Prostarm Info System

Operator: Good morning everyone. This is the third day of the Bharat Connect conference. I welcome you all to the call of Prostarm Info Systems Ltd. Today, from the management, we have Mr. Ram Agarwal, the promoter, CEO, and whole-time director of the company. We also have Mr. Abhishek Jain from the management team.

Before I hand over the call to the management, I will explain the flow of the event. Participants who would like to ask questions can raise their hands or post their questions in the chat box. We will prioritize questions from participants who have raised their hands and then move to the chat box. If time permits, we will take some questions from participants who were not able to join the call. Over to you, sir.

Abhishek Jain – Management: How would you like to begin the session?

Operator: We can start the session with a brief introduction and opening remarks from your side, and then move to the Q&A.

Abhishek Jain – Management: We can ask Ram to set the tone first. Ram, could you set the tone for the session?

Ram Agarwal – Promoter, CEO & Whole-time Director: Good morning, everyone. Thank you for joining today. Prostarm is engaged in the manufacturing of power electronics, UPS systems, inverters, hybrid solar inverters, lithium batteries, and now energy storage systems.

I will give you a brief overview of our company. We started operations in 2008. Initially, we focused on the IT and BFSI segments, including banks and ATMs. Gradually, we started focusing on other areas as well. In 2020, we acquired a company in Pune that had UPS technology. Through that acquisition, we entered other critical UPS application areas such as metros, airports, railways, healthcare, tools and machinery, and defense.

We can also enter the data center segment, although we have not done so yet. In the last 5 years, more specifically, we have received some critical orders from Delhi Metro in Patna, Jay {? [unclear] ?}, Bangalore Airport, and Nagpur Airport, where we supplied UPS systems. There are many other airports as well, but these are the large critical installations. We have also supplied to Northern Railway and Western Railway. Recently, we supplied energy storage systems to Western Railway. Therefore, we may be among the very few, or perhaps one of the first 2 companies, to supply BESS to the railways in place of gensets.

Apart from these critical installations, we supply UPS systems for tools and machinery, such as laser-cutting and laser-welding machines, and any type of continuous-processing machine where a UPS is essential. We have entered all such critical and customized UPS requirements, where no Indian UPS company has been able to make a real impact. Other companies have imported and supplied these products, but we have undertaken local manufacturing, which is more critical and customized in nature.

For example, in the oil and gas sector, they refer to it as a UPS, but it is not a standard UPS. It includes UPS systems with IP54, IP42, input transformers, output transformers, bypass

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transformers, input bypass servo stabilizers, control panels, output panels, and input panels. We have to supply all of these as one combined solution. We have entered this type of requirement and completed some critical installations in this area. We are now eligible and qualified to enter the oil and gas segment on a larger scale.

Surprisingly and most importantly, we compete only with large MNCs such as {? Hirel ?}, Hitachi, Fuji, Vertiv, and Delta. As a local Indian company, we generally do not compete with local Indian UPS companies in the market. We have consciously selected the market area and vertical where we would compete only with global MNCs operating in India.

Our initial days were difficult, and gaining entry was challenging. However, we are now gradually entering all sectors and verticals. It has become easier to compete with global MNCs than with local Indian companies in India. After commissioning our full-fledged new UPS factory in Ahmedabad, we will be able to focus on manufacturing large-capacity UPS systems in-house.

Although we supplied a 1.2-megawatt single installation last year, followed by a 1.8-megawatt installation, we are proud to say that 1 week or 10 days ago, we received a single order for a 3-megawatt UPS system. For an Indian company, this is a significant achievement because no other Indian company can supply a 3-megawatt UPS system on a standalone basis.

This is a very important USP for us in critical applications. By doing this, we can also enter the data center segment on a larger scale. However, there are strong barriers to entry for an Indian company in the data center segment. In due course, we may break these barriers and gain entry into the data center segment, which would provide significant benefits in the near future.

In 2020, we entered the lithium-ion assembly business. During the initial 5 years, from 2020 to 2025, we assembled a large number of lithium batteries to be supplied along with our UPS systems, inverters, and other small solar applications. After succeeding and building a good business in this area, we entered the BESS segment in the last financial year. Today, we have a 1.2 gigawatt-hour assembly plant.

However, as we are currently seeing significant turbulence and challenges in the BESS segment, we have deliberately slowed down and are not pursuing manufacturing too aggressively. We are focusing on a non-Chinese supply chain. Although I cannot reveal much today, I can say that we are seriously working on the supply chain for the entire BESS ecosystem, which would be completely non-Chinese.

We will soon provide more details on this. Once we have confirmation in hand, we will announce our strategy for moving ahead with a non-Chinese supply chain.

As of today, we have shifted our focus entirely to C&I. In C&I BESS, we have received a few good orders, beginning with the railway and other industrial applications. We are currently in discussions for 2-3 large C&I orders, each of which would be valued at more than 2-3 crores.

In C&I, the value of each order is generally not very large. It is usually 20-30 lakh or 40 lakh. Therefore, receiving a 2-3 crore order in C&I at this early stage is a significant boost for us. This will take us to a new level in C&I.

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That covers what our company is doing today. Going forward, we are working on our next-generation technology and strategy. I will now open the floor for questions.

Ram Agarwal - Promoter, CEO & Whole-time Director: This applies to both UPS and BESS as products. I will hand over to Abhishek so that he can add something.

Abhishek Agarwal: Thank you, Ram. As committed, we announced the opening of 2 infrastructure facilities. One is at Jhajjar, which is now a 1.2 gigawatt-hour BESS assembly plant. We will cater to both the C&I and utility segments, with the major focus being on the C&I segment.

The second facility is at Baghrol, where we will manufacture UPS systems ranging from 1 kVA to 500-600 kVA. These are the 2 major announcements.

As I mentioned earlier at the AGM, we are also looking at exports in the BESS segment. We are in discussions, and hopefully, we will secure something very good once our samples are approved in the market. Once that happens, we will officially announce the details. Entering the export market for the BESS segment would be a very significant opportunity.

That is what I wanted to add. The rest has been covered by Ram. The floor is open for your Q&A.

Operator: Thank you very much, sir, for the brief introduction and opening remarks. We are now moving to the Q&A. Participants who would like to ask questions can raise their hands or post their questions in the chat box. We will prioritize questions from participants who have raised their hands.

We will take our first question from Dixit Prajapat. Please go ahead and ask your question.

Dixit Prajapat: Hello. Good morning, Mr. Agarwal. You mentioned that we are going to cater to emerging markets such as data centers. I have also been speaking to some consultants, and segments such as modular data centers are expected to grow significantly.

Could you explain the entry barriers in that market and the qualifications we would need to cater to such customers? You also mentioned that we are focusing on higher-capacity markets such as 5 MW and 10 MW. Do we have a competitive advantage in that market as well?

Ram Agarwal - Promoter, CEO & Whole-time Director: Technically, we have the product. If we can receive a 3-megawatt order, we can go up to 10 megawatts. We have the technical capability, and our product matches the highest-standard products available in this sector, such as Schneider and Vertiv.

Our USP will be that we can match their products and offer a lower price, whereas they can never match our price. It is only a matter of time. The moment we enter the data center segment, they will not be able to come anywhere near us in terms of price.

Coming back to the entry barriers in data centers, most investors and user companies are from the US. They ensure that the supply chain consists only of US-based companies. That is why Schneider, Vertiv, and Eaton are largely the main suppliers of power electronics for data centers.

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However, as the number of data centers grows, the supply chain will also expand. Demand for more suppliers will emerge. We are therefore confident that, as an Indian company, we will get an opportunity, perhaps initially on a small scale. Once we establish our performance, we will definitely get an opportunity to play a larger role.

Technically, we are capable, we are eligible, and we have a good chance of becoming a UPS supplier in India.

Dixit Prajapat: What is the size of the data center market compared with the C&I or defense segments?

Ram Agarwal – Promoter, CEO & Whole-time Director: Are you asking from the UPS perspective?

Dixit Prajapat: Yes.

Ram Agarwal – Promoter, CEO & Whole-time Director: UPS demand in data centers is now being discussed at the gigawatt level, or in gigawatt-hours. I cannot comment on execution timelines today, but if you look at the market projections, the data center market is several times larger than other emerging sectors such as defense and railways.

Execution may take some time. In other areas, such as defense and other emerging markets, execution is somewhat faster than in data centers. Therefore, data centers may remain slower in the near term, but over the next 2–3 years, the number of data centers will be very large compared with all these markets.

Abhishek Agarwal: To add to what Ram said, we are expecting approximately 10–12 gigawatts of data center capacity by 2030. That is the benchmark that has been set for data centers. Although that figure is for the total data center capacity and would not be equivalent to UPS capacity, you can consider 10 gigawatt-hours as the minimum and multiply that by 2–3x for the UPS requirement.

Dixit Prajapat: Understood. That answers my question. Thank you.

Operator: Thank you very much. We will take our next question from Paras Chheda. Please go ahead and ask your question.

Paras Chheda: Thank you for the opportunity. To begin with, the Topband project has now been cancelled, and we were told that it was not economically feasible. What went wrong with that project?

Now that it has been cancelled, could you explain the current BESS value chain? You have already said that you are moving toward a non-Chinese supply chain. Specifically, where will the cells, racks, PC inverters, EMS, and other components be sourced from? What value addition does Prostarm perform at Jhajjar? Where do you expect to earn the majority of the margin?

Abhishek Agarwal: Would you like to answer this, Ram, or should I answer?

Ram Agarwal – Promoter, CEO & Whole-time Director: Please go ahead.

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Abhishek Agarwal: Thank you, Paras. First, regarding Topband, yes, you heard correctly that we cancelled it. We are trying to create something different, and this is not the right platform to make all the disclosures. Please wait for the right time.

We are working toward a non-Chinese-based development, which is the need of the hour. Some developments are taking place in that direction. As I mentioned earlier, we are also trying to enter the export market. Discussions are ongoing, and factory visits have been completed.

That is why we are trying to move away from the land-border criteria and move to a different scale. At the right moment, we will tell you more. For now, I can give you an indication that things are progressing well and that some better developments are around the corner.

Paras Chheda: The Jhajjar facility came online in September and is operational. What is the status of our BESS development project? Secondly, excluding that project, what is the current BESS order book? Our major utility segment is no longer included and we have the C&I segment. What is the current order book if we exclude the developer project, and what is the status of the developer project itself?

Abhishek Agarwal: We have currently taken another order of approximately 21.5 crores under BESS, which has already been received and will be executed in the current financial year.

In C&I, we have taken an additional order. Although it is a UPS order with lithium, it can technically be considered a BESS solution. That order is approximately 13.5 crores.

Therefore, we have taken approximately 33-34 crores of BESS orders, apart from 35 crores of billing that has already been completed. The infrastructure has only recently become operational. This is what we currently have in BESS.

Paras Chheda: Previously, we had discussed that the Jhajjar capacity had a peak revenue potential of 1,200 crores, which we expected to reach in approximately 2-3 years. What will the revenue from BESS and UPS, and therefore the growth for FY27-28, look like now?

I am sure growth will be moderated, but I am trying to understand how you view the growth outlook and the EBITDA margin.

Abhishek Agarwal: Last time also, I answered this question, and it was your question. This year, we should generate approximately 75 crores under BESS. We have already billed 35 crores, 25-26 crores are already in hand, and there is another 13 crores that we are taking under the UPS category.

This is what we have as of today, apart from any additional orders that we may win over the next 6 months under the private or government categories.

Next year, we are targeting a minimum growth of more than 25%, or 25-30%, under the BESS segment. Once we receive an export order, the picture will be very different, and the numbers should be good.

Please keep your fingers crossed that we successfully pass the sample process. Next month, we will be providing approximately 10 samples. Once the samples are approved, regular orders in good

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quantities will come in. I cannot disclose the details right now. That would be an additional benefit, and you should see a good amount of BESS volume coming in next year.

Paras Chheda: Just to clarify, when you said 25-30% for next year, were you referring to BESS capacity utilization?

Abhishek Agarwal: Capacity utilization.

Paras Chheda: Before the others join, just one last question. What does the guidance for FY27-28 look like now? Are there any significant changes, or where do we stand?

Abhishek Agarwal: I will still give guidance of approximately 25%. We will also be making some changes to our business dynamics. We will not be focusing on the utility segment. Utility is a different chapter, and you are well aware that there is significant disruption in that area.

In fact, most projects are being stalled and are not being executed because of pricing and tariff issues. We will continue to provide the 20-25% guidance that we had previously given. Any additional increase would be over and above that. There should be a shift in the business, which I hope you can understand from my communication.

Paras Chheda: Understood. Would EBITDA margins be in the range of 14-15%?

Abhishek Agarwal: They would be 13-14%. The market is somewhat weak, Paras, because things are currently not progressing well. Costs are rising, freight costs have increased, local costs have increased, and all these factors are affecting the cost structure to some extent.

There will be some moderation, but this is a temporary phase and there is nothing to be concerned about.

Paras Chheda: Do you have any initial guidance for FY28?

Abhishek Agarwal: It is too early to provide that guidance. We will be able to discuss it once we report the March numbers and have received more new orders. In Q4, we should be able to speak about FY28. By then, our other markets should also have stabilized, the industry should see some changes, and government spending should return to normal.

Paras Chheda: Understood. Thank you very much.

Abhishek Agarwal: Thank you.

Operator: Thank you, sir. We will take our next question from Hardik Gandhi. Please go ahead and ask your question.

Hardik Gandhi: I wanted to understand the inverter business. Are we breaking even on inverter systems, or what is the current position?

Abhishek Agarwal: Sorry, Hardik, I was not able to understand your question completely.

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Hardik Gandhi: Based on what I am hearing from the market, there is significant competition from Chinese counterparts in the solar inverter space and even in the conventional inverter space, as Chinese products have flooded the local market.

Several companies and other players are not even able to break even, or are operating at very low single-digit EBITDA margins. I wanted to understand where we stand.

Ram Agarwal - Promoter, CEO & Whole-time Director: As an electronics manufacturer, we are involved in hybrid solar inverters and UPS systems. PCS is one area that we have not entered extensively.

For storage, a hybrid solar inverter is essential. PCS is required for non-solar applications. Therefore, there are 2 different areas: solar and non-solar.

As of now, we are focusing more on solar applications, where our energy battery will be charged through a solar inverter. For all non-solar applications, we are currently importing from China or sourcing from other companies.

However, we are working on this and will soon launch our own PCS. Again, it will be non-Chinese, because that is where we want to focus. Today, Chinese products...

Ram Agarwal - Promoter, CEO & Whole-time Director: ...are easily available, and nobody has any control over them in terms of quality, price, availability, or serviceability. People are currently buying and supplying them without any controls in place.

We are proceeding very slowly and strategically. We are tying up with a non-Chinese company that can bring the product to India, and we will pursue reverse integration for PCS, including PCS manufacturing in India. This is part of our action plan, and we will soon announce our strategy.

Hardik Gandhi: Would the cost not be higher because you are not buying from China?

Ram Agarwal - Promoter, CEO & Whole-time Director: Cost is not the main issue. As of today, there is no alternative option. Whatever option is available is from China, and Chinese companies have unofficially formed a cartel for everything, including inverters and batteries.

You will see that the difference is only 2-5% between the 2-3 suppliers operating in India. There are only 4 suppliers operating in India. When there is no alternative option, you cannot say or comment that the price is high or low, because there is no alternative.

I can only say that many people in India are making claims, but I cannot comment on them. Broadly, PCS is not being manufactured in India. That I can say.

Hardik Gandhi: Regarding the product you mentioned, with which you will compete against Schneider and other MNCs, what was the development process? How long did it take to develop the product, or did you acquire the technology from outside?

Ram Agarwal - Promoter, CEO & Whole-time Director: We acquired the technology in 2020. By 2024, we were confident that we could proceed aggressively with products of this capacity.

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It took 3-4 years to reach this level. Gradually, the process involved further development as well as field studies. Since last year, we have gained the confidence that we can execute this business. We have also started receiving orders.

Hardik Gandhi: To understand this, if another player wanted to enter this specific segment, how difficult would it be? What is the TAM? Given the high entry barrier, what is the total addressable market? Does this segment generate annual orders of 1,000 crores, 2,000 crores, 3,000 crores, or some other amount?

Ram Agarwal - Promoter, CEO & Whole-time Director: Let Abhishek address the numbers.

Abhishek Agarwal: There is no specific market size calculated for this segment, Hardik. You have to understand that it depends on multiple industries.

We cater to these industries because high-capacity UPS systems are required by solar manufacturing plants. Every solar manufacturing plant that is being established requires high-capacity UPS systems at the megawatt scale.

Let me give you an example so that you can understand the TAM. For Prostarm, we supplied our first 1.2-megawatt system last year to a high-end engineering company. It had significant capex, heavy engineering machines, and molding machines from a German company.

The second system we supplied was a 1.8-megawatt system for a solar module manufacturing company. The recent order we received is for 3 megawatts, not 2.4 megawatts. This order is again from a solar company, Raison Energy.

If you consider only the solar segment, there is already a very large opportunity. Solar, chemicals, pharmaceuticals, textiles, engineering, cement, and other companies of this type require high-capacity UPS systems. Hospitals and hotels are also asking for higher-capacity UPS systems.

Hardik Gandhi: Are only you and the MNCs present in that segment?

Ram Agarwal - Promoter, CEO & Whole-time Director: The MNCs include TMEIC, Vertiv, Schneider, Riello, and Eaton. These types of companies have been operating in this segment.

You can also consider the data center segment, Hardik. Data centers also require UPS systems of this capacity. I had mentioned that the data center market is expected to reach approximately 10 gigawatts or more by 2030.

I-Mark expects the data center market in India to be approximately 13.11 billion dollars by 2029. Therefore, there will be an equal opportunity for companies like us that operate in this particular product segment.

If you look at the overall UPS market, including both lower- and higher-capacity systems, the market has been estimated at approximately 9,500 crores, excluding batteries and lithium.

Hardik Gandhi: What will our margin profile be in that segment? If it is such a difficult space to enter and is dominated by MNCs, the margin should be quite healthy.

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Abhishek Agarwal: The margin will remain in the same range, Hardik, because the large companies also bid aggressively in this segment.

Hardik Gandhi: So is 13-14% EBITDA a conservative number?

Abhishek Agarwal: Yes, it should be around that level. In addition, as we provide more solutions, the margin profile can change.

For example, if we provide a solution along with lithium, our margin profile will change. Most MNC brands are not involved in lithium cell manufacturing or assembly. Prostarm is a company that offers UPS systems with lithium as part of its product portfolio.

Therefore, we can offer a larger basket because everything comes from our own domain and our own area of expertise. In that case, our margin profile varies.

For example, when we executed a transaction for Metro Railway, the competition was only from companies such as Hyrel, Fuji, and Vertiv. We received that order because we were technically qualified.

That product involved significant customization in terms of sizing, calibration, cabinets, and other aspects. As a result, although we were L1 in the government tender, the margin profile was high.

The product and its complexity determine the margin profile.

Hardik Gandhi: I have one last question.

Abhishek Agarwal: Hardik, I would request—

Hardik Gandhi: If I can ask one last question and then leave. Our system integration solution and manufacturing power solutions both declined significantly. System integration was zero in Q1, and manufacturing power solutions were also quite low.

One factor that supported us in Q1 was BESS EPC revenue. How should one look at this? Should it be viewed annually, or is there a specific reason for such a decline?

Abhishek Agarwal: It is related to order execution. The execution of an order and its ticket size determine the percentage mix.

For example, the BESS order that we received was executed, and as a result, its percentage would naturally be higher when you look at the overall number. You should look at the overall number on a year-on-year basis.

This year, we will also receive some business from the BESS category, which will contribute to revenue. At the same time, we may have, for example, bid for a UPS order worth 100 crores. We are preparing for that bid.

If we win that order, our UPS order book will increase. Similarly, last year we received a large system integration order, so system integration revenue increased.

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Everything comes under power solutions, but the mix varies from product to product. At different times, a different product may be manufactured. The customers may be similar, or they may be different. Therefore, you need to evaluate this on a year-on-year basis.

Hardik Gandhi: That is very helpful. Thank you very much. I will get back to you.

Operator: Thank you. We will take our next question from Gatha Jain. Please go ahead and ask your question.

Gatha Jain: Thank you for the opportunity. Regarding the BESS exports that we are considering, which geographies are we planning to target?

Management: I will not disclose everything at this stage, Gatha, but it will be a non-Chinese technology-based product for that particular part of the world.

Gatha Jain: What was the size of the BESS contract that we received from Western Railway?

Management: That has already been executed, correct?

Management: Yes, it was executed. It was not a very large contract. However, as I mentioned, C&I contracts do not usually become very large.

The important aspect was our entry into the railway sector for a C&I application against a genset. That is a significant development for us. After reviewing the performance, they are issuing a tender for a larger number of installations, where prior experience will be mandatory.

I cannot say that we will be the only company, but we will be among the very few companies with a successful railway installation of this type.

Gatha Jain: In a previous meeting, you mentioned that for all the verticals you serve in the UPS segment, you were targeting revenue of 100-150 crores per vertical. Is that guidance still intact, or has there been any change?

Management: That guidance remains fully in place. In fact, we have made further progress and gone deeper into the respective verticals.

As part of our strategy, over the next 1-2 years you will see the numbers spread across all the different verticals. In most verticals, we will not compete with local companies. We will compete only with MNCs operating in India.

This is our strategy and the sales structure that we are planning and currently focusing on.

Gatha Jain: Thank you very much. That was all from my side.

Operator: Thank you. We will now take some questions from the Q&A chat box.

A question from Shreni Tanaude asks: What is the current price of lithium, and how is the bidding situation? Do we believe it is financially viable to bid at present? Along with that, when can we expect our operating cash flow to improve, given that delays in certain executions could affect cash

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flow?

Management: I will answer the cash flow question, and Ram would be better placed to answer the lithium question.

On the cash flow side, it was negative 48 crores at the end of March. We are now seeing an improvement. In June, it improved to minus 15. As we scale up, we expect to see further improvement by the end of this financial year.

Cash flow is negative mainly because of the billing pattern. We generally bill toward the end of the year and toward the end of the quarter. This results in negative cash flow because receivables increase.

This year, we have also significantly increased our inventory levels, considering the orders we have received and the market situation, including shipment disruptions and freight movement. We are maintaining adequate inventory with us.

Third, since we have entered the BESS category, lithium generally has to be procured against an advance. In June, the advance that we had with vendors was more than 30 crores. Earlier, we used to have approximately 7, 8, 10, or 18 crores. This year, we have an advance of more than 30 crores with vendors to procure material on time, because the transit time is more than 90 days once we place the order.

That is why our cash flow is negative. However, it improved in the June quarter. I expect a significant improvement in operating cash flow by the end of this year. Regarding lithium and bidding, Ram can comment.

Ram Agarwal – Promoter, CEO & Whole-time Director: Lithium prices are highly volatile and vary from one OEM to another and from case to case because there are many technical variations in lithium cell pricing.

If you are discussing BESS for the utility segment, bidding prices have improved from last year to this year, or over the last 6-9 months. Prices have increased from as low as 1.5 to a recent bidding price of 2.35 in Maharashtra.

You can see the increase from 1.5 to 2.35. I cannot comment on whether 2.35 is a workable price because supply chain disruptions are still present. They have not ended and may escalate further because of geopolitical issues. This is not related to the supply chain or raw material cost.

China may introduce further problems or new types of issues. For example, from January 1, it is imposing a 6% duty, and from April 1, it is imposing another 4% duty.

I do not know whether people are taking these factors into account while evaluating pricing or bidding for projects. In my view, the challenges remain, although they are not at the same level as 6 months ago. Even today, bidding remains challenging. In my view, it is not viable.

Operator: Thank you. Due to time constraints, we will take our last question from Paras Sheth. Please go ahead and ask your question.

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Paras Sheth: I have 2 questions. First, regarding the developer BESS project, what is the latest update in terms of execution and strategy?

Management: Regarding the developer BESS project, there is one project in Bihar. The Bihar project is currently progressing. We have already completed the site inspection and testing. As per the timeline, the project should be operational by the end of this financial year.

For the Karnataka project, the timeline extends until October 2027. If required, we will execute that project. In parallel, we are also discussing the possibility of hiving off the project. That may take some more time. Once the matter matures, it will be announced.

Management: In the meantime, we are executing the Bihar project, and the arrangements have been completed. The Karnataka project is scheduled for the next financial year. You should see it coming to {? some ?} in the next financial year.

Paras Sheth: Do the economics still hold for these 2 projects?

Management: Touch wood, we have reduced the margins somewhat, but we still have some margin in both transactions.

Paras Sheth: So we will at least generate a positive margin?

Management: Yes. We are still better placed considering the market conditions. We will also develop a significant credential, which will help us once the situation settles. We will then be in a better position because we will have the required qualification matrix for securing larger-capacity orders.

Paras Sheth: One last question, if you have time. To simplify my understanding, is the disruption we are currently seeing in the business mainly due to logistics disruption or movements in lithium cell prices?

Management: Are you referring to the overall business scenario or to BESS?

Paras Sheth: I am referring to the disruption in the overall BESS scenario. Is logistics the bigger problem, followed by lithium cell prices, or is it the other way around?

Management: As Ram explained earlier, freight costs are increasing, and that is one factor. China is also controlling lithium cells.

If you are bringing in a container, there is a separate container cost, and there is a separate lithium cost. When bidding took place around September, the price was approximately 45, 50, or 55 dollars. That has now increased to approximately 70 dollars.

Prices have increased from the Chinese side because they want to control the market. Many machines were supplied for manufacturing lithium cells or for the BESS assembly side. However, with regard to raw materials, they are charging higher costs. Even the export benefits they were providing are being reduced year after year. By 27, those benefits will become zero or nil, by January 27.

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This is the reason for the disruption. Freight costs are one part of the issue. In parallel, there is a supply chain issue because China is not providing adequate material at the prices that had been expected.

People were expecting prices to decline to 43-44 dollars per kilowatt-hour. Instead, prices increased to approximately 67-70 dollars. This has caused the wide fluctuation and disruption in the utility BESS segment.

Paras Sheth: Understood. Thank you very much.

Operator: Thank you very much, sir. Due to time constraints, we will have to conclude this call. Thank you, Ram sir, and thank you, Abhishek sir, for attending this webinar. I also thank all participants on behalf of Aryan Capital for taking the time to attend and share their insights about the company.

If any participants have doubts or questions, they can contact the team at Aryan Capital. We will be able to address them through the management. Thank you very much for attending.

Management: Thank you all. Thank you, everyone.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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