Management Discussion

Lala Ram - Analyst, Sebre Edge
Thank you. A very good evening to everyone. Welcome to the H1 FY27 earnings call of Classic Electrodes India Limited. From the management team, we have with Mr. Hanuman Prasad Agrawal, Chairman and Non-Executive Director. Mr. Nitesh Agrawal, Director. We will have the opening remarks from the management team, post which we will open the floor for the Q&A. With that, I would like to hand over the call to Mr. Nitesh sir for his opening remarks. Over to you, sir.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Good evening everyone and a very warm welcome to the H1 FY27 earnings call for Classic Electrodes Ltd. I'm Nitesh Agarwal, Director of the company. Thank you for taking the time to join us today. For those joining us for the first time, let me briefly introduce Classic Electrodes. Since our inception in 1997, we have grown over nearly 3 decades into a leading manufacturer of welding consumables including welding electrodes, MIG wires, and flux-cored wire. These products serve a wide array of industrial applications, and we manufacture them across our facilities in Haryana and Kolkata.

Welding is the silent foundation of modern construction, from factories and machinery to critical infrastructure and railways, and that is the vital space we serve. Through the years, our approach has remained consistent- prioritizing quality, continuous innovation, and operational efficiency. If I were to sum up the first half of this year, it has been defined by 2 strategic priorities: strengthening our core business and laying the groundwork for future expansion. Regarding our core operations, we have continued to invest in Kolkata plant by upgrading our machinery, integrating software-based design systems, and implementing digital product project management tools We are executing faster, enhancing product quality, and reducing operating costs.

These internal improvements may not be visible from the outside, but they are what keep us competitive. In terms of building for the future, we have taken several significant steps. We have amended our company's main object clause to allow us to manufacture and create allied engineering and metal products. Specifically elastic rail clips, aluminium wire rods, cables, conductors, and steel wires. These products are natural extensions of our existing business. They leverage our deep expertise in metallurgy and manufacturing, and they benefit directly from our established distribution network.

Furthermore, we have expanded our footprint in this sector by acquiring a 21.95% equity stake in HM Power and Cables Private Limited, completed in 2 tranches in November 2025 and March 2026. We have also strengthened our leadership team. We were pleased to welcome Ms. Komal Agarwal to the board as an additional non-executive director effective July 1st, 2026. Our extensive entrepreneurial experience in sales and financial management is a valuable addition to our company. Turning to our financial performance, I am pleased to share that we have delivered steady growth.

Total income for H1 FY27 stood at Rs 145.23 crores, an increase of approximately 18% compared to Rs 123.03 crores in H1 FY26. EBITDA grew by nearly 17% to Rs 13.94 crores, and net profit rose by approximately 12% to Rs 7.28 crores, up from Rs 6.49 crores in the same period last year. Our EBITDA margin has remained stable at approximately 9.6%. These results reflect the resilience of our manufacturing operations and the consistent demand for a balanced portfolio of welding consumables. Looking ahead, the market environment remains supportive.

Demand for welding consumables continues to be driven by infrastructure expansion, rising

industrialization, railway modernization, and the government's focus on domestic manufacturing. We believe these trends will persist, and Classic Electrodes is well positioned to capitalize on them. With a strong core business, ongoing investments in technology, and new product lines coming online, we remain positive about our outlook and look forward to sustaining this growth trajectory. Before I conclude, I would like to extend my gratitude to our customers, dealers, distributors, employees, and shareholders for your continued trust and support.

It means a great deal to all of us at Classic Electrodes. With that, I will hand the call back to the moderator, and we will be happy to take your questions. Thank you.

Questions & Answers

Operator
Thank you very much. We will now begin the question-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may, you may press star and 2. Participants are requested to use handsets when asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have first question from the line of Mr. Rishabh Agarwal from Agarwal Family House. Please go ahead.

Lala Ram - Analyst, Sebre Edge
Yeah, thanks for the opportunity. Am I audible?

Operator
Yes, sir, audible.

Lala Ram - Analyst, Sebre Edge
Yeah, so, oh, sir, I just wanted to understand the demand situation. Like, uh, how has the first half been for the company in terms of, uh, like, uh, customer orders? And like, uh, are you seeing better demand from, uh, existing customers or, uh, It's a growth mainly coming from like new customers.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Hi, good evening.

Lala Ram - Analyst, Sebre Edge
Yeah, good evening.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Yeah, so answering to your question, uh, we have received a steady, uh, demand from the customers, existing customers. The first quarter was slightly, uh, a bit, uh, low because of the war. But now, as per the trajectory, the customers have flown in their proper demands, and for the coming financial half of the year, we expect better demand from the existing customers as well as because of PlusCode Wire, we are looking into more potential customers too.

Lala Ram - Analyst, Sebre Edge
Okay, and so if demand is improving from your like, uh, [Foreign Speech] so what is your large order book as of now? The size of the order book.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So we deal both in dealer network and customer based network. so dealer based network, we get our regular requirements, monthly based requirements which are booked for at least two to three months. And then we have customer POs, mainly the railway projects. So we we have the outstanding POs from the railways approximately Rs 25 crores of different products and grades. And for dealer network, uh, we can approximately take around Rs 30 to Rs 35 crores.

Lala Ram - Analyst, Sebre Edge
Rs 30 to Rs 35 crores, okay. Yes. Yeah, understood. And so coming to your plant, like, we have seen that sales have increased compared to last year. So just wanted to understand, like, uh, how the plant is performing currently and whether there is still enough room to increase production?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Uh, so we have made some improvements last year in technology upgradation, because of which our MIG wire production has increased, and we still have achieved around 75 to 78% of our installed capacity. And we are hoping to increase it further in the coming down, uh, in the second half of the year. And the sales have also improved because we added one more production line last year, flux-cored wire, which was, uh, which started in the late third quarter of the last year, last financial year. And therefore that sales is also kicking in this year.

Lala Ram - Analyst, Sebre Edge
Okay, so, uh, if the sales is increasing, like, uh, so, uh, this plant can become more contribution to the company overall revenue?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Yes.

Lala Ram - Analyst, Sebre Edge
And in which percent?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
30% approx.

Lala Ram - Analyst, Sebre Edge
30. Yeah. Okay. And sir, as I see, uh, the result, so, uh, the revenue has grown, uh, in H1, like, uh, and, uh, I see the profit growth has been comparatively lower as compared to revenue. So could you, uh, help me to understand, like, uh, what has impacted this profitability during this first half?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So the profit is almost, uh, at the same margins, and the, uh, affection is because of the depreciation and amortization expense. If you see in the profit and loss statement, as compared to the financial year '26 H1, our depreciation was approximately 119.11 crore, and in this year, and this year it is 248. 49 lakhs. So it has merely doubled this year. It was 119.11 lakhs last year as compared to 248 lakhs this year.

Lala Ram - Analyst, Sebre Edge
Understood. And so what will be your like FY28 numbers? What are you looking for? It, it will be improved or it will remain same?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
It will be improved, sir.

Lala Ram - Analyst, Sebre Edge
So can you tell me like how you will be improving this?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
We have also installed elastic railway clips, and if that coming in, this will be better and will increase exponentially, which is yet to be accounted for.

Lala Ram - Analyst, Sebre Edge
Understood.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Yes,

Lala Ram - Analyst, Sebre Edge
Sir. Uh, sir, one last question, like, uh, a slightly longer term view, like how should we look at the company, uh, growth over like next 2 to 3 years? Do you expect the existing, uh, welding consumable, uh, business to remain the main growth driver, or will the new business start playing a bigger role?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So there will be increase in the, uh, in this vending consumer business to around 25 to 30%, and the new, uh, product which we are bringing in, that will show exponential growth. So both of them will be our growth Uh, factors in the coming 2 to 3 years.

Lala Ram - Analyst, Sebre Edge
Okay, so what will be the percentage you are looking in this new, uh, business?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Percentage as in the turnover?

Lala Ram - Analyst, Sebre Edge
Yeah.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So the- it will increase approximately for the current year if we are planning to start from January. If the approvals come in time. So if we take the 3-month production capacity, it will be approximately 10% this year, and for the next year it will approximately grow up by 20 to 25% in the turnover.

Lala Ram - Analyst, Sebre Edge
Okay, got it. So

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Yeah,

Lala Ram - Analyst, Sebre Edge
Thank you. Yeah,

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Thank you.

Operator
Thank you. We have next question from the line of Prashant Kale from Star Capital. Please go ahead.

Prashant Kale - Analyst, Star Capital
Hello, thank you for the opportunity, sir, and congratulations. Sir, my question is about, uh, we were planning to set up a new factory in western or southern part of India. Is there any progress on that front?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
I sir, yes we are still exploring opportunities as to where is the better industrial policies and where it will be suitable for the logistics. we are yet to finalize the land and whenever we do we'll keep everyone updated about the same.

Prashant Kale - Analyst, Star Capital
So, they instead of finding straight pre-requirements, shed and power supply. so it is just matter of setting up the, because we have dry machines everything right? so it couldn't it be easy to lease a

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Sir your voice

Prashant Kale - Analyst, Star Capital
Mr. Prasad

Operator
Your voice is breaking can you come in the in the range?

Prashant Kale - Analyst, Star Capital
Yes sir my question was Nowadays there are lot of facilities available online where you make the package and power supply, so you just have to bring in your machines. Will it be easy for you?

Operator
Mr. Prashant, your voice is not audible. Can you come in the range? We are not getting your voice.

Prashant Kale - Analyst, Star Capital
Sir, my, my question was, nowadays there are lot of factory sheds available on rent where you get power supply and you just have to bring in your machines. So wouldn't it be easy to start the factory that way? That will be quicker and less capital intensive.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So that- your point is correct, but we are still identifying which location will be suitable for us, seeing the customer demand and the growth forward. Because there are few expansions going on in India, so we are looking for a better location.

Prashant Kale - Analyst, Star Capital
Okay. Once we find the location, I

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Think the suggestion which you have made will be viable for us.

Prashant Kale - Analyst, Star Capital
Yeah. And so railway clips, have we started the production or we have still have to make a first sale?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
So it's a it's mere this. Product is only for the railway department. So the machine installation and everything is done. Right now, due to war and etc., and the low manpower at the RDSO team, we are yet for- we are waiting for the approval. Once the approval is done, we can start the production. Before that, we cannot produce the chain. Our quality as per us has been as per norms. It's just that the approve- we are waiting for the approvals.

Prashant Kale - Analyst, Star Capital
And when is that all expected, sir? So

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
We are expecting by December end, January first week. And, uh, this is what we can estimate. Uh, it is not on any paper, etc., because we are still in dialogue with the RDSO. And there are 4 processes involved, and we have completed the first 2 processes. We are waiting for the third process. Then, then they come and do the inspection, and then they give us a go-ahead. So generally, uh, it should have been done by now, but, uh, we are waiting for an update from them.

Prashant Kale - Analyst, Star Capital
Okay, so that means the forecast of Rs 330 to Rs 350 crore for FY27 given in last con call I think it will be harder to meet.

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Or can we still

Prashant Kale - Analyst, Star Capital
Make 330 to 350 crore this year?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
This, the, this will be, it will be difficult to achieve 330-350, sir, because of our delay in ERC.

Prashant Kale - Analyst, Star Capital
Yeah,

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
We had, we had already projected like, you know, 45 to 50 crore from the elastic railway clip business when we had a word, you know, I think last year. in two earnings call so if we get say three months so possibly like you know the turnover will be between you know ten to twelve crores from the elastic railway clip and balance will be from you know your existing welding consumables

Prashant Kale - Analyst, Star Capital
All right all right that means like

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Elastic Railway Clip business, uh, uh, the turnover from the Elastic Railway Clip business, then what

we are anticipating that we should be closing this year at 280 to 285.

Prashant Kale - Analyst, Star Capital
Okay, in this financial year. Yeah, great. Sir, is there any plan to declare any dividend in March this year, like after H2?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Dividend, you know, we have not thought about it. We are still evaluating. So if we see, because it will all depend that how the second half goes. As you are aware that, you know, in Bengal October was a complete festive season, and, uh, the festive season is just, you know, it just, it says today only it got over. So how this 4 and a half months, how we perform accordingly, will decide, you know, on the dividend part. So we are most likely- see, we want to obviously, you know, give dividend, but that will all depend, you know, how the profitability stands out.

Prashant Kale - Analyst, Star Capital
Okay, yeah, thank you. Great, thank you very much, sir.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Thank you, thank you so much.

Operator
Thank you. Next question from the line of Manoj Jain from Shah Associates. Please go ahead.

Manoj Jain - Analyst, Shah Associates
Hello, am I audible?

Operator
Yes, sir, you're audible.

Manoj Jain - Analyst, Shah Associates
Yeah, uh, so my first question is, how does the company, uh, differentiate its product from those offered by large established welding consumable manufacturers? hello sir

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Can you can you repeat your question

Manoj Jain - Analyst, Shah Associates
Please yes how does the company differentiate it product from those offered by large established welding consumable consumable manufacturers

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Just to give you a bit of background as per as you know welding consumer business go Uh, it is- there's an entry barrier, uh, reason being because to establish a brand, so, uh, it takes, you know, uh, a long time, you know, maybe, you know, somewhere between, you know, 10 to 15 years. Because this question, you know, was asked to us, you know, before we had, uh, you know, we had planned to, you know, come up with an IPO. So, uh, number one, so there's an entry barrier. Second, obviously, the brand- establishing a brand takes, uh, a long time.

The, the- it can be from, you know, say minimum 5 years to 10 years or maybe 15 years. Since, you know, we are more than, you know, 27-year-old company, so we have established, you know, we

have established our brand over a period of time. And generally what happens when you are catering to, you know, different segments, so the, the fabrication, you know, to fabricators, so they go by, you know, the brand. So suppose my brand is Captain, so the fabricators who have been using Captain, they will be using Captain only.

So to change from Captain to any other brand It takes in a lot of time. Hope I have been able to answer your question.

Manoj Jain - Analyst, Shah Associates
Oh yeah, understood. Uh, my second question is, uh, the com- like, uh, the company mentioned a diversified customer base across India and overseas market. So I just wanted to know, like, what percentage of revenue is, uh, generated through the export?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, uh, we are largely a domestic player and, uh, we hardly have, you know, any, uh, presence in the global market. Uh, and in terms of B2B and B2C, our percentage, you know, remains somewhere between, you know, it fluctuates between 40 to 60%. So sometimes, you know, your B2B is the 50-55 and your B2C is your 40 to 45. And sometimes your B2B is 55 to 60 and your B2C is 45, 40 to 45. That- so it remains more or less, I would say, in the range of say 50-50 or maybe 45-55.

Manoj Jain - Analyst, Shah Associates
Okay sir understood yes thank you yes

Operator
Thank you reminder to all the participants that you press star and one to ask a question we have next question from the line of Anikesh Sinde from

Lala Ram - Analyst, Sebre Edge
HNI please go ahead hello Hello sir, I am

Operator
Audible. Yes you are

Lala Ram - Analyst, Sebre Edge
Sir. Thank you sir for giving me the opportunity. Sir, I have a couple of questions. So my first question is the our Jhajjar manufacturing from contributing [Foreign Speech] 12 crore sales during the H1. So sir, what is the target contributed F

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
You're talking about the Jhajjar unit?

Lala Ram - Analyst, Sebre Edge
Yes, sir.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Yeah, see, the Jhajjar unit, our production capacity is like, you know, 3,600 metric tons per year.

Lala Ram - Analyst, Sebre Edge
Okay, sir.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Okay, so we are currently like, you know, I mean, basically at a capacity utilization of 67 to 68% odd. Okay sir so this year the charger units should contribute you know somewhere between you know 28 to 30 crore a topline which is more less you know

Lala Ram - Analyst, Sebre Edge
10 percent okay sir so we are expecting more than 130 percent growth more than there crore okay and another question sir So can you provide more clarity on the company's diversification strategy into allied engineering and metal products?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Diversification, we have recently like, you know, entered into this elastic railway clip manufacturing business. So since, you know, we already have approvals, we are, you know, the suppliers to railways. So that is where we, you know, saw an opportunity and we diversified into this segment as well. So our manufacturing facility is currently ready, you know, and up for production. So we are just waiting for the RDSO approval to come. So, uh, just a couple of minutes back, we, I think, spoke about this, that out of like 4 processes, the 2 processes have been complete.

So we are expecting, you know, the 3rd and 4th to complete, you know, by December end or maybe by January 1st week. So as soon as, you know, the approval is in place, we can start the commercial production immediately.

Lala Ram - Analyst, Sebre Edge
Okay, sir. And which segment will be primary growth driver?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Uh, pardon?

Lala Ram - Analyst, Sebre Edge
Which segment, uh, from this the primary growth driver?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Uh, you're talking about elastic railway clip or

Lala Ram - Analyst, Sebre Edge
From both of them? Which is the primary growth driver?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Primary growth driver? See, my welding consumables will grow year on year in a- it's- we are expecting the growth because we have added flux core wire. So, uh, our primary growth driver definitely is going to be, you know, our core business. But at the same time, you know, the Elastic Railway Clip, the business which we have added, so that will also contribute to the growth. So to the overall top line, you can say it will be contributing somewhere between 15 to 20%. Okay,

Lala Ram - Analyst, Sebre Edge
Sir.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Yeah,

Lala Ram - Analyst, Sebre Edge
That is from my side. If I have any questions, so I will rejoin with you.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Sure.

Lala Ram - Analyst, Sebre Edge
Okay, yeah, thank you,

Operator
Sir. Thank you. Reminder to all the participants that you may press star and 1 to ask a question. Next question is from the line of Pushkar Jain from Tilly Capital. Please go ahead.

Lala Ram - Analyst, Sebre Edge
Yeah, hi, sir. Uh, so basically, I think, uh, you just mentioned about the revenue guidance that you will not be able to achieve Rs 330 to Rs 350 crore. What is our expectation, revised expectation now, and also on the margins?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Sir we just answer this a couple questions back that we are not able to achieve 330-350 we are expecting to achieve around 280-290 crore this year.

Lala Ram - Analyst, Sebre Edge
And on the margins sir, like what margins are we expecting?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
Sir, the margins will mostly more or less be stable because the ARC was supposed to So right now, if we suppose that we do not get the approvals or we do not get the approvals by March, so keeping the top line at 280-290 crore from our building consumer market, our margins will remain significant same or there will be a slight increase in the margins?

Lala Ram - Analyst, Sebre Edge
Right. So more or less same or slight increase basically? Yeah. And the CapEx that like we are like announced in FY27 that we are, you know, finding land in the south that you said which is still not finalized. What will be the quantum of that CapEx? Any plans that management has for setting up that factory?

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
We, we were planning for around 500 metric tons plant per month, so 5- so it will be approximately 6,000 tons per month, per year, and the CapEx will be around Rs 50 to Rs 55 crore.

Lala Ram - Analyst, Sebre Edge
[Foreign Speech]

Nitesh Agrawal - Director, Classic Electrodes (India) Ltd
That is what our initial plan was so

Lala Ram - Analyst, Sebre Edge
55 to 60 crore right and sir on the on the guarantee front like we have given like a 15 crore guarantee to Alltime Supply could you throw some light on that like what is the context and are we

getting

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
The Alltime Supply is basically a group entity. So there we had raised, you know, uh, there we had raised a debt of 15 CR since, you know, that company did not, uh, have any operating income in terms of- so that for that reason, you know, we had to give a CG of Classic Electrodes.

Lala Ram - Analyst, Sebre Edge
Now we plan to revoke it anytime soon, like once the company starts functioning.

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Yeah, so our plan is that in next two years we are going to repay the debt and you know the CG will be released.

Lala Ram - Analyst, Sebre Edge
Okay, thanks a lot,

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Sir.

Operator
Yeah. Thank you. Reminder to all the participants that you press star when to ask a question. We have next question from the line of Lala Ram from Sebre Edge. Please go ahead.

Lala Ram - Analyst, Sebre Edge
Good evening. First question is, what is the mix of revenue between manufactured and traded goods in first half?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Uh, the mix is, uh, manufacturing is- manufacturing has contributed like more than 70%, and trading is, uh, approximately at 29, 29-odd percent, right?

Lala Ram - Analyst, Sebre Edge
Okay. And what is- how- what is the gross margins in these 2 segments?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
The trading has always, uh, been, you know, on the much lower side as compared to the manufacturing. So the gross margin, you know, uh, on the trading side, that we had explained earlier as well So trading is- it's not that the company, uh, focuses on trading much. So there it's a, it's a more of an opportunity-based, wherever we see that, you know, okay, we can, you know, make some margins. So the gross margin somewhere remains between the 4 to 5% on the, on the trading side, whereas, whereas, you know, on the manufacturing side It varies.

Average will be, you know, 15% plus

Lala Ram - Analyst, Sebre Edge
On the manufacturing side. Sorry. Okay, okay. So if- how, how do they compare with competitors? I think they do around 25, 30, 35% if I look at listed competitors. Why is there such a big difference between them and Classic Electrodes?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, the competitors, uh, if we talk about like, you know, the 2 leading, uh, welding consumables, you know, entities, both are MNCs and both have been in existence like, you know, I think for long years now. And, uh, if I see, you know, if I compare, they come under like, you know, the corporate segment, and we are, you know, still under the MSME. So I believe you can understand when it's a, a company, you know, with a turnover of more than, say, Rs 1,000 crore plus, and a company with a turnover of like, you know, Rs 250 crore.

So it's- you cannot compare, you know, in terms of the profitability and all. But we have been doing these things. And we expect this to, you know, grow further, you know, means as our manufacturing turnover grows.

Lala Ram - Analyst, Sebre Edge
Okay. Second question is, uh, our turnover at 250 crores, uh, against that the employee cost, uh, is I think 3 to 4 crores. So how, how are we doing employee cost turnover?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
I, uh, you know, in terms of the employee benefit expenses, part of it, like, you know, has been, I think, factored into, you know, other expenses. So there was a classification, you know, from the classification perspective, you know, it's maybe looking a little lower. So if you want, we can share the breakup with you separately. What is our total, you know, uh, uh, employee cost, you know, including your direct and indirect both?

Lala Ram - Analyst, Sebre Edge
Together. Okay, so my concern is that, you know, you have built a business which is fairly big in terms of revenue, I mean, advertised decent, but, you know, the market cap or the kind of valuation the market is giving, there looks like a mistrust in either the numbers or something, you know, is that the feeling. Uh, so it will be good if you can address them in your presentation or somewhere. Uh, because that's what I am getting, uh, looking at your numbers and comparing them with other even consumable companies.

Uh, so that was purely from, you know, uh, from investor side, how you're perceiving the company. Uh, one more question I have is, um, um, you are now saying that we'll enter into new products. So what is the right to win exactly? And you're saying we have common capabilities. So can you explain a bit more? Because in building consumer also, we are still, you know, not lagging behind the big players, we are still small players. So how should- why are we feeling that we will have a strong position in the new business segment?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, I'll tell you, we are hardcore into, you know, electrodes and MIG wires, okay? And whereas, you know, the, the larger ones, they are as well in- as well as into, you know, your, uh, welding tools and machines. So that's a separate segment altogether. So we have not entered into that segment yet. Our focus had been only, you know, your electrodes and MIG wires. So, uh, in say eastern part of the country, which is like, you know, say we largely catering, you know, if you geographically also, we are catering largely to 2 markets, your east and north.

So, okay, uh, and, and we are more as an electro- we known as an electrode and a MIG wire player. Whereas, you know, these larger ones, so they are, you know, uh, they are catering, you know, other products as well, which are like, you know, your welding tools and, you know, consumables,

like your machines as well. So, uh, that is how we differentiate ourselves, because, uh, we cannot compare ourselves with them in terms of, you know, the top line and the bottom line. Uh, but in our segment, in our, you know, MIG wire and electrode segment, we are decently like, you know, doing well as an MSME player.

And we expect the- with this flux core wire, you know, full-fledged, when the production reaches like, you know, 80 to 90%, our margins, you know, definitely are going to improve.

Lala Ram - Analyst, Sebre Edge
Okay, and the new business segments that we are entering, how does it connect with our capabilities? Can you explain?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Uh, the, the new segment what we are entering into, since, you know, that is the end consumer is railway, and we are already, you know, a supplier to railways. And here, you know, means we saw an opportunity that the kind of, uh, investment, you know, the railways is going to make for, you know, uh, improving, you know, the railway tracks and all. So there is a good demand, like, you know, in that segment. So since we have a connect in railways, so it was In fact, like, you know, advice, you know, means by- it's like, you know, it's not an option here, but it was advised, you know, by one of the senior, you know, railway officials that why don't you, you know, also enter into this segment?

Because since you are already, you know, supplier to railways, so here, you know, in railways it takes a lot of time, you know, for the approval. So we have crossed, like, you know, we are halfway- I would not say halfway, we are like 60 to 70% through. Just, you know, the balance, you know, 25, 30, 35% is left, so which is already in the pipeline. So expecting, you know, once the approval is in place, so we can, as the demand grows, we can also increase our capacity on that, in that segment as well.

Lala Ram - Analyst, Sebre Edge
So what I got- so I get, uh, the essence that the customer is same. So I want to understand from the capabilities of producing this product. So is it like a basic metalworking product, or is it requires any specific, um, capability to manufacture?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, manufacturing this, again, uh, my basic raw material is like, you know, your iron and steel, right?

Lala Ram - Analyst, Sebre Edge
And we

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Have that capability. So in other, we are, you know, as a group, if you look at, we are already, you know, procuring, uh, you know, your MS wires, you know, for our different businesses as well as, you know, SS wires and all. So we understand this iron and steel business put together, and, you know, we are into transmission and distribution. As well. So it's not something that you, uh, there is a question on the capability because we have ventured into, you know, cable conductors as well. So, uh, it's more of like, you know, I mean, whether you are as a manufacturer, whether you have that nag or not for the manufacturing business.

So we have that nag.

Lala Ram - Analyst, Sebre Edge
So, uh, just to be clear, this you're saying not from a Classic Electrode company perspective, but via the group, other entities that you have, you already know how to manufacture things using iron and steel, etc. Is that correct?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Right. So see, Classic, see, again, you know, it's again, it's largely like, you know, a family-owned business. So Uh, with, you know, the management has the capability in terms of, you know, manufacturing- manufacturing capability is there. So we have been, uh, into manufacturing segment for more than, you know, say almost like 28-29 years. And with time we have evolved and we have entered into, you know, other segments as well. So given, you know, the background of the management So Elastic Railway Clip is also kind of, you can say, an allied product for us.

Lala Ram - Analyst, Sebre Edge
Okay, okay. So my intention is simply to understand the promoters and their capabilities across group companies. And how will Classic Electrodes evolve over the next 3, 4, 5 years? Will it become like equal split between, you know, electrodes, consumables, and added products? How will the business change so that we can accordingly evaluate it as an investment opportunity? So can you throw some light on that?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Yeah, over the- see, over the next 3 to 4 years, our objective is like, you know, to cross Rs 500 crore top line. and it all depends like you know how the business shapes up because as you know that that there are uncertainties as well so at the global level so if things improve then obviously India you know as a country it is being looked at as a potential country so where you know all the business So if everything remains like, you know, uh, say in favor, you know, as India as a country, so definitely like, you know, our business is also going to flourish.

Lala Ram - Analyst, Sebre Edge
Okay. And will you need any further equity cap? You've used your entire IPO funds as per your filing. So to support the next leg of growth, do you need more equity capital and will you raise more money from the equity market?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
If you are going for capital expansion, as we were, we were talking about like, you know, acquiring land in South. So the land, if we acquire land, there is a project cost is like between say 50-55 crores. So then obviously, you know, we would need further, you know, financial assistance apart from like, you know, whatever is being, uh, is going to be contributed, you know, by the promoters.

Lala Ram - Analyst, Sebre Edge
Okay, thank you and all the best. Thank

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
You, thank

Lala Ram - Analyst, Sebre Edge
You so much.

Operator
Thank you. Reminder to all the participants that you may press star 1 to ask a question. We have next question from the line of Diya Jain from Sapphire Capital. Please go ahead.

Diya Jain - Analyst, Sapphire Capital
So thank you for the opportunity. So with ERC finally coming in FY28, how do we look at revenue and margins for FY28 and FY29?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Uh, see, FY- as we were speaking on the revenue part, so we are, uh, we were anticipating, you know, the railway clip business to start, uh, in current financial year, you know, early, early this year. However, since this is taking time now, uh, FY28, you know, if we start off The railway, uh, elastic railway clip business, if it starts off like say from January, so we are going to get like an entire financial year in FY28 for that business. And given the 25-30% growth in FY28 from our welding business, so I'm sure, you know, means we can easily touch Rs 400 crores like in FY28.

With everything in place.

Diya Jain - Analyst, Sapphire Capital
Okay, sir. And what about the EBITDA margin?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
The EBITDA margins, uh, with this elastic railway clip business, and obviously our margins rate, uh, in terms of welding business, EBITDA margins is More or less, you know, if we don't know, if we just ignore the decimal part, like it's almost at 10% levels. So, uh, and, uh, with Elastic Railway clip business coming in, I'm sure that the margins are going to improve. The EBITDA margins are definitely going to

Diya Jain - Analyst, Sapphire Capital
Improve. Okay, and are you targeting further capacity expansion?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, we have already in South

Diya Jain - Analyst, Sapphire Capital
India,

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Say, uh, in terms of if we are going for, uh, since we are identifying, you know, a land parcel in South, so, uh, if, uh, that, uh, identification and the manufacturing facility setup, if we are able to complete that So in the next, say, 2 years' time. So definitely, like, you know, that is going to contribute an additional, uh, additional revenue to the top line. And as far as our existing facility is concerned, so here we have already, uh, you know, improvised, you know, on the capacity utilization.

Because here, when we talk about the capacity, like, say, our current plant in, uh, Calcutta. The electrodes say the capacity is 10,600 metric tons, but that capacity, you know, we can always surpass that capacity depending upon like, you know, how is the efficiency level. So, uh, the current capacity what we have, the welding consumable business itself That can grow up to like, you know, Rs 450 crores with the existing capacity.

Diya Jain - Analyst, Sapphire Capital
And this is so, and how much capacity utilization do we expect to target for FY28 in electrodes and flux core?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See, the flux core, currently it is at a very low capacity. So in FY28, definitely, you know, uh, the capacity is going to touch somewhere between, you know, 80 to 90% on the flux core side. And on the welding electrode side, uh, if I see, you know, FY26, it was at, say, 86% odd. So, but with the improvisation, you know, it can go up to 95%. And obviously, uh, the capacity utilization perspective, it will be 95%, but the contribution, the top line to the revenue, will be even higher.

Diya Jain - Analyst, Sapphire Capital
Okay, sir, understood. And one last question, uh, how do we look at finance cost going ahead?

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
See you finance cost is reasonable as on today even you know after this hike in the repo so our average cost is less than 8 percent.

Diya Jain - Analyst, Sapphire Capital
Okay thank you and all the

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
Best.

Operator
Thank

Hanuman Prasad Agrawal - Chairman and Non-Executive Director, Classic Electrodes (India) Ltd
You

Operator
Thank you. As there are no further questions from the participants, I now hand conference over to Mr. Gautam Nagar for closing comments. Thank

Lala Ram - Analyst, Sebre Edge
You. On behalf of Classic Electrodes Ltd. And EQPeachX Advisor, I thank everyone for taking the time to join today's earning call. If you have any queries, you can contact us at info@eqpeachx.com. Once again, thank you. Thank you, sir. Thank you, everyone.

Operator
Thank

Lala Ram - Analyst, Sebre Edge
You,

Operator
Ladies and gentlemen. On behalf of EQBridges Advisors Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect lines. Thank you.