with a growing focus on specialized products such as ATC wire and copper busbar.

Moving on, let us take a look at our operational performance. During H1 FY27, the company continued to demonstrate healthy operational performance. On a standalone basis, total sales volume increased by 11% year-on-year to 13,831 tons, compared with 12,502 tons in H1 FY26. Given the commodity-driven nature of our business, we primarily evaluate our profitability on an EBITDA-per-ton basis, as it provides a more meaningful measure of our operating performance.

The company operates with a combined installed manufacturing capacity of approximately 42,000 metric tons per annum, providing a strong foundation to cater to growing demand across domestic and international markets. We also continued to strengthen our customer engagement and regional presence through the commencement of a branch office in Ahmedabad.

Coming to our financial performance, the company delivered strong growth across revenue and profitability during the first half of FY27. On a consolidated basis, revenue from operations stood at 2,075.5 crore. EBITDA increased to 49.2 crore. EBITDA margin stood at 2.37%. Profit after tax stood at 34.3 crores. PAT margin stood at 1.65%. Compared with H2 FY26, consolidated revenue increased by 24%, EBITDA grew by 26%, and PAT registered growth of 29%.

On a consolidated basis, revenue from operations increased by 75% year-on-year to 1,962.3 crores. EBITDA grew by 114% to 46.8 crores. Profit after tax increased by 132% to 33.2 crores. EBITDA

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margin improved to 2.38%, compared with 1.95% in H1 FY26. PAT margin improved to 1.69%, compared with 1.28% in the corresponding period last year. The improvement in profitability reflects higher sales volume, improved operating performance, operational efficiency, and a favorable product mix.

Moving towards our growth initiatives, the company has approved strategic capital expenditure of approximately 37 crores, which will be funded through a combination of bank borrowings and internal accruals. The proposed expansion will increase the copper wire rod manufacturing facility to 45,000 metric tons per annum and the value-added product manufacturing facility to 3,540 metric tons per annum. The project is targeted for completion by Q1 FY28. Additionally, the expansion of the value-added product facility will be supported by advanced upcast and Conform technologies. This technology will enable the company to manufacture specialized copper products and strengthen its presence in both domestic and export markets. This investment is an important step towards increasing manufacturing capacity, broadening the product portfolio, and moving towards high-value-added products.

Going forward, our focus will remain on strengthening our position in recycled copper products with three key priorities. First, expanding our manufacturing capacity to address increasing demand and improve our ability to serve customers across different industries. Second, increasing the contribution of value-added and specialized copper products, which will help diversify our copper products and strengthen our presence across multiple end-use segments. Third, continuously improving operational efficiencies, cost discipline, and sustainable manufacturing practices.

Our recycling-based manufacturing model also supports resource efficiency and the broader circular economy while catering to the growing demand for sustainable metal products. At the same time, we remain mindful of fluctuations in international copper prices. During H1 FY27, inventory gains arising from copper price movements contributed to EBITDA margins. However, copper prices remain volatile due to global economic and geopolitical factors, and such inventory gains should not necessarily be considered recurring.

Thank you. We can now move forward to the question-and-answer session.

Operator: Thank you. All those who wish to ask a question [trails off]

Operator: ...option of raising your hand. In case you are unable to raise your hand, just drop a message in the chat window and we will invite you to ask a question. We will take the first question from Nishita Sanklecha. You may go ahead, please.

Nishita Sanklecha: Yes, hello. Am I audible?

Operator: Yes.

Nishita Sanklecha: I wanted to understand the margin difference between our value-added products and our normal products.

Management: Ma'am, it is almost a 2-3% difference.

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Nishita Sanklecha: Okay. And currently, how much do value-added products contribute to our overall revenue?

Management: Almost 10-12%.

Nishita Sanklecha: And how do we see this growing?

Management: Ma'am, in the earlier conference call also, we told you that we are increasing our value-added products. However, in percentage terms, we cannot tell you, because when we increase our value-added product production, side by side we also increase our rod production. So, in percentage terms, we cannot tell you, but we can tell you that we are continuously trying to increase our production of value-added products.

Nishita Sanklecha: I am not talking about the growth in value-added products. I am asking whether we have some target, such as by FY28 or FY29, for how much we want value-added products to contribute to our top line. Something of that sort, if you could [trails off]

Management: [pause] Ma'am, it is not like that. We cannot tell you about the top line, but we can tell you that whatever value-added products we are producing now, maybe next year we are planning for approximately 1.5 times. More than 50% next year in terms of quantity. This is in terms of overall production, which we cannot tell because next year I think [trails off]

Nishita Sanklecha: Okay, understood. And if you could give some sort of volume growth guidance for the whole year of FY27 and FY28? We have delivered volume growth of around 11% in H1 FY27.

Management: In 28-29, we would grow by about 150% in terms of volume because we are setting up a new unit, as we have also mentioned in our slides. We are introducing and bringing in a new line for increasing our rod production. So maybe we would grow by about 50% next year.

Nishita Sanklecha: FY28 will grow by 50%, and volumes will grow by 50%, right?

Management: Yes, yes. Approximately.

Nishita Sanklecha: And for FY27, can we expect this growth to be 15-20%, or will it remain in the 11% range?

Management: The same range, ma'am. In 27-28, it would remain in the same range.

Nishita Sanklecha: We are saying that FY27 will also be in the same range?

Management: 10-11%.

Nishita Sanklecha: Understood. Our EBITDA per ton increased significantly year-on-year in H1 FY27. You also mentioned in your opening remarks that some of this was because of inventory gains. Could you quantify how much of the growth was due to inventory gains and how much was due to the price?

Management: Do you need it in rupee terms or in percentage terms?

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Nishita Sanklecha: Percentage terms are fine. Anything is fine.

Management: It was almost 10–11%, I think. The inventory gain was 10%.

Nishita Sanklecha: So inventory growth was 10–11%?

Management: Yes, yes.

Nishita Sanklecha: Going forward, can we expect this sort of EBITDA per ton to continue? Can we expect EBITDA per ton of around 35,000 rupees to continue?

Management: Yes, yes. This EBITDA will remain at approximately this level, ma'am. EBITDA per ton, yes.

Nishita Sanklecha: Understood. Thank you so much.

Operator: Thank you. We will take the next question from Shubham Kadi. Shubham, you may go ahead.

Shubham Kadi: Hello, sir. Am I audible?

Operator: Yes.

Shubham Kadi: First of all, congratulations on a good set of numbers.

Management: Thank you, sir.

Shubham Kadi: One of my questions is regarding your views on copper pricing over the next 2–3 years. Would you say that prices will go down, remain flat, or continue to be structurally upward?

Management: Sir, we also do not know where copper prices will go. We only know that we believe in working, okay? Our earnings, our EBITDA per ton, and whatever we have, we believe in that. Fluctuations do not matter to us. We also do not know whether prices will go up or down. But we can say that demand is very good.

Shubham Kadi: So you do not see any slowdown in demand at all for the next 1.5, 2, or 3 years?

Management: Maybe for 10 years, sir. You are saying 2–3 years; I am saying 10 years. You can ask about demand, but we do not know about pricing.

Shubham Kadi: And, uh [trails off]

Operator: Thank you. We will take the next question from Amit Jain. Amit, you may go ahead, please.

Amit Jain: Hello, sir. My question is regarding the inventory gain that we saw this quarter. Is there a possibility in the future that we may also see inventory losses if we are not hedging our inventories?

Management: Sir, it is possible.

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Amit Jain: Since your margin is very low, it could practically wipe out the entire profit for the quarter if it happens in that quarter.

Management: Sir, it cannot entirely wipe out our profit. If copper completely crashed from {? 1,300 ?} to {? 200 ?}, then it would not be in anyone's hands, right? It is not as if there will be an 80% or 90% decline in copper prices. A 5%, 10%, or 10% movement continues to happen in every commodity and market. You cannot say that it will wipe out our entire profit.

Amit Jain: Understood. My next question is regarding our copper wire and copper strip utilization, which is very low. In H2 last year, it was 40% and 58%, respectively. Why are we struggling to raise capacity utilization in these products?

Management: Sorry, could you repeat that once again?

Amit Jain: Copper wire and copper strip utilization. In H2, which was last year, utilization was 40% and 58%, respectively. Are we struggling to raise utilization, or is there something else?

Management: No, sir. Copper prices had suddenly increased, so end customers simply waited for some price correction before buying. As I told you, value-added products are entirely customer-based, meaning they depend on the end users. At that time, customers felt that prices had increased so much that they would wait for some time. That is why there was some decline during that period.

Amit Jain: Understood. Thank you, sir. That is all from my side.

Management: Yes, yes.

Operator: Thank you. We will take one question from the Q&A box from Meet. Can you quantify the amount of inventory gains out of the 50 crore EBITDA in H1 FY27?

Management: Yes, sir? Could you repeat that?

Operator: Can you quantify how much of the 50 crore EBITDA was inventory gain?

Management: It is almost 10-11%. I already mentioned that, didn't I?

Operator: Okay. Yes, yes. We will take the next question from Dakshita Mishra. Dakshita, you may go ahead, please.

Dakshita Mishra: Good afternoon, sir. Thank you for the opportunity. Our inventories have increased from around 86.8 crores in March to around 118.2 crores in September 26, while trade receivables have increased from around 23 crores to 40 crores. What is driving this disproportionate increase in working capital? Is it primarily due to higher business volumes, commodity price movements, or longer inventory holding and customer credit periods?

Management: [pause] No, no. It is because of price movements. Prices increased so much, and that is the main reason for the debtors and stocks that you are seeing. Also, our production has increased, so when production increases, we have to keep some additional stock.

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Management: Some parties are not taking delivery in this [off-mic discussion].

Management: And also [hesitates], at the end of the quarter, some parties declined to take deliveries for some reason, so our stock also increases accordingly.

Dakshita Mishra: The company has announced an additional 21,000 metric tons of capacity by Q1 FY28 with an investment of around 37 crores. Could you explain the expected incremental revenue and EBITDA potential from this expansion?

Management: It would increase by almost 50%, ma'am. We are hoping for approximately 50% in the first year.

Dakshita Mishra: One more question. What is the actual profitability differential between copper rods and ATC or busbars? By FY28, what percentage of EBITDA could come from these higher-value [trails off]

Nishita Sanklecha: What percentage would come from value-added products?

Management: No, no. We cannot tell you the percentage. I have already told you that we are trying to increase our value-added products to almost 50%. In other words, if we are currently producing 100 kg of value-added products, we are thinking of increasing that to approximately 150 kg next year. However, at the same time, we are also expanding our rod production. So, in percentage terms, we cannot tell you right now. But yes, it is being increased.

Nishita Sanklecha: Okay, sir. Thank you. Thank you so much, and all the best.

Operator: Thank you. We will take a follow-up question from Shubham Kadi. Shubham, you may go ahead, please.

Shubham Kadi: Hello, sir. Thank you for the opportunity again. My question again revolves around inventory gains. In Q4, if I am not mistaken, you had said that inventory gains were {? 3-4% ?} of EBITDA, whereas right now you said 10-11%. If prices increase further, how much do you see inventory gains being a sustainable part of EBITDA going forward? Also, if you can provide a historical average for the last 2 years, that would also be useful.

Management: I do not have that much detail, but could you repeat the first question once? Could you repeat the question a little? Can you repeat your question, sir?

Shubham Kadi: Going forward, if copper prices stabilize or continue increasing, what percentage of inventory gains do you think would form part of EBITDA?

Management: We will only get an idea when prices increase, sir. How can I comment on that now?

Shubham Kadi: What is the average?

Management: I do not know, sir, I do not know. The commodity market price is something I do not have an idea about. I can say that demand exists, we are working on it, we are increasing our production, and we are continuously working to increase our efficiency, profitability, and everything else. But I cannot comment on pricing.

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Shubham Kadi: Okay, sir. Thank you.

Operator: Thank you. We will take a question from Charchit Malwal. Charchit, you may go ahead, please.

Charchit Malwal: Hi, sir. Thank you very much for the opportunity. My first question is whether you can share the product-wise revenue for H1, namely for copper rods, wires, aluminium wires, and copper strips.

Management: I think we have provided it here. We have provided it in this, haven't we, sir? It is not with me, but yes, we will share it. I think we have also provided it. I think it is in the presentation. We do not have it at hand, but it may be there. I will tell you after some time. Maybe I will have someone bring it.

Charchit Malwal: Sure. One more thing: I think your rod line is at 100% utilization, right? If I am not mistaken, the ATC and busbar that we manufacture are made using rods from our internal production. Going forward, can I assume that every additional ton of ATC and busbar means that we will sell one less rod?

Management: No, no, sir. That is why I am saying, why would we sell less? It is included in the revenue, right? That is why we are increasing our rod production as well. I am saying this in relation to the question about how we will increase our value-added products. We are trying to increase our production, and when we use rods for value-added products, we are also trying to increase our rod production accordingly. That is why we are bringing in another new copper rod plant. Obviously, everything will be done internally. It is not that we will buy from outside and manufacture it. When the material is available in-house, we will not order it from outside.

Charchit Malwal: But this plant is coming by Q1 FY28, right? So, in H1 [cut off]

Management: The plant... sir, setting up a plant takes time. It is not as if, because I am producing ATC, I can set up another plant immediately in a single day. It does not work like that.

Charchit Malwal: Absolutely. Okay. That is all.

Management: You were asking about the revenue bifurcation, right? I will give you the bifurcation. 85% is rod revenue. The rest is... ATC is 4.6%, and the remainder is other revenue.

Charchit Malwal: Can you also provide the bifurcation for copper wires, aluminium wires, and so on?

Management: Copper wires are 3%.

Charchit Malwal: Okay. And copper strips?

Management: The remainder is copper strips and busbars.

Operator: Thank you. We will take the next question from Akshay Jadhav. Akshay, you may go ahead, please.

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Akshay Jadhav: Thank you, sir. Thank you for the opportunity. My question is about aluminium recycling. Capacity utilization is currently 55%, so when can we reach full utilization? Also, what is the EBITDA percentage for aluminium, and what will it be going forward?

Management: Sir, we are trying to increase our production. Regarding capacity utilization, we first moved from 25% to 30%, then 35%, and now we are at 55%. We are trying to reach approximately 70–80% within 1–2 years.

Akshay Jadhav: And the EBITDA percentage?

Management: For aluminium? Yes, yes. It is almost 2.5–3% EBITDA, sir.

Akshay Jadhav: Okay, sir. Thank you.

Operator: Thank you. We will take the next question from Daksh Gaur. Daksh, you may go ahead.

Daksh Gaur: Hello. Am I audible, sir?

Management: Yes.

Daksh Gaur: My question is about the copper granules recycling process. How does the recycling process for granules differ from ingot production in terms of machinery? What additional capex and technical capabilities would an ingot manufacturer need to enter granule production?

Management: Sir, this is not my area. How can I tell you?

Daksh Gaur: Okay, sir. No issues.

Operator: Thank you. We will take a follow-up question from Nishita Sanklecha. Nishita, you may go ahead, please.

Nishita Sanklecha: Yes. So I just [trails off]

Operator: Nishita, you went on mute by mistake. Can you continue?

Nishita Sanklecha: Yes. Am I audible now?

Operator: Yes.

Nishita Sanklecha: After the expansion to 45,000 metric tons in copper wire and 3,500 metric tons in our value-added products, what will be our total capacity in FY28?

Management: It will be 45,000.

Nishita Sanklecha: So the total capacity for copper will be...

Management: For rods, wires, ATC, and everything else, it will be 45,000 tons.

Nishita Sanklecha: Okay. You just gave the revenue bifurcation. What is the revenue contributed by aluminium rods?

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Management: Aluminium rods are approximately 114 crores. Today... for this half year... the half-year figure was 114 crores, right? For the first half.

Nishita Sanklecha: Understood. In Q1 FY28, we will start operations at this expanded facility, right?

Management: Yes, yes, yes.

Nishita Sanklecha: Okay. Thank you so much.

Operator: Thank you. We will take the next question from Surbhi Mishra. Surbhi, you may go ahead.

Surbhi Mishra: Hello, sir. I wanted to know, with global copper prices witnessing significant volatility amid supply constraints, how does management assess the outlook for copper prices over the next 12-24 months? Also, what do you look at in your business: gross margin or EBITDA margin per kg? Or do you assess the margin in percentage terms?

Management: No, ma'am. It is EBITDA margin per kg, or EBITDA margin per ton. We always look at EBITDA margin per ton in commodities.

Surbhi Mishra: Where do you think your sustainable long-term EBITDA will be?

Management: Sustainable long-term EBITDA... it is the same, around 25-30 rupees.

Surbhi Mishra: One last question. Copper recycling is an energy-intensive process. Given the volatility in natural gas and electricity prices, what steps are you taking to reduce the impact on profitability? Will rooftop solar be sufficient to offset the price increase?

Management: No, ma'am. If you are talking about fuel costs, fuel costs are increasing all over the world. This is not specific to our company. The fuel pricing component in our per-kg cost is passed on to the customers. So it does not affect us. Whatever increase occurs in our fuel prices, we pass it on, and our costing calculation is made accordingly. Regarding solar, yes, solar is not sufficient at present, so we are also looking for different opportunities.

Management: We are also looking at where we can save on our power and fuel costs.

Surbhi Mishra: Thank you, sir.

Operator: Thank you. We will take a follow-up question from Nishita Sanklecha. Nishita, you may go ahead, please.

Nishita Sanklecha: Thank you for taking the follow-up question. You mentioned that we will have 50% volume growth in FY28. Our total capacity is going to be 45,000, which would mean that we would need to achieve 95% capacity utilization. I am not understanding how we are going to do that because, from what I understand, optimum utilization is only 80-85%.

Management: [pause] No, ma'am. I am talking about the new unit that will be installed. We are calculating approximately 50% utilization for that unit. That is why I am saying that we have to grow from 50%, right? I am hoping that we will utilize 50% of the 20,000 capacity in the first year. So, 50% of that capacity and this capacity.

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Nishita Sanklecha: Okay, understood. So, we are expecting utilization of the additional 20% to be {? 50,000 ?}... 50%, sorry.

Management: Yes, yes, yes.

Nishita Sanklecha: Understood. Thank you for the clarification.

Operator: Thank you. We have a question in the chat box. What is our proportion of domestic sourcing versus sourcing from imports?

Management: Sir, I have answered this question many times. We do not depend on any single source. Wherever we feel the terms are best, we source from there. If imports are cheaper, imports may account for 90%. If the domestic market is favorable, domestic sourcing could account for 90%.

Operator: Okay, sir. Anybody else who wishes to ask a question, please raise your hand. Vikas, you may go ahead, please.

Vikas: Greetings, sir. Could you please explain the hedging aspect to me? It is a little unclear. I think in your first conference call you said that because your inventory days are only about 10–15 days, and because it is such a short cycle, you are not really pursuing any hedging options. Is that the correct understanding, sir?

Management: [pause] No, no, no. You are not understanding it correctly. We were referring to inventory. However, we are physically hedged. If we have purchased some material today, we physically hedge it in the market and sell against it. So we are physically hedged. We do not hedge inventory because we know that inventory has to increase sooner or later, as you can see now as well. That is why. Also, you know that in the stock market, everyone hedges the Nifty and Sensex in their portfolio. Everything is [trails off].

Vikas: Understood. So, theoretically, it is possible that copper prices may continue to rise for the foreseeable future, but if, for any reason, there is a drop in copper prices, even for a short period, we would have to book inventory losses. Would that be a correct understanding?

Management: Sir, you can say that. But these fluctuations do not occur to the extent or at the speed you are suggesting. You are saying that copper is at 1,300 and suddenly falls to 100 [laughs]. That is not possible, please understand. Correct. Copper at 1,300 may go to 1,100, and 1,100 may go back to 1,500, sir. It is not like that. Inventory will exist in every industry. If you look only at me, it will not work that way. Every industry involved in the metal market, metal cycle, or recycling will have some inventory impact. It is not as if copper will become zero in one day [laughs].

Management {? Vinay ?}: The other thing, Vikas, that I can add is that they are carrying very low inventory levels of hardly 10–12 days. So they are turning over this inventory very quickly, and there is very little risk of carrying inventory and then having to sell at lower prices.

Vikas: Understood. That was what I started my question with. Because your inventory days are only 10–15 days, you are rotating it very quickly, so you are not taking that risk to a significant extent. My second question is about copper recycling. From the few videos I watched about copper recycling,

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I understand that there are many players who take all these wires, separate the plastic and copper, and so on. I think in your last conference call you said that you buy shredded copper. Is that correct?

Management: Yes, we buy copper from them. Whatever material is segregated in this manner, we buy the copper from them.

Vikas: And then you melt it, and you are now considering electrolysis to move to a higher level of purity. Is that correct?

Management: Yes, yes. We melt it and then make it into other forms such as rods, wire, and so on.

Vikas: Understood. Your customers are almost on a cash-and-carry basis, right? You have very low debtor days.

Management: Yes, yes, yes.

Vikas: That is why you are comfortable with a lower margin but want faster inventory turnover.

Management: Yes, yes, yes, yes. That is the main thing.

Vikas: Understood. Thank you for your answers.

Operator: Thank you. We will take the next question from Sunil Kateshiya. Sunil, you may go ahead, please.

Sunil Kateshiya: Hello? Am I audible? Hello?

Operator: Yes, yes.

Sunil Kateshiya: Thank you very much for the opportunity, and congratulations, sir, on the good set of numbers. I wanted to ask two things. First, I missed the first 5 minutes. You spoke about the expansion, so could you briefly summarize what kind of expansion we are targeting by 2028? Second, what is our vision for 2030? Where do we want to reach over the next 4-5 years?

Management: [pause] Sir, we are expanding our capacity from 25 to 45,000. After that, we are planning further expansion. There are many plans, so what can I tell you about all of them now? But yes, you will see more plans coming.

Sunil Kateshiya: Okay, great. That is all from my end. Thank you very much, sir.

Operator: Thank you. All those who wish to ask a question may use the option of raising their hand. Since there are no further questions, would you like to give any closing comments?

Management: Thank you, everyone, for joining. We look forward to increasing our business and increasing our production. Thank you very much.

Operator: Thank you. Thank you to the management team for your valuable time, and thank you to all the participants for joining the call. This brings us to the end of today's conference call. You may all disconnect now. Thank you.

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