



Earnings Call

ABHA POWER AND STEEL LIMITED TRANSCRIPT – H1FY26



Friday
Nov 28, 2025



04:00 PM

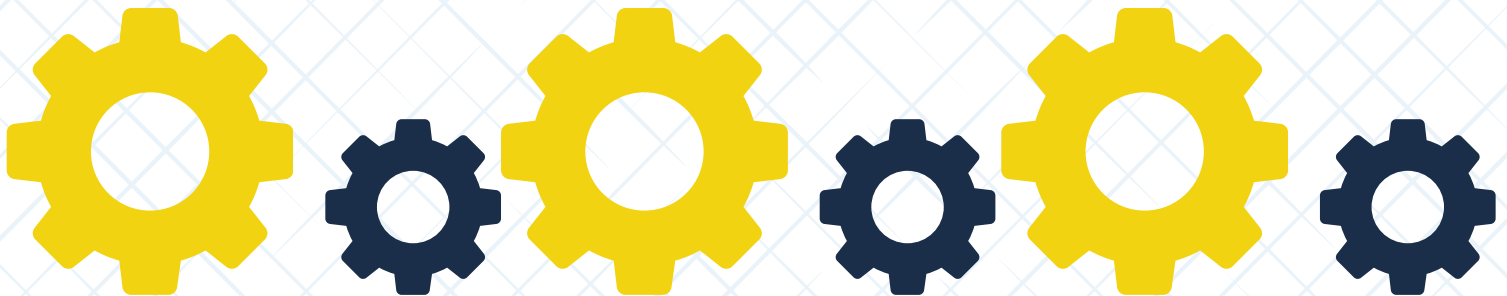
Company Management



Mr. Atish Agrawal
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ABHA POWER AND STEEL LIMITED

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Finportal: Hello Good evening, everyone and thank you for joining us today for Abha Power and Steel Limited H1FY26 Earnings Call. I am Drishti from Finportal Investor Relations Team, and it's my pleasure to welcome you all. We are joined today by senior member of the management team, Mr. Atish Agrawal, Managing Director, and due to some emergency, Mr. Naleen Shah, the CFO, couldn't join. As a reminder, all the participants' lines will be in the listen-only mode, and there will be an opportunity for you to ask the question after the management remarks. Note that this meeting is being recorded. Let me now hand it over to Mr. Atish Agrawal to take you through the financial highlights and the operational highlights of the company. Over to you, sir.

Mr. Atish Agrawal: Good evening, friends. Thank you, Drishti. Thank you so much for a nice introduction and organizing this meeting. I'm pleased to share with you the financial performance of Abha Power and Steel for the first half of FY26. For this period, our revenue from operations stood at 34.56 Cr. We reported an EBITDA of around 3.57 CR, reflecting an EBITDA margin of 10.3%, and our profit after tax came in at 2.03 CR, with a PAT margin of 5.9% and due to some constraint, Mr. Naleen Shah had to travel outside, so he couldn't, present our results, so I have presented the results. Now let me take you over through the key operational highlights for this, first half of the year. Operationally, our business have been pretty much stable over the year, and we have been focusing on production efficiency and further strong execution of the project. Our 3 MW captive solar plant continues to be an important cog in our wheel, and it has helped us in lowering energy costs and supporting our operational margins. Its contribution has helped us to cushion the cost inflation of other aspects. So, overall, it has been performing well for us. We are, also progressing, well on our facility expansion. With the IPO proceeds, we are continuing our expansion on a, good pace, and this will be... this will form a very, key, key enabler. It will form a very, stable thing for our future growth. Once it is commissioned, it will significantly enhance our ability to serve our OEM customers, and we'll do this with improved turnaround, higher flexibility, and of course, with better production integration. Our order book has remained quite healthy over this period at about 20 CR, and we see this to be continued, and this is providing near-term revenue visibility to us. In the railway segment, the RDSO approval process is already underway. We have filed a couple of applications. We expect the evaluation to be concluded post-March 26. After this March 26, we are anticipating meaningful opportunities to scale in this segment. Additionally, one of our key OEM parts that we were trying to develop for the past one year is now on the production side. The development part is complete, and now we are ramping its production up so that our, bottom line and top line both gets improved. Overall, with these strategic initiatives in motion, we believe we are well-positioned to capture upcoming opportunities and drive stronger growth ahead. This was the synopsis of past 6 months that we

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have done in this financial year. I would now hand the call back to the moderator for question and answer session. Thank you.

Finportal: Thank you, Atish sir. So, we can start the Q&A session now. So, the participants who wants to ask the question may raise their hand, then we can have a Q&A one by one. I request the participants to raise their hand to ask the question. Our question is from Mr. Nikunj Vasani. Nikun sir, you can unmute yourself and ask the question.

Nikunj Vasani: Hello?

Mr. Atish Agrawal: Nikunj ji, good evening, you are audible.

Nikunj Vasani: Mein aisa puch rha hu ki apka new order book, matlab kuch ho ya koi company ke saath dealing ki ho, aap kuch detail share kar sakte ho, new machinery purchase kiya ho, future mein growth kaise ho sakta hai.

Mr. Atish Agrawal: Thik hai Nikunj ji, app future ke bare mein jaan na chahte hai. Pehle me order book ke baare me batata hu. Order book hamari kafi healthy chal rahi hai sir. Already hamne pichlay 6 mahine mein bhi, continuously usko 20Cr ke plus maintain kya hua hai, aura abhi bhi ye uske upper hi chal rahi hai. Jesse koi bade orders aate hai hum log, of course, updates dalte rehte hai. In general, market sentiments kafi positive hai, hamare customers ke saath satisfaction level bhi acha hai. And, ek-do bahot critical products the jo hum logo ki pipeline me the for the last one year or so, vo bhi hum log ki recently development part complete hua hai. So, future progress hum logko kafi, better sound lag raha hai, and dhire dhire humlog ka jo shuru se vision raha hai ki humlog higher value items ki taraf mein badhe, company as such pura overall us taraf mein badh rahi hai, and hum log ke estimates ke hissab se chal raha hai. Future looks good. Kafi investment ham logo ne plant & machinery me bhi kaya hai, aap ne uske baare me pucha hai, iss IPO proceeds ke alava bhi hum logo ne internal fund se kafi hum logo ne plant ko modernize kiya hai, hamare capabilities bhi badhi hai. Abh hum log thode higher size ke aur thode critical parts bana paenge, railways ke liye ya oil & gas ke liye, defense ke liye, toh hum log saareh sectors ke liye bhi open ho rahe hain. And, jaise hi ye commissioning humari complete hogi is quarter mein aur agle quarter tak mein. Toh hame iska result hamare performance me bhi dikhna start ho jayega.

Nikunj Vasani: Aur sir, ek me ye puchna chahta tha last 3 years se profit growth achi ja rahi thi, toh profit growth stable kaise ho gayi, nayi machinery purchase kiya, naye orders aa raha hai, GST mein woh rate cuts hue, toh uska profit margin par effect kyu nahi aa raha hai.

Mr. Atish Agrawal: Sir aap ka, third question, pehle le raha hu, sir. GST rate cut seh hum log ki industry mein ya, hamare supply chain mein kahi koi asar nahi pada hai kyuki hum log ke jo

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finished product ka uska GST bhi same hai, or most of the raw material ka bhi GST same hai. Ultimately, net GST hum log jo pay karte the almost utna hi raha hai. And, aap jo pichle tin saal ke comparison mein iss saal ka ka kar rahe hai, wo aap ka ekdam sahi point hai sir aap ka, ham log iss ke liye koshish kar rahe hai, but actually kiya hai hum log already apna jo best performance chal raha hai usko continue karte aa rahe hai. Next year jo jump ayega vo jo plant machinery lag rahi hai iss ka installation complete ho jayega. Aur fir dhire se inka jo effect hai, wo humare working me dikhna start ho jayega. Abhi jo hum log plant laga rahe hai jo hum log expect kar rahe the ki September tak complete ho jayega vo thoda sa hamara aage chala gaya hai. Ye November-December mein complete ho raha hai. Jaise hi humara machine installation complete hota hai, uske baad 2-3 mahine ka time hame aur lagta hai railway RDSO seh permission or approvals mein. Vo wala process bhi hamne abhi se start kart dia hai. Uske baad fir jab naye orders aate hai, ya hamare pass ek baar approval aa jaye. Uske baad jab naye tenders aate hai, toh hum uss me participate karne ke liye eligible hote hai. Toh thoda time lag raha hai but, eventually, jese hi ye naye plant and machinery ka effect ana shuru hoga, aapko definitely aur better results hum log push karte hue dikhege.

Nikunj Vasani: Okay, thank you, sir.

Mr. Atish Agrawal: Thank you, Nikunj ji.

Finportal: Dear participants, if you want to raise questions, please raise your hand. Next question is from Mr. Neel Chopra.

Neel Chopra: Hello, am I audible?

Mr. Atish Agrawal: Yes, Neel ji, you are audible. Good evening, sir.

Neel Chopra: Good evening, sir. So, basically, you have two foundries, right? Iron and steel. So, like, which contributes more in revenue, if anything?

Mr. Atish Agrawal: So revenue-wise, SG Iron gives us, more revenue, because it's a, fast molding system, a fast production system, and, we are getting better revenues from SG Iron. But, steel, plant has been the factor in which we have done the major modernization as per now. After this IPO and this IPO expenses proceed for modernization, that was mostly focused over the steel plant. So, we are ramping up, the whole, procedure for steel plant and its accessories. So, most probably, after post this development is complete, our steel plant would, I hope so, outgrow SG Iron plant production and its, volumes, revenues.

Neel Chopra: And current capacity utilization for both of them, if available.

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Mr. Atish Agrawal: Current... for the past 6 months, since this is for H1FY26, we are having this earnings call. During this period, our capacity utilization for SG Iron units was above 80%. And, for the steel plant, the revenue, the capacity utilization was around 30%. 20-30%, I think. So that is our major focus area to improve this capacity utilization of steel plant from 2030 to make it above 80.

Neel Chopra: Okay, got it. And, I mean, you supply to OEMs only, or you supply directly to railways as well?

Mr. Atish Agrawal: Sir, this happens in both ways, the OEMs are restricted for railway products to buy their products only from the registered vendors of railways. That means, even if the railway is buying or OEMs are buying, they have to buy from their registered vendors only. What we have to factor in is that sometimes we get very good prices from OEMs, because they also look at not just the vendor list, but also the individual quality of the vendors. But, for railways, it is not as such. They just look at the vendor list, and they go for the L1 prizes. There are pro and cons in both the cases. In railways, you might not get a very good rate, but the volume is higher than the OEMs. At the OEM level, you can get a better rate, but may not be that high volume that we get in the railways. So, we'll have to maintain both, and we are happy to say that we are the preferred vendor for many OEMs, and also we have a healthy relationship with railways as well.

Neel Chopra: And do you have any plan to export in, upcoming periods? Or, domestic is still your major focus?

Mr. Atish Agrawal: Still, domestically, we are more focused on, we have a little bit of exports order going on, previously as well, and, right now, we also... we still have some inquiries, for the export orders, but, that's not a very focused area right now. Once this re-development of our industry is complete, we have the right facilities and the production capabilities to supply to the quality requirement of export industries. Then only we'll, try to focus something on the export side. So, most probably in the next financial year, we can see some uptick in the export business.

Neel Chopra: And about raw materials, like, do the prices fluctuate very much, or that's not that big of a concern?

Mr. Atish Agrawal: There have been some fluctuations in our raw materials, but nothing major. More or less, for the past 6 months, it has been quite stable. And, yeah, I think that this trend would continue. Very small fraction of our raw materials are, the... low, the higher alloy materials, like nickel or... and, molybdenum. So, in those, two, three commodities, there have

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been major fluctuations, but, I don't see they contributing much in our, portfolio or in the balance sheet. So, more or less, the... prices of raw materials have been stable, I think.

Neel Chopra: Okay, so, thanks for answering the questions, sir.

Mr. Atish Agrawal: Thank you, Neel ji.

Finportal: I request the participants who wants to ask questions may raise their hand. Next question is from Mr. Swayam Rana.

Swayam Rana: Hello, am I audible, sir?

Mr. Atish Agrawal: Yes, Swayam ji, you are audible. Good evening.

Swayam Rana: Good evening, sir. Sir, I can see that there is a substantial margin drop this half year, so what is the reason for that?

Mr. Atish Agrawal: There have been many reasons. Basically, what we can see from this year's results is that our EBITDA has gone down. Our gross margin is okay. If we compare it with the last year's 6 months, this year's 6 months, our gross profit on the gross margin is almost identical, along with all the top-line things. But our EBITDA has fallen a bit. That is mainly because of some excess expenses that we have done in this year, in this 6 months. Like, we have some new employees to see out the new project work, and we have some consultants to help us for this, expansion project. Also, there have been a lot of increase in our traveling and other small expenses. So, overall, there is nothing substantial that can... we can contribute to one single thing, but it has been an accumulation of various other factors that has led to this kind of, drop. Some reasons are also due to one-time charges of our name change and legal expenses that we have incurred, incurred post this IPO, our, pre-IPO, our name was changed from Private Limited to Limited, so we had to get this, upgradation done at all, government, departments and that has led to some of the expenses in our part. Our land lease was recently upgraded, or it was redrawn. We had... we were enjoying a very low, land rate earlier, and now it has increased substantially due to a new land agreement that we had to done because of this name change. Other than this, there was a one-time demand of electricity duty for our solar plant. So, that has incurred us around 12-13 lakh rupees extra for, in this 6 months. So, you can say it's both some one-time charges have come up in this 6 months that has brought down our EBITDA, and also some expenses due to this new project going on, which is pushing down this EBITDA margins. But other than that, if you see the revenue, it has been, almost same as for the past, quarter, or past half year, or the previous half years. And, in fact, we have, improved our gross profit, or the gross margin, marginally. But, yes, we are working on, to remove, to improve the EBITDA again.

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Swayam Rana: Understood, sir. And, sir, actually, I joined a bit late, so what all are the development that we are doing, in our company? Because I can see that there is almost 19 Cr. CWIP in the balance sheet. So, like, if you can elaborate.

Mr. Atish Agrawal: Right, so that also we are working on. In fact, for the past 6 months, this has been our major focus. We want to reduce our working capital, and we want to reduce our work-in-progress items. Major effect of this was because we were developing one major part for Indian railways through an OEM. This OEM had a very limited vendors, and we were quite hopeful to developed this particular part in our system. And, very recently, month or so ago, we have, finally developed it to the satisfaction of our customer, and now we are improved... we are, increasing its production and supply. So, we'll see its effect in our balance sheet in this half year, or the next half year. But yes, there have been a major focus from our side, from the management, to reduce our CWIP, so that we can work in a better, efficient, leaner way. So, it's an ongoing process, and you'll definitely see improvement on this part in the coming quarters or so.

Swayam Rana: So this is mainly for the railway part, where we are creating some, parts for the exclusive vendors.

Mr. Atish Agrawal: Yes, actually, the turnaround time in Foundry is very high. If you compare it with our peers, also, you'll see this kind of thing happening. The situation with our industry is that, we have... we are also dependent upon external agencies, like, sometimes inspection takes around 10-15 days for their part to complete. So the turnaround time from raw material to dispatch, it's a long time period, item. Some of the parts, which are very fast-moving, we can, We can turn it around and dispatch it within, let's say, 40-45 days. But some of the parts, which are very critical and which requires assembly or have, many steps of production, they can even take 6 months or 7 months. So, that part is actually bogging us down. They are pushing our CWIP higher, our margins are going higher. Of course, those parts have better margins, but it is pressurizing our balance sheet as well. So, we are focusing on how to reduce that, turnaround time, and, this, major development, what we are doing in our foundries for... in this expansion. We are also putting up a very good machine shop, so that we do all the processes in-house, and we are not dependent upon our external vendors, who themselves have their own problems, and they also increase our lead time. So, to give our customers a better product at a faster time, once this project execution is complete, we'll be able to solve a lot of problems.

Swayam Rana: Right, sir. And sir, what exactly is the part that we are making for the railway vendor? And, you know, do we have the RDSO approval, in line? And, like, when will it be operational by?

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Mr. Atish Agrawal: Okay, the first part is, what are the railway parts that we are manufacturing? Or you're talking about the one item that we developed recently?

Swayam Rana: I mean, your focus is in the railway segment currently, right? So, what is the part that you're making, to sell, and when it will be operational?

Mr. Atish Agrawal: Okay, so, first question regarding the railway parts is that, yes, our focus is on railways. Our 70% to 80% revenue come from Indian railways, directly or indirectly through OEM, so... that is our major focus areas, and to increase it further, we are developing newer products every day. Recently, we have developed some very critical items for Indian railways and, most of those parts goes in the wagon, wagon building, and some of those parts goes into the permanent way, that is the track link that, goes, that goes the... in the track, what do you call it? P-way, yeah, P-way fittings. So, some of the parts goes into P-way fittings, and some of those parts goes into the wagon manufacturing and, with the recent expansions that we are doing in, we'll be able to compete for even higher products that, we were unable to manufacture earlier. Already, we have filed our application with RDSO to develop those parts. We are currently the holder of A-class certification from RDSO. We are already registered with RTSO for quite a few parts, let's say 4-5 parts, but we need to further expand our product portfolio. And for that, we have, already filed applications with RDSO for, many such parts, so those are under consideration. And... what we believe is in the coming quarter, let's say January, February, March, in this quarter, our... this accreditation process would be complete. Our registration part would be complete in this coming quarter and then, from the next financial years, we should expect, some revenues coming out of it. It would be a slow, gradual process, it's not that, on day one, we'd be getting, we'd be swamped with orders or something like that. So gradually, we'll increase our production, coming out of this new expansion.

Swayam Rana: Understood, sir. Sir, so may I assume that in, you know, H2FY26 also, we can do more or less 35 Cr revenue only? And, major, growth will come, in FY27.

Mr. Atish Agrawal: Yes, we can say that, but we are still hopeful, we are... it's an early day to call all the figures for this H2, because in... we are just in the second month of H2, and 4 months are standing right in front of us, and in the last 6 months that, developments that we have done, it can also come into the picture in the next 4 months. So there would be, flattish, or some growth would be there for the next... in this, coming, H2. But yes, the major, progress, could be seen in the next year financial H1 only.

Swayam Rana: Alright, so, sir, like, do we... do we have any projection or, you know, internal target that we have set that we can do some what number by FY27?

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Mr. Atish Agrawal: I have been advised not to give any forward-looking statements, but as per the industrial norms and whatever the targets we have set internally, it would be, better than the single-digit growth. We'll try to go with the double-digit growth, at least.

Swayam Rana: Okay, and, sir, what is about the solar, plant?

Mr. Atish Agrawal: Solar plant is running fine, sir. Actually, this year, EBITDA came down because of a very good rainy season we had. So, our solar production was around 10-12% lower than the last year H1. So, it is going good. There's nothing more to say about it. It's a fixed procedure. We have made a very perfect system in it to get the most out of our solar plant, and we are having 100% captive use. So, it's a fixed-in system, there's nothing that much varies there.

Swayam Rana: Right, right. And sir, like you said that this H1 was, there was a lot of one-time cost, so can we see a gradual increment in the margin, and like, do we expect to come, you know to our historical margin of 15%, or we can do more with the new products that we are doing and, you know, about that.

Mr. Atish Agrawal: I would like to say that we are actually in a transitional phase right now. We are focusing very much to get ourselves a bit leaner in terms of this, working, work-in-progress items are going on, and all other aspects. Yes, we are not expecting any further one-time cost in this quarter, or in the next quarter, or in this H2. So, we can see the... margin uptake a bit, and we'll try to achieve what we have been achieving historically. But, to put a number on it would be, wouldn't be right, but that should be our target to at least get to the... our previous results, at least.

Swayam Rana: Understood, sir. Thank you for answering my question, and all the best, sir. I'll join back in the queue.

Mr. Atish Agrawal: Thank you, Swayam.

Finportal: I request the participants who wants to ask questions, please raise their hands. Next question is from Mr. Yash Naik.

Yash Naik: Hello?

Mr. Atish Agrawal: Yash ji, good evening, you're audible.

Yash Naik: Yeah, so, sir, I joined a call a little bit late, so if my question has already been answered pardon. So could you please share the current capacity utilization for the Iron & Steel

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capacity? I guess it's 70... our capacity is 7200 for each of them, so what is the current utilization of that?

Mr. Atish Agrawal: So for the H1FY26, our capacity utilization for SG iron unit was around 80-85%, and for the steel plant, it was between 20 to 30%.

Yash Naik: Okay. And, sir, at the max... at peak utilization, what would be, the, revenue maximum, peak revenue at, maximum utilization?

Mr. Atish Agrawal: It's a very difficult question, sir, because, our, value proposition is not very fixed. We are not in a single product or a couple... two, three products. We have more than 1,000 products in our pipeline, so, which order will get a higher value product, will be produced more, or the lower value product will reduce more, we can say. But, just to give you a ballpark figure, when our... both our foundries would go at around 100% capacity, we will easily cross the turnover for around 300 plus. So, it could go from 300 to 500 also, but... anything above 300 should be there.

Yash Naik: Okay. And, sir, last question is regarding the CapEx. So, what would do with the CapEx for FY26 and going ahead?

Mr. Atish Agrawal: FY26 CapEx?

Yash Naik: Are you planning to do some CapEx in this year, or..

Mr. Atish Agrawal: Okay, so as per our IPO mandate, we have committed around 18.5 or 19 CR of our CapEx for this financial year to be done. We have already, made that kind of investment. Further on, we are expecting, this project to a bit, overshoot, so we'll incur, approximately less than 5 Cr from our own funds, and we'll see this project completed by end of this year, and we'll see revenues coming on from this upgradation from the next financial year onwards.

Yash Naik: So, this is majorly for the steel or iron, sir?

Mr. Atish Agrawal: Steel, sir. As you can see, our capacity utilization in steel is very low, so we have a better margin to increase the productivity there. This upgrading... to about 90%. Of course, this upgradation will support our SG Iron unit also, because we have a lot of facilities in common, and SG Iron plant also will try to get our utilization about 95%.

Yash Naik: And post this CapEx, what would be our capacity, sir?

Mr. Atish Agrawal: So, sir, this capex is for, not capacity addition, but for the upgradation. So, our total capacity would remain almost the same, but our utilization would increase. Actually,

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there has been some mismatch in our facilities. For the whole set of operations, we have higher capacity from our furnaces, and not so high capacity of the downstream aspects. So, there was some mismatch, and with this upgradation and modernization, we are correcting it so that we can produce whatever we can melt.

Yash Naik: Okay, so can we expect the margin improvement through this, or the margin will be more or around the same at the current level?

Mr. Atish Agrawal: It should definitely increase, sir. Traditionally, or whatever you can call it, whenever the top line grows, the bottom line grows, we are going for the higher value chain items, and that too, we're at a mass production scale. So this margin should also increase with that. So, because our expenses will also go down, and yeah, we are expecting a... better performance on the margins as well.

Yash Naik: So, could you quantify that, or you are not able to do?

Mr. Atish Agrawal: It's difficult for us to quantify right now, because, it will take a lot... it will take us at least a couple of years to achieve the highest possible efficiencies that means about 70-80% utilization, it might take a couple of years for us to achieve. So, during that time, what kind of prices would be governed in the market? It's very difficult to predict. But still, I'm seeing that our margin should grow by... at least, double-digit growth should be there on the margins as well.

Yash Naik: Okay, thank you so much for answering. I will be back in the queue if I have anything.

Mr. Atish Agrawal: Thank you. Thank you, Yash.

Finportal: I request the participants to raise their hand for asking a question. Next question is from Mr. Ashutosh Singh.

Mr. Atish Agrawal: Asutoshji, good evening. Ashitoshji, can you hear us?

Finportal: Asutosh, sir, you can unmute yourself and ask the question.

Mr. Atish Agrawal: Ashutoshji, good evening, can you hear us?

Finportal: Okay, I guess there is some technical issue from his end. I request the participants to raise their hand for asking the questions. Dear participants, if you want to ask a question, please raise your hand. Okay, ladies and gentlemen, as there are no further questions in the

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queue, I would like to hand over the conference to the management for the closing comments. Thank you, and over to you, sir.

Mr. Atish Agrawal: Thank you, Drishti. So, thank you all for joining today, and for your continued trust and support on Abha Power and Steel Limited. We remain confident in our strategy, and we are committed to deliver you long-term value. We look forward to keep you updated on our progress in the coming half or quarters. Thank you, thank you, have a great day.

Finportal: Thank you so much, everyone. If you have any doubts that are still pending, you could reach out to us and drop an email us anytime, and we would be happy to revert to those. Thank you so much, everyone. You may disconnect now.