Management Discussion

Devrishi Singh - Investor Relations, CDR India
Thank you, Rayo. Good evening everyone, and thank you for joining us on Usha Martin's Q2 FY27 earnings conference call. We have with us Mr. Rajiv Jhawar, Managing Director of the company, Mr. Abhijit Paul, Chief Financial Officer, and Ms. Priya Jhawar, Director of the company. We will initiate the call with opening remarks from the management, following which we will have to have the forum open for a Q&A session. Before we begin, I would like to point out that some statements made in today's call may be forward-looking in nature and may involve certain risks and uncertainties. I would now like to invite Mr. Rajiv Chhabra to make his opening remarks. Thank you, and over to you, sir.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Thank you. Good evening, everyone, and thank you for joining us for the Usha Martin Q2 FY27 earnings conference call. I will begin with an overview of our business performance and key operational developments during the quarter, following which our CFO Abhijit will take you through the financial results in a greater detail. We delivered a healthy performance during Q2 and H1 FY27 with continued growth in revenues, sustained operating margins, and strong cash generation. For Q2 For Q2, consolidated revenue stood at 1,000 crores, representing growth of 12.4% year-on-year.

Operating EBITDA increased by approximately 17% to INR 202 crore, with margins at 20.2%. For H1, revenue grew by approximately 15% to 2,021 crore, while operating EBITDA increased by 28.5% to 410 crores. EBITDA per ton remained healthy at approximately 40,700 per metric ton, supported by improved realizations and product mix. Our wire rope business delivered revenue growth of approximately 13% year on year during the quarter, while volumes remained marginally lower. One of the encouraging developments during the quarter has been the performance of our domestic business.

Demand for wire ropes has remained healthy across key applications, and we recorded volumes of 12,700 metric tons in Q2 despite the monsoon season an increase of 14% from the same period last year. We have also seen an improvement in realizations by 12%, supported by the evolving product mix and market conditions. Internationally, volumes in the Middle East remained soft, although profitability stayed intact. Geopolitical uncertainty, higher freight costs and cautious stocking by distributors affected demand, particularly for the general-purpose ropes.

We focused on end customers served through our own rigging shops and service network. In Europe and U.S., we have continued to focus on improving our product mix with a greater emphasis on specialized and higher-value rope applications. This has supported better value growth across both markets. While wire rope revenues have grown well, volumes have remained broadly flat during the first half. Improving volume growth remains an important priority for us, and we will continue to invest in expanding our capabilities in segments where we see strong demand potential.

During H1, we invested approximately 143 crores in capital expenditure. Our elevator rope expansion at Ranchi is now being commissioned, and we expect the full incremental capacity of 500 metric tons per month of elevator rope to be operational by Q1 of the next financial year. We are seeing encouraging demand from our dealer network as well as our OEM, which give us confidence in growth potential of this segment. We also commissioned new capacity of mining ropes of approximately 100 tons per month of higher value-added products, where we see opportunities to strengthen our presence internationally.

The wires business had another strong quarter with volumes up 21.7% and revenue up 35% year on year. Domestic demand was healthy and export relationships and approvals are building steadily in higher value applications. Conventional LRPC volumes remain under pressure. The long-term direction, as we have mentioned, in plasticated LRPC project activity has picked up in this segment and we are quoting on several large opportunities both in the domestic and export markets. From a capacity standpoint, we are preparing to support higher volumes as these projects convert into orders.

Beyond the quarterly performance, we have also made progress on 2 important initiatives aimed at sharpening our business focus and improving operational competitiveness. First, during our last, last call, we had mentioned that cables is not a core business and that we were evaluating different options for the UM Cable division. During the quarter, we entered into an agreement for its divestment and have since received 77 crore in consideration, and further working capital adjustments should happen, resulting in the, uh, final payment to happen within the next 30 days.

This is in line with our strategy of focusing on businesses where we have stronger competitive advantages. The cables business had limited scale and pricing power, and further growth would have required additional capital that we believe is better deployed in our core business of steel wire ropes. Second, we have launched a comprehensive turnaround program for our Thailand facility, where profitability remains significantly below the, the group's average. The program has 2 aims: lower the cost base and improve the product mix.

On mix, while we have made strong progress globally, we see considerable opportunity in Southeast Asia, particularly in ports, elevators, piling, and construction. We have strengthened our commercial team to develop these segments, with Thailand positioned as our primary manufacturing hub for this region. On the cost side, we are integrating Thailand more closely with Ranchi, moving certain upstream processes to India where costs are lower while retaining significant manufacturing in Thailand to stay close to customers.

We are rationalizing manpower and overheads, modernizing older machinery, and selectively investing in new rope finishing equipment to support the higher value products these segments require. Together, these initiatives are expected to improve Thailand's cost competitiveness and profitability, profitability over the next 18 months. Importantly, we continue to pursue these growth and operational improvement initiatives from a position of financial strength. During FY27, we generated operating cash flow before tax of 413 crores, representing 101% conversion of operating EBITDA into cash.

We closed September with a net cash position of 415 crores, even after dividend payments and the CapEx spent during the quarter. Altogether, the net balance is 415 crores. The this provides us with financial flexibility to continue investing in our growth initiatives. On our outlook for FY27, we remain confident of achieving our financial targets of 15% revenue growth, operating EBITDA margins of around 20%, and cash conversion of approximately 100%. We expect volume growth to improve during the second half, although the external environment remains uncertain.

Looking ahead, our priorities are clear: strengthening our position in specialized wire rope, expanding global customer relationships, and enhancing operational efficiencies across the group. With our ongoing investments in capacity, a diversified geographic presence, and a strong balance sheet, we believe Usha Martin is well positioned to deliver profitable growth. With that, I would now like to invite our CFO, Mr. Abhijit Paul, to take you through the financial performance for the quarter in greater detail.

Thank you.

Abhijit Paul - Chief Financial Officer, Usha Martin Ltd
Thank you and a very good evening to everyone. I will now provide an overview of the company's operating and financial performance for the quarter and half year ended 30th September 2026. Starting with the 2nd quarter, our consolidated revenue from operations stood at 1,000 crores compared to 890 crores in Q2 of FY26, registering a growth of 12.4% year on year. Operating EBITDA increased by 16.5% year on year to 202 crores compared with 173 crores in the corresponding quarter last year. Operating EBITDA margin improved to 20.2% from 19.5%, an expansion of approximately 70 basis points year-on-year.

Profit after tax from continuing operations stood at 136 crores compared with 128 crores in Q2 FY26. PAT of last financial Q2 FY26 included one-time exceptional income of 16 crores Excluding this, our PAT during this quarter has grown by 10% year on year. The growth in operating EBITDA translated into stronger profitability on a per-ton basis. Operating EBITDA per ton stood at 40,680 per ton compared with 40,580 in Q1 FY27 and 34,915 in Q2 of FY26. For the first half of FY27, consolidated revenue from operations stood at 2,021 crores compared with 1,760 crores in H1 of FY26, registering a growth of 14.8% year-on-year.

Operating EBITDA increased to 410 crores from 319 crores in corresponding period last year, With margins improving to 20.3% from 18.1%. PAT from continuing operations stood at 278 crores compared with 230 crores in H1 FY26, which included last year's numbers included a one-time income of 24 crores. We have restated previous year's numbers by excluding UM Cables as the same has been shifted to discontinued operations An important highlight of our performance during the first year has been the strength in cash generation.

Consolidated operating cash flow before income tax stood at 413 crores during the quarter during the half year ended April '27, translating into a cash conversion of approximately 101% of operating EBITDA. We also made progress in improving working capital efficiency Consolidated net working capital days reduced to 185 days from 194 days in March '26, supported primarily by better inventory management. Inventory days declined to 166 days from 176 days over the same period while maintaining adequate inventory levels to support our international operations and customer requirements.

We have generated a free cash flow of 186 crores during H1 FY26. Return on capital employed also improved to approximately 21.6% compared with 20.6% in the end of FY26. During the quarter, we also took advantage of the one-time settlement scheme introduced by the Punjab government and settled old entry tax disputes by paying 4 crore. This reduces our contingent liability by about 37 crores and removes a long-pending legacy issue. Looking ahead, our financial priorities remain focused on sustaining healthy operating margins, maintaining strong cash conversion, and efficiently deploying capital towards our growth initiatives.

Our strong financial positions provides us with the flexibility to pursue these opportunities while continuing to generate long-term value for our stakeholders. This brings me to the end of my remarks. I would now request the operator to open the floor for question and answer session. Thank you.

Questions & Answers

Operator
Sure, thank you very much. We will now begin the question and answer session. [Operator Instructions] The first question is from Aman Kumar Sontalia from AK Securities.

Please go ahead.

Aman Kumar Sonthalia - Analyst, AK Securities
Good evening, sir. Um, first of all, congratulations for the satisfactory results under very challenging international scenario. Sir, I have few questions related to this quarterly result. Number one, sir, why were volumes relatively flat this quarter? Has the Gulf War played a role in this?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Thank you for your question. Um, yes, volumes for rope were flattish for the quarter, but, uh, but first and foremost, I want to say that volume growth does remain a very important priority for us, particularly in the specialized wire rope segment. Having said that, as you mentioned, I think it's also important to look at the broader geopolitical environment over the last 6 months, which has been quite challenging. The situation in the Middle East did impact the demand sentiment in the region, which led to lower volumes, particularly in a market like the Middle East where we had significant growth ambitions planned for the year.

But even at these lower volumes, we were able to protect the profitability in the region through the business model that we have there and the improved product mix. Along with that, we've also seen significant disruptions on the logistics front as a result of the war. And just to put things in perspective, compared to February this year, freight rates to our key markets like US, Europe, and Middle East increased by as much as 4 to 6 times since the peak in September, from Feb to September, and the transit times also increased.

So this obviously affected the pace of the order execution and volume growth. But more recently, we are seeing easing of some disruptions in the Red Sea, which are starting to give some relief to freight costs in US and Europe, which should help us, you know, in H2 with volumes as well. But on the other hand, there has been positives on the volume front also. As we mentioned in the opening remarks, the domestic business has performed well during the period, both in terms of volume and value, which supported our top line growth and profitability.

And even in terms of overall volume efforts, increasing our coverage in various markets, that has stayed intact. We've made good progress in securing some long-term contracts and consignment arrangements, particularly in the Southeast Asian and the US region, which are going to support our volume growth going forward. Just to give you an example, recently we secured a 3-year port contract with one of our large port operators in Southeast Asia. Where we've been able to, you know, meaningfully increase our share of wallet.

So these are the kinds of opportunities we are actively pursuing because they will give us better visibility into our volume going forward and a more recurring base of business. So yeah, like you said, while the Gulf War and the external environment have impacted volumes, we are quite confident about the opportunities ahead and we'll focus on driving more profitable volume growth with the right mix and healthy margins.

Aman Kumar Sonthalia - Analyst, AK Securities
And next question is, how did the European and US market perform in the last quarter, and what is the outlook for this market going forward?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Um, both the US market and the Europe market, um, had strong quarters in the first half. So for the US market, last quarter, uh, we saw both volume and value growth. In fact, in H1, we saw approximately 12% growth in volume and 22% growth in, um, in revenue for the US entity. But we still feel that the potential in the US market is massive and we haven't really scratched the surface yet. So this is a market definitely that we are going to aggressively pursue going forward. We are also looking to build our frontline team there to expand coverage for the key high-value segments like mining elevator ropes, but also for crane ropes where we feel still we are a drop in the ocean compared to what the market size is.

So we just got into, in fact, a framework agreement with one of the customers in the US to expand our crane rope presence, and we feel that will be an important stepping stone for us to grow in the next 2 to 3 years in, in that market. And on the European side, um, from the various entities that we have in Europe and also the direct exports from India to Europe that we do. Altogether, our sales increased by about 11% in the first half. The growth primarily came from the service part of the business and a better product mix.

But like we said, because the freight rates have been elevated for Europe almost 4x since, since February, the demand for GP ropes has gone down quite a bit as the big distributors are not looking to stock materials at such high rates. Like I said, that's eased a bit since September, so H2, you know, should it should pick up. But our focus in the Europe market will continue to be that the premium customer segment where we sell more high-performance ropes, and we will look to build our service capability further in the Europe market.

Aman Kumar Sonthalia - Analyst, AK Securities
And another question is that what is the current update of Thailand business? Can we expect top line and bottom line growth going forward?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
The Thailand business, as I mentioned, uh, we are we have, like what we had taken in Europe, uh, complete, uh, review of our business model. We have now started our similar exercise in Thailand, as I mentioned in my opening remarks, and that should help us improve our volume, also improve the product mix, as we would be focusing more on the value-added products like elevators, cranes, piling, boat ropes in those markets, which has a fairly strong demand in Southeast Asian market. And with integration of our upstream facilities with Ranchi, we will be able to be much more competitive in terms of our conversion cost and operating cost as a group as a whole.

And we should be if this will help us to enhance our EBITDA margins and profitability. Overall, we expect this to improve our, uh, EBITDA margins, which are 6 to 7%, to close to 14 to 15%, whereas it should also have, uh, you know, with, with an increased volume of 10 to 15%. So it should have a fairly strong, uh, over the next 18 months, it should have a very strong bearing on our overall performance and profitability and should help us improve the profitability and the EBITDA margins for the whole group as a whole.

Aman Kumar Sonthalia - Analyst, AK Securities
And so one last question, that we are sitting on a substantial cash reserve and we are also generating good cash every quarter. So whether we are planning any acquisition and any concrete discussions underway?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yeah, so we are continuing to look at inorganic opportunities that can help us accelerate our growth, especially in terms of you know, access to new markets and increasing our high-value products. And we feel that this will be important to take our growth to the next level. In terms of specifics, there's nothing specific to share at this stage, but our approach, you know, like we said before, is quite clear looking for, you know, medium-sized, good-quality businesses that integrate well with integrate and complement our existing business, and that will help us deliver incremental ROC for the whole group without, of course, tainting our balance sheet.

But as and when these develop, we will make the necessary disclosures, um, if there's a material development. Just to add,

Rajeev Jhawar - Managing Director, Usha Martin Ltd
we are, we are seriously pursuing this.

Aman Kumar Sonthalia - Analyst, AK Securities
Okay, sir, thanks a lot. Thank you. Yeah,

Operator
the next question is from Varun Jain from Dollar Capital. Please go ahead.

Varun Jain - Analyst, Dolat Capital
Yeah, hi, good evening, ma'am. Good evening, sir. So a couple of questions. Firstly, on the volumes part, there is a big divergence in wire volume and wire and strand volume. I mean, one is growing 25%, other is down minus 2.3%. So the factors which are affecting should be affecting both of them, right?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yeah, so, uh, you know, on the, uh, if we look at the wire rope and the wire business, right, the wires business for us is primarily right now on the domestic part. Export is something that we are developing, but some of the broader geopolitical factors, logistics, etc., that have impacted, you know, the wire rope business, particularly the GP rope part of the wire rope business in the international markets, that hasn't impacted, uh, the wire part of the business. Uh, so wires is something that we have seen has grown at, uh, you know, 20% on a half-year basis in terms of volumes.

Viro has stayed mostly flat, but the product mix, of course, as we mentioned in the Viro part of the business, has improved significantly. And a large part of that, uh, you know, the, the, the reason it's flat is Middle East as well as the GPO part of the business, which was affected by the logistics.

Varun Jain - Analyst, Dolat Capital
Uh, okay. So, uh, and the domestic part of wire loop, if that is growing, then there should be like a 3-4% growth, right? Because, uh, some 20-30% or 40% is still domestic even in wire loop also, right? So why is that not growing?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
So, uh, no, of course, see, the domestic side has, has grown like we mentioned in our, um, opening remarks. In, in both the quarters, most recent quarter we did almost 13,000 tons. But the Middle East, which is also a significant part of our business, was the volumes were down 30%. So, so that had, you know, that had a significant impact, though we are seeing a little bit better, you know, volume, you know, in H2. But the environment still remains uncertain. On the US side also, as I mentioned, we did see a 12% growth in terms of volume.

And value grew more than that. Europe, if I look at it, volumes were more on the flattish side, but because of our service as well as our product mix, our value increased. So it's been a balance where the US and the domestic market has shown us growth. Middle East has been, you know, down and it's a significant part, whereas Europe has stayed flat in terms of volume, but the mix has improved. So, so the balance of all these factors led to, you know, more sort of flattish performance, uh, in the, in the first half.

Uh, in the second half, we hope to, you know, do better, but, but again, the environment remains uncertain. Our focus will be, you know, to ensure that the 15% top-line growth, 20% EBITDA margins, and the 100%+ cash conversion those are some things we are very confident of meeting even in these uncertain environments.

Varun Jain - Analyst, Dolat Capital
Uh, sure. And, uh, secondly, We've been always saying that the elevator market is there's a lot of demand there and we were not able to supply because of capacity. Now that we'll get the 6,000 metric tons of capacity, so in FY28, is it fair to assume that we'll at least sell 5,000 metric tons? And assuming a 300 per kg kind of realization, there will be an incremental 160 crore revenue. And at 30% EBITDA margins of 45 crore EBITDA for FY28 from this capacity. Is that a fair assumption?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Uh, on the volume front, yes, both the domestic demand the domestic demand is fairly strong and is expected to grow. The elevator industry is growing by at least 20-25% every year on the back of new, uh, in the Tier 2, Tier 3 cities, the way they are expanding the multi-story buildings, and as well as the replacement market. So we and we are unable to meet the current demands of the elevator rope in the in, in, in our domestic market. So this entire capacity, we feel that we should be able to sell in the domestic market.

In addition to that, there is an opportunity that because of the current strong demand, we are unable to meet all our international clients, and there are opportunities to build volumes there as well. So that should also help us to come in. The price is between 230,000 to 240,000 a ton. Sometimes it could be higher in the international market. Altogether, this is the, uh, top line we should be able to, you know, around 130 to 150 crores on the top line we should be able to add because of this elevator rope capacity coming in.

And of course, the EBITDA margins, uh, should be what you mentioned, should be around the similar numbers.

Varun Jain - Analyst, Dolat Capital
Sure, sir. Uh, and what is the CapEx outlook for FY28 and where will that CapEx go?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
The CapEx, uh, you know, this is the ongoing CapEx. So we, we are, uh, what we had mentioned

even earlier, our CapEx is close to about between 200 to 250 crores a year would be our CapEx outlay. So one is completion of this elevator rope project. Then we are looking at expanding our specialized rope, particularly the mining rope, a part of which has just been commissioned, and also further expanding into our plasticated LRPC capacity, as well as increasing the specialized wire where we are developing markets, as I mentioned in the opening remarks, internationally.

So our CapEx on the for our organic growth would be close to around 200 crores to 250 crores every year, and that should help us to continuously keep on improving the capacity of our ropes in the, you know, for the areas where we see demand coming up.

Varun Jain - Analyst, Dolat Capital
Sure, sir. Just the last one, what is the revised volume and realization guidance for FY27? Now that H1 has been quite flat.

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yeah, I mean, yeah, when you look at the first half, volumes have stayed flat at 101,000 metric tons. Ropes have stayed flat but wires have increased. LRPC is what has been down about 17% from say 23,000 to 19,000. H2, we see like we said stronger both on a sequential basis as well as on a year-on-year basis, and our target and ambition both for the core, the rope segment and the wire segment remain intact. But, but of course, the first half there was a little bit of a setback. But overall, you know, for rope and wires, we still have that ambition.

LRPC is what has caused a major drag of about 4,000 tonnes in the first half. And that is something that, you know, we don't want to sell LRPC at a loss. It's become the the normal black LRPC has become such a commoditized product that, you know, it is, you know, a fast-moving product in the sense that, you know, from production to conversion to cash is fast. We have the capacities. We are continuing to be in that market. But you don't want to do volumes at the cost of volumes and sell it at a loss.

So that is something that, you know, we will play it by ear. But the focus on plasticated LRPC, like we said, and we do see uh, you know, projects that we are quoting for Q4, large projects both in the export and domestic market, which if they, they materialize and we do have the approval approvals in place, so that can meaningfully boost it. But since that's project-based, cannot commit to a specific number on that, right?

Varun Jain - Analyst, Dolat Capital
If you keep your earlier target of say 10%, uh, at an H1 you're -1%, so that would bring you to an H2 asking rate of 20-22% in that range. So are you confident in H2 that can be achieved? And has October and mid-November, has that kind of run rate been seen?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
You see, uh, we have we volume, uh, increasing the volume is going to be our focus on a continued basis. Uh, however, as I mentioned in our previous calls also, while volume is important But more important for us is to ensure that our value, which is the value-added products and the wire rope with the higher value addition, whether it is the crane rope, elevator, mining, which gives us a much higher EBITDA margin and contribution per ton. So that we want to protect at any cost, and that we have been able to successfully do, and we would continue to strive.

But the volume also depends on how the geopolitical situation emerges, how the, um, the logistics costs, particularly for the GP rope, where we are able not able to pass on the price increase, or the

customers are not ready to take a higher. So those are the challenges we are facing. So in a nutshell, I can tell you our priority is to keep on increasing the volume. We are hopeful that we should be able to come close to our target, but more important for us and where we are more confident is to ensure our revenue growth resulting in and with, uh, with protecting our margins and overall profitability growth over last year.

That is something we are more confident about.

Varun Jain - Analyst, Dolat Capital
Okay, uh, thank you, sir. Thank you and all the best.

Operator
Thank you. The next question is from Parthiv Johansa from Anand Rathi. Please go ahead.

Parthiv Jhonsa - Analyst, Anand Rathi Financial Services Ltd
Hi sir, happy Diwali to you and the entire team. Just wanted to quickly check up on a couple of queries. Actually, I'm sorry, I actually joined in late. If you have repeated, I would really be sorry for that. Quickly just wanted to check on a couple of things. Number one, as ma'am mentioned, the LRPC volume is low. So is this well, does this volume actually, you know, consider any anything from the plasticated LRPC or is purely black LRPC?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Uh, the, uh, black it was mainly the black LRPC volumes are down because of a monsoon as well as the extremely low prices and margin in the domestic market. So that was lower. Plasticated LRPC is going as per our target and we expect this to continue to grow in the coming quarters. All the approvals are in place. We have quoted for certain very good projects both in India as well as overseas. We made the first shipment of plasticated LRPC to Southeast Asian customer, and that has been accepted well.

And now we are hoping to, to grow that part of the business. So our focus would be to reduce the black LRPC as much as possible because they don't add they don't they may add volume but not considerable to and not, not much of value addition coming out of it. And I would say in the next 2 years, our focus would be to really build a very strong portfolio of the plasticated LRPC. Wherever we have supplied, it has got good acceptance, and we, we are hoping to get significant orders in the coming, coming quarters.

Parthiv Jhonsa - Analyst, Anand Rathi Financial Services Ltd
Okay, okay, perfect, sir. So my second question is, uh, particularly for US, you know, I just wanted to quickly check what was the, you know, amount what you spend for the tariff and the US Customs, along with if, you know, you can just give some broad breakup of the raw material, uh, you know, across, uh, your services and all. So that would be actually helpful.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Uh, sorry, can you come again? I could can you, can you, can you

Parthiv Jhonsa - Analyst, Anand Rathi Financial Services Ltd
just help us out with the tariff amount what you have spent for the volume what is exported to US?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Abhijit, can you answer this please?

Abhijit Paul - Chief Financial Officer, Usha Martin Ltd
So tariff on US imports is around 50%. So on a turnover around 250 crores in a year, so the tariff will be so for the last year it was around 40 crores and this year's number we have to we'll share in detail once we have that. Uh, you can reach us.

Parthiv Jhonsa - Analyst, Anand Rathi Financial Services Ltd
Sure, sure. No, no, no, no problem,

Abhijit Paul - Chief Financial Officer, Usha Martin Ltd
sir.

Parthiv Jhonsa - Analyst, Anand Rathi Financial Services Ltd
No problem. I will we'll connect, uh, on this later. I'll just join you back in the queue, sir. Yeah, thank you so much.

Operator
Thank you. The next question is from Kartikeya Pandey from 361 Capital. Please go ahead.

Kartikeya Pandey - Analyst, 360 ONE Capital
Yeah, uh, uh, hi sir, I just have 2 quick questions. Firstly, uh, how do you see the Middle East conditions evolving, uh, like right now? And secondly, if you could just give me the capacity utilization numbers across, uh, the product set broadly.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Yeah, the Middle East, uh, you know, as Shreya mentioned that our volumes, you know, we were expecting, uh, uh, growth, uh, with our expansion in Saudi Arabia. We were expecting to grow there significantly. Unfortunately, since February, where this problem of the geopolitical has happened, the volumes have dropped. We have seen a drop of almost 30% volume vis--vis what we did last year. Instead of a growth, there was a degrowth in terms of absolute volume. We lost in the first 6 months close to 2,500 tons compared to the same period last year.

So which is approximately 30% lower volume than last year. The good part is that while the volumes have come down, we have been able to improve our product mix by getting into more higher value-added products, as well as the service the, you know, cut-to-length and service to the end industry and able to improve our margins. Our freight costs also we have been able to pass on to customer, and even though the volumes were down by 30%, we could maintain our profitability at the similar levels as last year.

So that has been on the positive side on the Middle East.

Kartikeya Pandey - Analyst, 360 ONE Capital
And so, uh, if you just could give me the capacity utilization numbers.

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yeah, the capacity utilizations across the board are about, uh, 70 to 75%. Again, that depends on the, the product mix. Um, for, um, for LRPC, um, it's obviously lower because, you know, we're only producing as and when we are getting the right, uh, you know, floor price, price we are setting on it. Um, on the plasticated LRPC front, uh, currently we have a capacity of about, uh, 6,000 tons. This year we are on track to deliver about 3,500 tons. So that is something where we still have room for expansion, and in fact we are increasing our capacities in that as well.

Kartikeya Pandey - Analyst, 360 ONE Capital
Okay, thank you.

Operator
Thank you. The next question is from Sahil Doshi from ThinkWise. Please go ahead.

Sahil Doshi - Analyst, Thinqwise Wealth Managers LLP
Hi, good evening and thank you for the opportunity. Just want to check on the volume guidances. You know, post-Q1, you know, we had called out that adjusted for Middle East, our volume growth was flat. I would assume that's the same case in Q2 as well. And, you know, our guidance was that assuming the Middle East situation remains the same, we would do 10% kind of a growth for the full year. So just wanted to understand what really transpired over the same course of time. Have some other geographies degrown or not working out to our expectation?

Or can you just qualitatively call out what's really happening? That will really help.

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yeah, I think one of the main things is consistently we've seen, like we mentioned, the logistics costs increase as well as the transit times also increase. You know, quite a lot, which has impacted the, the order execution for US, for example, though we did 12% volume growth, there was, you know, more potential. But the freight costs were so high that at that point a lot of the distributors and stockists were not willing to, you know, build up stock at those higher freight rates, assuming that they would come down over the next few quarters, which we've seen it ease down from the peak level.

Uh, it, it has eased over the last month, month and a half. So I think that was one of the, uh, one of the major, uh, one of the major issues. One of the second issues was, uh, in Southeast Asia, we were quoting quite a few projects, um, in Singapore. The ultimate destination for those projects the fabrication was being done, to be done in Singapore, but the ultimate market for that was also Middle East. Um, so, so even though, you know, Middle East demand is down, it has to some extent trickle effect on project activity in some of the other regions.

Those these projects are not, uh, canceled, they are just delayed. Um, so we are still actively working with those, um, rigging shops, fabricators, uh, who ultimately, you know, will supply to these projects. We're in continuous touch and hope that, you know, these projects do get executed. So I would not say it is lost demand, it is more sort of delayed. Uh, and, and, uh, in, in the second half and, you know, early next year, hope these projects get executed in due course and we're able to recover the volumes.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
And also the you see, while the value-added products where the prices are good, the margins are good, and those are project-based, we are able to, uh, you know, still push those volumes. But products, particularly the general purpose ropes, whether it is Middle East, whether it is US, whether it is Europe, where the customer, the distributors stock material, and the freights have actually gone up not double, it went up to 4 to 6 times. So, so, so that, uh, passing of that, uh, entire acceptance of those increased prices was a challenge.

Slowly it is settling down, and hopefully once that happens, we have the capacity, we can push up those volumes. But let's see how things emerge. Things have softened significantly in the last 1 month. Let's hope with the Red Sea and this current situation, things improve and we are able to

push volume. We have the capacity, but we have to also ensure that, you know, we, we protect our margins while we are pushing these

Sahil Doshi - Analyst, Thinqwise Wealth Managers LLP
Sure, that really helps. Uh, so just in elevator ropes, I understand that, you know, we are supply is a constraint than demand at this point of time. So as the new capacity ramp-up goes through, are we really confident that we should start seeing the benefit from Q4 at least in that segment, and that should really support the volume growth for the next couple of years at least?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Yes, you are right. Uh, the, the project is going on, on target, and we should start getting the benefit from Q4. And the full project should get commissioned by March-April, and the benefit we should be able to get the full volume benefit. The demand is very strong. We are unable to meet the demands of the existing customers even at the current level, and the market of elevator is growing by 20 to 25%. The new build is growing by 22 to 25%. So that definitely help us, you know, take the entire shortage in the market.

And also, because the demand is so strong in the domestic market, we are also not accepting orders from some of our increased volumes from some of the international markets also. So because we don't want to lose our turf in the domestic market, so we should we don't see any problem in selling the entire quantity of 6 6,500 tons a month, uh, 6,000 tons at an average price of 2,30,000 to 2,50,000 a ton. So that should increase the volume and the top line also for the next financial year with a decent margin.

Yeah.

Sahil Doshi - Analyst, Thinqwise Wealth Managers LLP
And just lastly, on plasticated LRPC, uh, I understand the approvals were some of the constraints. Has there been any delays there? Also with, you know, the outlook, you were thinking at some point of time you may look at expanding the facility or the capacity here. So at what point or what junction would you consider that?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
You see, the LRPC plasticated approvals are all in place now. So, and, and, uh, and we have the, the, all the customers have with whom we have also got the approval now, have started quoting with our products, and we are at active negotiation of some of our contracts both in India and overseas with them. However, these are all, you know, uh, it's all project-based, and, and hopefully these are all, all, all in the final stages, or in the next 2-3 quarters, next 2 quarters, we should have significant order book both in the domestic and export markets from some of these approvals as well as our existing approvals.

On a on a we have also taken steps to expand our capacity from current 6,000 tons to, uh, 11,000 to 12,000 tons per annum capacity, which should be getting completed by, by June next year. So on volume front, 3,500 tons we expect to complete to do this year. Next year we expect to be close to 7,000 to 8,000 tons. Of course, subject to these projects getting commissioned and we get the orders and we are able to get the delivery scheduled, but we are reasonably confident to do about 7,000 to 8,000 tons next year and close to about 10,000 tons year after.

So plastigated LRPC, uh, is, is on track, and we hope that, you know, there are no delays in these projects and we should be able to get decent volumes, as I mentioned, in the coming quarters and

coming years.

Sahil Doshi - Analyst, Thinqwise Wealth Managers LLP
Perfect. Thank you so much and best wishes for the rest of the year.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Thank you.

Operator
Thank you. The next question is from Prolin Nandu from Edelweiss Public Alternatives. Please go ahead.

Prolin Nandu - Analyst, Edelweiss Global Wealth Management
Oh yeah, hi, uh, Rajiv ji. Uh, my question is again on the, uh, volumes in the wire rope, right? Now if I look at the trend for the last 3 years, right? FY25, you were at 104,000 tons. FY26, you are at 106,000 tons. And in the presentation, uh, you have mentioned that, uh, in wire rope, the value-add segment is already 71%, right, in H1 FY27. So while you continue to mention that, you know, value-add is your focus, but I'm sure there is a ceiling to it, right? To which to what extent you can take the value-add within the overall mix.

At some point in time, we will have to think about volume growth as well, right? In some sense, maybe at a cost of sacrificing the margin as well, or maybe think about new markets wherein we can sell, right? So what are our thoughts, right? While we completely appreciate the fact that, you know, focus is on margin and focus is on value-add, but there is a ceiling which you will hit at some point in time wherein the shift has to come back on the volume, right? In some sense. So what are your thoughts on it because, you know, again, as a previous participant also mentioned, it sounded very confident that full year we'll do a double-digit volume growth, right, even if there is a Middle East crisis.

And now we sound we don't sound we are not very sure about that number as well. So, you know, what is our long-term strategy on volume growth in the wire rope segment?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
I think we have mentioned, you know, with this we had quite a few questions on this and we tried to answer it and it's I think the same situation. I, I would again repeat my answer that, uh, volume is going to be our is, is our priority. Uh, geopolitical situations have been there, and, uh, and I think, uh, and which has not only resulted in the demand but also it has affected the freight rates, and which is 4 to 6 times the freight rates have gone. So for value-added products where the prices are at $4,000, $3,500, $5,000 a ton, it is easier for us to adjust with the customer and able to manage it.

But when the products are at $1,400, $1,500 a ton, the GP ropes, not being able to pass on to the customers means, uh, basically supplying the products at variable cost plus, uh, little margin, which would completely impact the profitability and margins. Number 2, the customers are not ready to even stock, seeing the freight rates going from, say, $150 to $800 a ton going into the European market for a product which is of $1,500 or $1,400 per ton. They are waiting for the prices to come down for us to be able to for them to be able to place the orders on us.

So it's not a very simplistic calculation. The capacity, yes, we have the capacity, but the willingness of the customers to be able to, uh, take the products at these prices where there is at least a meaningful margin I'm not saying the margins of 20%, uh, what we achieve, but there has to be a

meaningful margin. So one has to take a calculated view, and we personally feel that we don't expect this current situation to last forever. We have already seen in the last one month the freight rates have started coming down.

So at the end of the day, it is the willingness of the customer to buy at these prices or to share the freight cost increase, or the freight prices to come down for them to conclude businesses. So it's not a straightforward calculation or a straightforward thing, but the endeavor is to increase the volume but at a decent price, or at a at least at a margin. We, we don't want to keep on building volumes and tomorrow to see that the margins come down to 15%. So that itself will have a completely different impact on the business.

So So it is a balance which we are trying to do. And I can tell you, the global situation is not it's not, uh, uh, for our value-added products when we are competing with Europeans and all. It is, uh, you know, it's a niche market which we are building and increasing our stake, is still doing well, and we expect to increase our presence over there. But in general, the overall environment internationally, and I'm sure that all of us we know that it is not very very strong with the challenges which we all know.

But hopefully things get better. Our plant is ready and we'll be able to push the volumes. But one thing is very clear, we would not like to push volumes at marginal cost, at the cost of, uh, and, and, and with the kind of challenges right now. And also we need to be sure that the, you know, by pushing volumes we should be able to get paid for our products and not land up into, uh, you know, uh, oversupply and delayed payments or even losing, uh, our, our debtors. So all this is in a current global environment.

We weigh everything. Our endeavor is to push volumes, and we would do that, but with some of these challenges, uh, we would, we would, we would see how to build it with safety built into our system.

Prolin Nandu - Analyst, Edelweiss Global Wealth Management
Sure, thank you, Rajiv. Detailed answer. Just last point on that, uh, is there a room to increase the value-add, uh, segment within wire rope to upwards of 75 or even to 80% based on the capacity as well as based on the demand?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Yes, definitely. And you know that that 70+ percent number is, uh, in terms of, uh, value in terms of volume, it's still lower than 60%. So, uh, you know, as the volumes increase and we get better realizations and a better mix, definitely it's possible to push it up beyond those levels that you mentioned.

Prolin Nandu - Analyst, Edelweiss Global Wealth Management
Okay. And one last question, Shreya ji, is that, you know, if I look at your margins, right, they have been very healthy, uh, right, in H1 of 20.3% and on an EBITDA per ton, uh, basis of 40 8,600-odd. Is there any element of any kind of a premium on the margin or on realization because of these disruptions, right? So what I'm trying to understand is that, you know, while we have lost a little bit on volume because of whatever is going on in Middle East or whatever this freight that we have already discussed extensively on the call, but are we gaining some bit on margins, which means that when the volumes come back, maybe we can see some uh, you know, some decrease in margins?

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
No, we're quite confident of maintaining the margins at this level because the margins are primarily being driven by, uh, you know, an overall better mix that we've seen both within Virope and overall. If you see, the, the Virope as a percentage of our top line has also increased. I think for the first half, almost at, you know, 70 more than 70 at 76% of our top line comes from the Virope part of the, the business and LRPC has decreased. So that also overall has contributed to, uh, better margins.

So we, we are quite confident of maintaining it at, uh, these, uh, these levels. Um, and you know, this has come, you know, even though all the input costs, etc., have increased, like we said, freight costs have increased, up to a large extent on the value-added side, because we were able to pass on the input cost increase as well as the, um, the freight cost increase, uh, you know, we've been able to, you know, hold our margins, uh, where, where they are right now.

Prolin Nandu - Analyst, Edelweiss Global Wealth Management
Thank you so much, Shreya ji and Aditi ji. All the very best.

Shreya Jhawar - Non-Executive & Non-Independent Director, Usha Martin Ltd
Thank you.

Operator
Thank you. The next question is from Shraddha Kapadia from SMIFS. Please go ahead.

Shraddha Kapadia - Analyst, SMIFS Ltd
Hello, am I audible? Yes. Thank you for the opportunity. So if we take a look basically at the wire business, so the wire has delivered a strong growth with revenue increasing approximately 35% and the volumes growing 25%. So if you could just help us understand the product categories or the sectors or the geographies which are driving the growth for the wire business.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Uh, yeah, thank you. So the wire business, the auto sector is one of our prime markets, uh, which we focus both in the domestic and international market. Predominantly, 90% of our wires are sold currently in the domestic market. So we are and our, our share is also fairly, uh, low in our domestic market. So we have an opportunity to increase our our share in the domestic market. So oil so first sector is the, uh, one of the important sectors which we are supplying is the auto sector. Then it is the springs, the door springs is another important market.

And the power sector, the basically the transmission line towers and the electrification for, uh, for those products, that is also important. And finally, the zinc aluminum wires, which is having rockfall barriers as well as demand in export markets for various applications of springs as well as gabion wire. So those are the applications where we are focusing. And one of the reasons that our the market size, our percentage share is fairly low, and we have focused on this over the last 3 years. So we expect similar healthy growth in the coming years as we are focusing on these products and markets.

Shraddha Kapadia - Analyst, SMIFS Ltd
Sure, so that was quite helpful. Also, in this values only, if you could help us bifurcate for the value-added, would that be possible? How much would be the value-added products and how much would be the conventional, uh, products?

Rajeev Jhawar - Managing Director, Usha Martin Ltd
We can, we can answer this question offline. We can, we can go into the details. So anytime in next 1 or 2 days, we can, we can connect with you.

Shraddha Kapadia - Analyst, SMIFS Ltd
Sure, not a problem. Just one more question from my side. Uh, so if we take a look at the wire group, then the revenue has grown approximately 13%, but the volume has declined. So there is an increase in the realization. So if you could help me understand how much of this would be because of the product mix and how much would be because of the pricing.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
I would say most of it is the product mix. Pricing is basically, uh, you know, the way as our focus for more value-added products are there, pricing has been fairly stable in the international market. So it's mainly getting more and more into the value-added product, which is getting the, uh, getting the better mix and ultimately resulting into better realization.

Shraddha Kapadia - Analyst, SMIFS Ltd
Okay, for sure. Thank you so much for answering my questions and all the best.

Operator
Thank you very much. We'll have to take that as the last question. I would now like to hand the conference over to the management team for closing comments.

Rajeev Jhawar - Managing Director, Usha Martin Ltd
Thank you. I would like to thank everyone for attending this call and showing interest in Usha Martin Limited. I hope we have been able to answer to all your questions. The company is dedicated to creating value for its stakeholders in a sustainable manner. Should you need any further clarification or would you like to know more about the company, please feel free to reach out to us or to CDR India. Thank you once again for taking the time to join us on this call, and see you all in the next quarter.

Thank you.

Operator
Thank you very much. [Operator Closing Remarks]