



“BMW Industries Limited
Q2 FY ‘26 Earnings Conference Call”
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MODERATOR: **MR. ROHAN BARANWAL – ARIHANT CAPITAL**



Moderator: Ladies and gentlemen, good day, and welcome to the BMW Industries Limited Q2 FY 2026 Earnings Conference Call hosted by Arihant Capital Markets Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Rohan Baranwal. Thank you, and over to you, sir.

Rohan Baranwal: Hello, and good afternoon to everyone. On behalf of Arihant Capital Markets, I thank you all for joining into the Q2 FY '26 Earnings Conference Call of BMW Industries Limited. Today from the management, we have Mr. Harsh Bansal, the Managing Director; Mr. Vikram Kapur, CFO of the company; and Mr. Sanjeev Sancheti, Investor Relations of Uirtus Advisors.

So without any further delay, I'll hand over the call to Mr. Sanjeev, sir, for their opening remarks. Over to you, sir.

Sanjeev Sancheti: Thank you, Rohan. Good afternoon to all the participants. Before I hand over the call to Mr. Harsh Bansal for the opening remarks, I would like to draw your attention to the safe harbor statement in the earnings presentation. I request each one of you to kindly go through the presentation now before the Q&A start, so that you are well aware of the same. Request you to go through the safe harbor statement very carefully. Over to you, Mr. Bansal.

Harsh Bansal: Good afternoon, and a very warm welcome to the company's second quarter FY '26 earnings call. We will take you through the key highlights of our operational and financial performance for the quarter along with an update on our ongoing strategic initiatives and capacity expansion program. Revenue for the quarter stood at INR144.9 crores, while operating EBITDA came in at INR36.9 crores, growing at 4.8% on a year-on-year basis and representing an operating EBITDA margin of 25.5%. Profit after tax was INR15.2 crores with a PAT margin of 10.3%.

During the quarter, performance was impacted by temporary challenges in the CGL and in the TMT segments. TMT segment volumes were impacted by raw material constraints and pending contract renewals with our key customers. With negotiations now in the final stages, operations are expected to normalize and volumes stabilize over the coming months.

CGL volumes were also affected by raw material shortages at the customer end and subdued market conditions. To optimally utilize our capacities spared due to the above, the company initiated proprietary production and sales of galvanized coils, a move aimed at optimizing capacity utilization in such situations going forward.

The shift towards proprietary sales will also help the company establish a presence in the downstream coated product segment and to build a sales network ahead of full-scale operations from Bokaro. Phase 1 of the Greenfield project at Bokaro remains on track with commercial operations for color-coated products scheduled to begin in quarter 1 of FY '27, reinforcing the company's integration strategy and capacity² readiness.

The growth in the Pipes and Tubes segment remained muted due to continued ramp-up issues by the customer and demand pressure amid prevailing market conditions. However, we remain confident of a gradual stabilization as macro indicators improve. Meanwhile, ancillary operations such as slitting, cutting and flat product processing are witnessing increased traction. As mentioned on our earlier call, the Bokaro project is poised to act as a key growth catalyst in the upcoming quarters as well as helping us expand our capabilities across the value chain.

We reaffirm our medium-term growth guidance. As over the next 3 fiscals, we anticipate consolidated revenue to grow at a CAGR of approximately 75% driven by the phased commissioning of Bokaro Greenfield project as well as our existing business vertical organic growth.

Operating EBITDA is expected to grow at a CAGR of 45% over the same period with the operating EBITDA margin stabilizing at about 11% by FY '28 as we progressively integrate the new and existing business lines. It is important to contextualize our margin outlook within the evolution of our revenue model. Historically, our conversion business model has delivered operating EBITDA margins in the mid-20s, owing to very limited raw material exposure.

With the transition to an integrated downstream steel processing model, our cost structures will change. Steel inputs will now form a part of our cost structure, resulting in raw material costs, comprising around 80% of our revenue. Accordingly, consolidated operating EBITDA margins will moderate as the legacy business blends with a more input-intensive model. However, this should not be viewed as a deterioration in performance.

Rather, it reflects a conscious pivot towards scaling volumes, deepening the value chain integration, getting closer to the consumers and enhancing stakeholder value. We would encourage you to interpret margin trends alongside absolute value creation. While margins may normalize, the top line is set to expand materially, and PAT is expected to grow at a robust 40% CAGR over the next 3 fiscals with PAT margin expected to stabilize at about 5% by FY '28, resulting in a capital on -- sorry, resulting in a return on capital employed of over 18%.

We are pleased to inform you that the company's external credit rating has been reaffirmed at A by India Ratings and Research of the Fitch Group, reflecting a strong balance sheet and prudent financial management. This must be viewed in light of the additional debt planned for the Bokaro expansion.

Overall, quarter 2 FY '26 was a transitional quarter characterized by short-term operational challenges and proactive steps aimed at reinforcing long-term resilience. With key projects progressing as planned and strategic initiatives gaining momentum, the company is well positioned to mitigate customer concentration risk, deliver sustainable growth and create long-term value for shareholders.

Thank you so much, Rohan. Over to you. Rohan, did I put you to sleep?

Rohan Baranwal:

Yes. Am I audible?

Harsh Bansal:

Yes, you are. Thank you.

Rohan Baranwal: Okay. So yes, so we will move on towards the Q&A round. Any participants who would like to ask questions can raise their hand or put them in the chat box.

Moderator: Thank you very much. The first question is from the line of Bhavesh who is an individual investor. Please go ahead.

Bhavesh: So my first question is with respect to the revenues. So did this quarter include any trading activities?

Harsh Bansal: No, it is ~~does~~ not, Bhavesh.

Bhavesh: Okay. Sir, second question is that we know that the EBITDA margins have improved this quarter. So what factors drove this increase?

Harsh Bansal: So there are -- don't read too much into that. I think the important thing to remember is that we are still in the 23% to 25% range. Some of these things change based on we started selling our own galvanized coated products. We may have got a market upswing in some products or something like that. The factor mix, the product mix, the zinc pricing and all of that. So I wouldn't read too much into that.

Bhavesh: So can we accept an uptick in the margins or it will remain at this level only?

Harsh Bansal: No, I think it's safe to say that we'll remain in the 23% to 24% margin.

Bhavesh: Perfect. Sir, aAnd your press release mentioned that the company is in the final stages of contract negotiations with the key customers and that operations and volumes are expected to normalize in the coming months. So can you confirm, is this customer Tata Steel?

Harsh Bansal: So we usually do not name the customer, but it's a key customer, and what you're talking about is only for the TMT segment, yes.

Bhavesh: So Tata Shaktee is the...

Harsh Bansal: Tata Shaktee is the roofing sheet brand and not the TMT brand, but yes.

Bhavesh: So what is the expected size of this contract and the revenue contribution?

Harsh Bansal: So it's a little early to talk about that. I'm sure as and when that happens, we will come out with an adequate disclosure here.

Bhavesh: Okay. And sir, so the current status of the Bokaro Greenfield project. So if you could -- so I request would be that if you could upload a few pictures on the website of the company so that all the investors and the potential stakeholders are aware of what is exactly happening. Because there is no update apart from the press releases and the presentation. So we have no idea where the project is at, where is it at the...

Harsh Bansal: Bhavesh, point well taken. While I'm not sure whether I can do that on the website, but I'll definitely make it a point to update the presentation, the following subsequent presentation.

Management: Yes, we can add the pictures on the presentation.

Bhavesh: The pictures like every quarter, what exactly is happening, like where it is at. So the stakeholders will be quite impressed with the company.

Harsh Bansal: Having said that, you are most welcome to visit, yes. I mean, there's no better way to check up...

Management: While we will do that, but if you visit, you will really get the pulse of the progress.

Bhavesh: Okay. And sir, how confident are you that the revenue will begin flowing from Q1 FY '27 as guided?

Harsh Bansal: I mean, how do I say this, on a scale of 0 to 10, I'm above 9.

Bhavesh: Sanjeev Sancheti I mean, we won't stick out to write it on the...

Harsh Bansal: I mean, that's the only reason I've not said 10.

Bhavesh: But yes, very much confident?

Harsh Bansal: I am, yes.

Bhavesh: Okay. Sir, I will come for the follow-up round.

Moderator: The next question is from the line of Aditya from Sarthak Securities.

Aditya: So my first question is, what is the expected time line for the completion of contract renewals with your key TMT customers? And what are the anticipated volume ramp-up targets post renewals? And following up, how does the current TMT segment utilization of 43% compared to normalized operational capacity? And what growth trajectory are you projecting for FY '26, '27?

Harsh Bansal: So okay. So I'll just break that into different questions. One is I would not want to put a final time line on closure of the negotiations. I'm just a little superstitious, I might jinx it. So I'll leave that for now. But like I told Bhavesh, I will surely come out with a press release within 24 hours of the contract getting finalized. That is one.

Typically, if you look at the preceding quarters, our utilization on TMT has been closer to the 70%, 80% range. And we are hopeful that one is finalized. We would like to ramp up to that within -- as soon as possible. There are various aspects of that. We are still in the discussion. So without doing -- without disclosing -- without the fear of disclosing things that I can't disclose, I think needless to say that this was an operating plant. It won't take very long to ramp up. But there are a lot of other factors that we need to look at.

For '26, '27, our overall guidance remains the same and onwards as well.

- Aditya:** Sure, sir. Okay. So the next question is management mentioned CRM volumes were impacted by raw material shortages at the customer end. So like what percentage of CRM complex revenue is now coming from proprietary GI product sales versus contract manufacturing?
- Harsh Bansal:** So in the quarter under discussion, the volumes coming from proprietary were very, very small. We will see those numbers growing up in the future quarters. But in the last -- in the quarter under review, the reason why it was small is because we had to start at a very short notice. And so while that was done, it will hold us in good stead in the future. In the quarter under review, it was not too much. I think we had about maybe 2,000 or 3,000 tons or something.
- Aditya:** Okay. So like what margins are you achieving on proprietary sales compared to contract manufacturing? And how does this shift into...
- Harsh Bansal:** Sorry, but we don't get into individual margin discussion yet.
- Aditya:** Okay. Sure, sir. Sir, the last question, sir. The Pipes and Tubes contract has been extended until H1 FY '27, I reckon, with expected revenue of around INR365 crores. So like beyond this contract expiration, what is the strategy to sustain and grow this segment?
- Harsh Bansal:** I didn't grasp your question completely. ~~Can you...~~
- Aditya:** So like the Pipes and Tubes contract has been extended until H1 FY '27, I reckon, with expected revenue of INR365 crores. So beyond this contract expiration, what is the strategy to sustain and grow this segment?
- Harsh Bansal:** So I think this is a part of our offering on the conversion vertical. We are not -- we have given a guidance of up to FY '28 on this, where the capacity that we hope to finally create by the end of this year, about 700,000 tons. Till at least FY '28, we are looking at consistently ramping up the volumes in this.
- So the -- once we are closer to, let's say, ~~70%~~, 60%, 70% utilization, we'll start talking about steps to sustain it. But until that point, I think we are only talking about ramping up to a higher utilization number. Having said that, 4 years down the line here. So I mean, it's a little early to talk about that.
- Aditya:** Absolutely. And sir, lastly, like what is the customer concentration risk in Pipes and Tubes? And are you actively pursuing like new customer relationships as well?
- Harsh Bansal:** In Pipes and Tubes?
- Aditya:** Yes.
- Harsh Bansal:** No, we are not. So, ~~we have~~—our entire capacities are contracted to our primary customer. And we are not looking at any other customers in that segment as things stand now.
- Moderator:** The next question is from the line of Virag from VS Investments.

- Virag:** I would like to ask for the ROE and ROCE and return on capital has declined from 10.8% in FY '25 to 8.2% annualized in September '25 while ROCE stands at around 10.2%. Given substantial credit time deferment, at what revenue and EBITDA levels all these metrics recovered to FY '25 levels or better?
- Harsh Bansal:** Just let me get this clear. Do you want to know the reasons for the reduction in the ROE and the ROCE?
- Virag:** Yes. And when can we see the recovery path?
- Harsh Bansal:** So the reduction is essentially because we have had higher investments on account of our own proprietary products and sales, which is not yet fully ramped up. So once it fully ramps up and that cycle hits in, then a lot of these metrics will come to a stable state. And typically, what happens is the H1, indicators are always lower than the full year indicators. So I would request you not to compare the September numbers with the March full year numbers.
- And also, we've already guided that once our ramp-up in capacity, in-house capacity goes up, then we're looking at, I think, 18% return on equity is already capital inverted, not ROCE. So if you look at the opening remarks, which you have read just now, by FY '28, we're looking at a ROCE of about 18%.
- Virag:** Okay. Yes. So my second question is you mentioned about the strong growth potential fueled by domestic demand, GDP growth and rising demand for value-added steel. What specific end market segments, auto, infra, appliance, et-cetera, drive the largest growth opportunities? And how are you positioned from competitively relative to the larger integrate steel players?
- Harsh Bansal:** So one thing is certain here. I think with respect to the larger integrated steel players, we are more agile. That's very, very clear. We can respond faster to market conditions.
- Second is, coming back to your original point of the sectors that we intend to serve, we are not looking to start with at least appliances and white goods and that whole segment. I think our entry segment is going to be the commercial markets, which may be infrastructure, housing and the most basic. And as we stabilize our operations and my marketing team and the quality operations team become more confident, we will start scaling up the customer segment as well. But to begin with, I think it's safe to say that we will be entering the market only at the commercial level.
- Virag:** Okay. My last question would be given that you have both TMT and CRM segments were impacted by RM constraints, so what is your sourcing strategy going forward? Are you exploring backward integration, long-term supplier partnerships to mitigate the supply side risk?
- Harsh Bansal:** So, ~~these are long~~—these are the 2 sectors that you mentioned are part of the long-term contracted-- sorry, contract manufacturing segment where these capacities have been contracted to certain customers where we do not source the raw material directly. So there is no alternate raw material sourcing strategy. Secondly, we are not talking to other customers for this. And needless to say, I don't think that backward integration into steelmaking is on our horizon for the

foreseeable future. Should something change, let's say, 10 years down the line, that's, of course, way into the future. But yes, that's about it, yes.

Moderator: Our next question comes from the line of Heli Shah, who is an individual investor.

Heli Shah: I wanted to ask on the Greenfield project at Bokaro. We have already spent INR42.8 crores of capex as of September '25. And what is the stage-wise capex deployment plan for the next 12 months?

Harsh Bansal: What is the capex deployment?

Heli Shah: Yes. What is the stage-wise capex deployment plan?

Harsh Bansal: So your total -- we'll be spending close to about INR800 crores up to March '27. As things are now, the numbers that you have in front of your September ended. As of now, we have spent in something in the range of about INR60 crores. We are almost very close to our financial closure, raising debt and everything else. Once that happens, my expenditure is going to start picking up.

Like we mentioned, the Phase 1 color-coated commercial operations will start by first quarter FY '27. And that will be followed by Galvalume and galvanized operations, which will then be followed by pickling and color coating. The entire project is expected to get operational by FY '27 end. And yes, so combined till FY '27 and we are looking to spend something close to INR800 crores, which is a mix of debt and equity.

Heli Shah: Okay. The next question is...

Harsh Bansal: Your voice is breaking. We can't hear you very clearly, please.

Heli Shah: What is the estimate capacity and revenue contribution expected from this color coated facility?

Harsh Bansal: A lot of this is available in the investor presentation, which has also been uploaded. I'll request you to kindly have a look at it. And then, of course, you can come back for any follow-up questions.

Moderator: The next question comes from the line of Mohan Bogade, who is an individual investor.

Mohan Bogade: My question is around last quarter, there was a challenge with the customer, if I'm not wrong. This quarter, we have a raw material challenge. How confident are you in meeting the FY '26 numbers when you compare with FY '25?

And the second question is around -- I mean, with all the steel majors declaring good numbers this quarter, I'm a little surprised that there was a raw material challenge. That's the second question.

Harsh Bansal: Your first question, I'm fairly confident about achieving the numbers, partly because when we gave the guidance of those numbers, we have not taken into account our own galvanized product sales, which has come as a result of changing priorities for the customer in the last quarter. When

I say raw material shortage, I also mean not for their sales, but what they decided to get converted by me.

Coming to your second question, where you are comparing my numbers with the steelmakers' numbers, thank you very much for putting me in the same category, sir, but I don't make my own steel. There are various ways to skin the cat and if the big steelmakers decide to sell material as opposed to get it value adding, they get revenue on their books much quicker. In my case, I have to -- when I'm in these long-term contracts, I have to rely on the customer to kind of see the value and value addition. And yes, so I guess that's it.

Mohan Bogade: And also last, if I remember in the last conference call, you were expecting the Bokaro steel plant -- sorry, the Bokaro plant to start spending some revenue in the Q4 of '26.

Harsh Bansal: Yes. So we had said that we expected that because we'll start our complete trials by quarter 4 and ultimately have to sell whatever material comes in, which is like quarter 1, we have set commercial operations. We got a feedback that it may cause a little confusion. So we've corrected it from starting operations to starting commercial operations, not trials and things like that.

Moderator: The next question comes from the line of Aditya from Sarthak Securities.

Aditya: Yes. Sir, one more question. Sir, are you engaging with government agencies like NTPC in India or Ministry of Housing and Urban Affairs like to secure long-term supply agreements for color-coated or the specialty steel?

Harsh Bansal: No, I don't think they are -- they add value to any long-term agreements yet. So why should I tie myself up? I mean I, don't see -- there's no value in that.

Aditya: Okay, sir. And sir, on color-coated steel, right, can I know like what can be your estimated margins moving forward?

Harsh Bansal: I'm not -- we don't talk about individual product margins yet.

Moderator: The next question comes from the line of Neil from NSC Securities.

Neil: Good afternoon, sir. Am I audible?

Moderator: Yes, you are audible.

Neil: Okay. I had 1 question regarding the pricing of the products. Color-coated once has been mentioned that it will be around INR85,000 a ton, that will be the pricing range of color-coated, if I'm right. And second, any guidance on what ZAM products will be charged? How will they be priced?

Harsh Bansal: So the color-coated currently selling in the 80%, 85% margin, but it will also greatly be impacted by how the HR prices and coated steel, zinc prices and all are at that point in time.

Neil: Okay. So you have no specific pricing in mind?

Harsh Bansal: No. I mean, as of now, it's a little early to be talking about pricing when I don't know what the HR coil pricing or the zinc pricing is going to be at that point in time. These are the 2 major inputs for color coating. On the question of ZAM, needless to say, ZAM will be a higher value-added product. But if you look at the Indian market, there is still no full-fledged commercial seller of ZAM products in India.

And I do understand that there are a host of larger steel companies who are looking to start commercial operations of ZAM. And I guess, they will be the market makers and at some point, as capacity kind of come into the market, the market will find a decent enough premium for them. As of now, it will be a random guess to give you a number because there's no way it can be -- it makes sense.

Neil: So for the new project that you have, you're primarily focusing on color-coated, ZAM will show itself at a later stage. So color-coated is what your primarily focused now?

Harsh Bansal: So the first and the highest value-added product is color-coated, which is why we are getting the first because as we ramp up color coating, it will be followed by Galvalume steel, which also becomes the base metal for color-coated. And that will be followed by galvanizing and ZAM line. Now the -- it's also essential to remember that the line will be capable of doing galvanizing as well as ZAM. So depending on which sector is getting us higher margins at that point in time, we'll be free to produce that.

Moderator: The next question comes from the line of Bhavesh who is an individual investor.

Bhavesh: Look, a couple of follow-ups. So the revenues have remained largely flat for the past 5 quarters. So when can we expect a meaningful uptick, especially considering a guidance of 75% CAGR of the next fiscal? So like at what point do you foresee quarterly revenues crossing the INR200 crores, INR250 crores. So that this is the starting like once we see that INR200 crores, INR250 crores in revenue, then only we can see a bigger uptick like around INR500 crores, INR400 crores, INR500 crores per quarter. So when do we see that?

Harsh Bansal: So I think it's a very, very good point that you brought up. And I do expect that you'll start to see traction maybe in the next couple of quarters at the max. Q1 FY '27 for sure, because that will mean an integration of a new product, which will add significant top lines ~~on that. -or-~~ ~~non-debt~~ ~~0-2-34~~. So Q1 '27 for sure. But you will start to see the flat lines curving upwards before that.

Bhavesh: Before that, okay. Understood. Sir, on your India Ratings report mentioned that the financial tie-up for term loans for the company's INR500 crores Greenfield capex is completed. So can you share a few details on the lenders involved, who are the lenders?

Harsh Bansal: So we've not yet signed the contract. And so I would not like to share the names, but needless to say, these are top lenders in the Indian market. And we were also keen to work with them specifically because it adds a lot of confidence for investors such as yourself, yes.

Bhavesh: So INR500 crores, that is the loan amount?

Harsh Bansal: That's the total debt amount.

- Bhavesh:** So the other INR300 crores will be from the cash flows or...
- Harsh Bansal:** For the continuing cash flow and we will look at raising equity on the secondary market, if need be.
- Bhavesh:** Yes. If you remember, I suggested you on the last call also that if you can, instead of going for the debt, you can raise capital and sell some equity.
- Harsh Bansal:** Point well taken, but that is, in our view, much cheaper than equity. We will raise equity to give our stakeholders an opportunity to increase their stakes. But at this point, I feel that the debt is continued to be cheaper than equity.
- Bhavesh:** Yes, I agree that the debt is cheaper than the equity. And also, you are putting in INR800 crores in capex. So -- and the market cap of the company is around INR900 crores, INR950 crores. So you are forming another BMW Industries for the same market cap. So yes, debt is much more sensible than the equity. Once the revenues go up, the company becomes big, then you can easily liquidate some part of it.
- Harsh Bansal:** Yes. Once the expansion stabilizes and all that, that's the time we will probably -- I mean, I'm not saying that we will, but we'll probably look at that.
- Bhavesh:** Got it. And the dividend payout would increase this year, right? Because the expansion is bigger.
- Harsh Bansal:** We'll maintain the promise that we've made to the shareholders. We'll continue with our guidance of 13% to 15%.
- Management:** Till the time the expansion is completed and we start getting the cash flows from there.
- Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.
- Harsh Bansal:** Thank you so much, the team from Arihant and from all our dear investors for taking the time out and being here and asking -- continuing to ask your insightful questions and for continuing to guide us. We look -- I personally really do look forward to these quarterly calls because it gives us all something to further to think about. Thank you once again. And with that, I'll give it to Sanjeev, sir.
- Sanjeev Sancheti:** Thanks a lot. Really appreciate coming out for this call in a busy results season, really appreciate and have a great a day, great evening. Thank you.
- Moderator:** On behalf of Arihant Capital Markets Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.