“Venus Pipes and Tubes Limited

3Q & 9MFY25 Earnings Conference Call”

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E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 13th February 2025 will prevail.

MANAGEMENT: **MR. ARUN KOTHARI – MANAGING DIRECTOR – VENUS PIPES AND TUBES LIMITED**
MR. KUNAL BUBNA – CHIEF FINANCIAL OFFICER – VENUS PIPES AND TUBES LIMITED

MODERATOR: **MR. DHRUV JAIN – AMBIT CAPITAL**

Moderator: Ladies and gentlemen, we welcome you all to the Q3 and 9MFY25 earnings conference call of Venus Pipes and Tubes Limited, hosted by Ambit Capital. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinion and expectations of the company as on the date of this call. These statements are not the guarantees of future performance of the company and may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Dhruv Jain from Ambit Capital. Thank you, and over to you, sir.

Dhruv Jain: Hello, everyone. Welcome to Venus Pipes and Tubes Limited Q3FY25 Earnings Call. From the management today, we have with us Mr. Arun Kothari, Managing Director; and Mr. Kunal Bubna, Chief Financial Officer. Thank you, and over to you, sir, for your opening remarks.

Arun Kothari: Good evening, and a warm welcome to everyone on the Q3 and 9MFY25 earnings call for Venus Pipes and Tubes Limited. I have been joined by Mr. Kunal Bubna:, CFO; and SGA, our Investor Relations Advisor. We have uploaded our Q3FY25 investor presentation on Stock Exchanges and company's website, and I hope you had an opportunity to go through the same.

We are pleased to report a steady performance for both Q3 and 9MFY25. In Q3, our revenue reached at INR231.3 crores, reflecting a solid growth of 11.7%, while for the 9MFY25 revenues stood at INR700.4 crores, making an impressive increase of 21.2%. This growth has been driven by a strong volume increase of more than 10% for Q3FY25 and more than 20% for 9MFY25 on a year-on-year basis.

The continued growth is primarily attributed to our exceptional export performance, which has been a significant contributor alongside increased penetration in our key markets. Our strategy of expanding our geographical reach and deepening relationship with our customers in existing business is yielding positive results.

On the operational front, speaking of segment-wise performance, our Seamless Pipes segment delivered a revenue growth of 8% for the quarter and 17% on a 9-month basis, reflecting a steady demand and increasing market penetration. On the Welded Pipes front, revenues grew by 4% for the quarter and 16% over the 9-month period.

Coming to the geographical performance, speaking about export first. This quarter marked our best export performance with all-time high export revenues of INR89.1 crores in the quarter, an impressive 153% year-on-year growth. The share of export revenue stood at 38.5% for the quarter, the highest reported for any period.

On a 9-month basis, exports surged by 216% to INR 225.6crores, reflecting our strong international market penetration. This exceptional growth in exports have been driven by several key factors. We have successfully created our presence in the U.S., Middle East and Africa market with significant shipments of welded pipes during this quarter. This achievement is the result of our strategic efforts, including the establishment of a dedicated marketing team that has played a crucial role in driving the performance.

Additionally, we have actively participated in dealers events, trade fairs and other industry forums to enhance our visibility and foster relationship with key stakeholders. These initiatives are delivering tangible results, and we are confident in our ability to replicate the strong performance in Europe within these markets.

Europe continues to be our largest export market with an extensive dealer network and growing acceptance of our products. We have been able to maintain a strong foothold in the region. Our focus on offering high-quality products, competitive pricing and superior customer service has reinforced our market position, and we remain confident in sustaining our growth trajectory in this key geography.

We will continue to build on this momentum by further strengthening our presence in international markets, particularly in the Middle East and South Africa after Europe and U.S, while also expanding our product portfolio. Our commitment to quality, a customer-centric approach and strategic market initiative positions us well for sustained export growth in the coming quarters.

Speaking of the domestic market, the domestic market has been facing a period of slowdown primarily due to macroeconomic factors. We have observed muted capital expenditure from the both private and government sectors, particularly in the post-election period, and we anticipate that this trend could extend further in the near term. Despite these challenges, we continue to be a preferred brand among customers, driven by our superior product offering and long-standing customer relationships.

We are confident of increasing our presence in the domestic market, having recently onboarded experienced and seasoned industry professionals, bringing valuable expertise that will help us drive growth and increase our market penetration gaining from unorganized players. Especially, we are seeing very good demand in the power sector of our pipes and tube business. Additionally, the finance budget 2025 emphasis on increasing domestic consumption is expected to stimulate economic activity, leading to a revival in capital expenditure.

The government's focus on infrastructure development and manufacturing sector growth will likely boost demand for high-quality piping solutions, presenting significant opportunities for Venus in the coming quarters.

We continue to secure approval in both domestic and export market across industries such as oil and gas, power and engineering, reflecting the strong trust in the quality of our products. These approvals not only reinforce our market credibility but also enable us to diversify across multiple industries, further strengthening our growth prospects.

Moving forward, I would now like to spend some time on our vision for the future. As we continue to expand and evolve, our focus remains on long-term growth and leadership in the stainless steel pipes and tube industry. We are committed to strengthening our market position and delivering value to all stakeholders.

With the road map for expansion and innovation, we are actively investing in increasing our capabilities and enhancing our product offering. This journey began a few years ago with a strategic capacity expansion of more than 3x, allowing us to not only broaden our product portfolio, but we also backward integrated ourselves with the addition of piercing line for manufacturing of hollow bars for Seamless Pipes.

We have achieved strong capacity utilization for both seamless and welded pipes on the back of growing export and domestic penetration. As part of our vision for sustained growth, we have announced capex to diversify into value-added products by introducing fitting and high-grade tubes, positioning Venus as a one-stop piping solutions provider for our customers. This move not only enhanced our product offering, but also strengthens our ability to serve a wider range of applications across industries.

In coming years, we are looking to push boundaries of innovation and manufacturing excellence by expanding into high-grade stainless steel pipes and tubes, products that are technically complex, require advanced equipment and serve critical industries. Securing approval for the sector is an intricate and highly extensive process, demanding rigorous quality standards and compliances.

However, with our deep industry expertise, experienced team and long-standing customer relationships, we are well positioned to successfully penetrate and establish a strong presence in this high-value segment.

At Venus, our growth strategy remains clear: continuous innovation, expansion and market leadership with a strong foundation in place and unwavering commitment to quality and customer satisfaction. We are confident in our ability to achieve our long-term vision and create lasting value of our stakeholders. Our order book remains strong at approximately INR350 crores, reflecting the continued trust and confidence of our customers.

Lastly, an update on the capex front. Phase 1 of the announced capex, which includes stainless steel and titanium welded tubes of 3,600 metric ton per annum and fitting was initially set to commence operation in March 2025. While the stainless steel and titanium project remains on schedule, however, fitting segment is expected to commence in the 1H of FY26.

Meanwhile, the Phase 2 expansion, adding 4800 metric ton per annum of seamless pipe / tubes remains on track to begin operation in December 2025. Please note, we have an important addition to Phase 2 capex. We will be enhancing our existing piercing line capacity to the tune of additional 4,800 metric ton per annum, which will serve the capacity increase in the seamless pipe.

With steady growth in domestic and export markets, strategic capacity expansion and a strong focus on high-value products, we are well positioned for sustained success. Our ongoing capex project will further create a strong our market leadership and enhance our product offering. Backed by a robust team and operational excellence and a commitment to quality, we remain confident in driving long-term value for our all stakeholders.

With this, I hand over to Mr. Kunal Bubna, our CFO.

Kunal Bubna: We are pleased to share that our company has delivered a steady performance, achieving growth across key financial metrics, including revenue, EBITDA and PAT. On revenue front, revenue from operation for Q3FY25 stood at INR231.3 crores as compared to INR207.1 crores during Q3FY24, achieving a growth of 11.7% year-on-year basis. Revenue for 9 month FY '25 stood at INR700.4 crores, witnessing a strong growth of 21.2% and we had witnessed a strong volume growth of 20% across welded and seamless pipe.

Revenue bifurcation for the quarter was 39% from Welded Pipes, 54% from Seamless Pipes, and 7% from others. For 9MFY25, revenue bifurcation was 37% from Welded Pipes, 56% from Seamless Pipes, and 7% from others.

Revenue from other categories increased this quarter, driven by sales from scrap and trading revenue from fittings. Growth in Seamless segment was 8% on year-on-year basis and Welded segment registered a growth of 4% for Q3FY25 on year-on-year basis in terms of revenue. Growth in the Seamless segment was 17% on year-on-year basis and Welded segment registered growth of 16% for 9MFY25 on year-on-year basis in terms of revenue.

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On the Gross Profit front, Our Gross Profit for Q3FY25 grew by 25.4% on Y-o-Y basis and stood at Rs. 76.0 crores whereas for 9MFY25 grew by 49.3% on Y-o-Y basis and stood at Rs 232.9 crores .Gross margins for Q3FY25 stood at 32.9% as compared to 29.3% in Q3FY24 whereas for 9MFY25 stood at 33.3% as compared to 27.0% in 9MFY24.

On the EBITDA front, our EBITDA for the quarter stood at INR37.2 crores as compared to INR39.1 crores in Q3FY24. EBITDA margin for the quarter stood at 16.1%. On 9-month FY '25 basis, EBITDA saw a growth of 24.4%, standing at INR126 crores, EBITDA margin at 18%.

PAT for the Q3FY25 is INR18 crores compared to INR23.3 crores in Q3FY24 and margin stood at 7.8%. On 9MFY25 basis, PAT showed a growth of 13.6% standing at INR69.2 crores, a growth of 13.6% with a PAT margin at 9.9%.

Lastly, the company has received additional INR8.16 crores in February from holders of convertible warrants in accordance with the terms of preferential allotment, taking the total amount received till date to INR35.06 crores.

In closing, we are optimistic about the journey ahead and fully committed to driving sustained growth. We are excited to push forward and deliver revenues from setting new benchmark in this industry.

With this, I would like to open the floor for Q&A round.

Moderator: First question is from the line of Sneha Talreja from Nuvama.

Sneha Talreja: Just a couple of questions from my end. We have seen a sudden domestic demand slowdown. Could you mention the reasons? We understand export share is increasing. Why has domestic demand slowed down? That's one. And why has margins fallen to about 16-odd percent? That's the first one.

Kunal Bubna: Primarily if you see from the margin perspective, so because of the domestic subdued demand, there has been pressure on that side and also the pressure was being felt at the side of export from a few more people entering in export. And also if you see in this quarter we have exported welded pipes and tube which form around 38% of the total export value on the side of welded, which was earlier on a very lower side in the last year-on-year .

On the side of welded also we have developed new geography like Middle East, Africa and also has gone to U.S.A., wherein at the initial level we had been quite competitive to penetrate those market.

And on the side of domestic, there had been subdued demand we have seen across many of the industry. But recently, what we are seeing there is some amount of traction on the side of power side, there are many of the tenders are recently being started to floated, because of that there seems to be demand going forward on that side.

Sneha Talreja: Given pricing is also very volatile along with certain margin volatility, would you like to give some guidance on the growth going forward?

Kunal Bubna: Yes. For the coming quarter, revenue side we believe it should be at least 10% of this quarter what we have achieved. And going forward 3 years down the line by FY '27 we still believe there should be a growth of more than 20%.

Sneha Talreja: And margin?

Kunal Bubna: Margin at EBITDA level in value term till FY '27 we still believe it should be more than 20% CAGR , but coming quarters I believe it should be the same level which had been achieved in this quarter.

Sneha Talreja: Could you also give the volume numbers? Like you mentioned, of course, the volume was 10% odd for this particular quarter. Can we get seamless as well as welded volumes? Like how much would have seamless grown versus welded just to understand the product mix?

Kunal Bubna: Yes. For the quarter, if you see, it was on seamless side it's more than 15% growth and on the side of welded it was around 5% growth.

Moderator: Next question is from the line of Vimox Shah from Goyam Labdhi Fintech Private Limited.

Vimox Shah: My question is, as the company is expanding in Europe, U.S., Middle East, as you mentioned, right? So can you provide details on the specific strategies for these regions, including the time lines for achieving the market penetration and any specific growth target for this?

Arun Kothari: Especially, if you say in the Europe market Venus Pipe has a very good presence. We are doing exports in the last 4 to 5 quarters. Every quarter, our export is increasing and similarly in the U.S. market alsoin the last quarter, we have created a very good presence. Going forward, we are also penetrating in some other geography also, which will also come in and mostly our presence is already created or will grow in the coming 2 to 3 quarters.

. Now we are more focused on the U.S. and Africa market. In the next 2 to 3 quarters we will get good volume from these 2 places.

Vimox Shah: Okay. And another question is as company has increased its market share in Seamless Pipes, right, so what are the steps being taken to further increase market share in Seamless Pipes and Welded Pipes?

Kunal Bubna: See as we said, we are working on multiple geographies across the world, and also in many other sectors across the country. So those steps are being taken. As you said we are getting approval from engineering, oil and gas and these sectors as we see the market going for Middle East, U.S. and African countriesand hence we see many opportunities going forward. And also we are seeing demand from power side. So these all geographies, sectors, will help us to grow our volume going forward.

Moderator: Next question is from the line of Dhruv Jain from Ambit Capital.

Dhruv Jain: I had a couple of questions. One is that it's been a trend in the last quarter as well, but we've seen a quite sharp uptick in employee cost, right? So it's close to about 12% of sales now. So just wanted to understand how does this stabilize going forward or which will keep on inching up as we move forward?

Arun Kothari: Dhruv, we have told we already planned capex for the new high-grade development of the project. So for that purpose, we have recruited some experienced marketing professionals as well as some also techno guys at the operational level also. All these marketing professionals and techno guys will come in the coming quarter. Because all the things will be coming operational in the next 1 or 2 quarters. So that's why employee cost has been increased.

Dhruv Jain: Sir, is it safe to say that this cost will remain elevated for the next couple of quarters?

Kunal Bubna: Yes. But if you see it is around 4.5%. So we believe it can go a bit around 5% or , slightly more than 5% in coming quarters to that level.

Dhruv Jain: You're talking about 5% of revenue?

Kunal Bubna: Total, yes, of revenue.

Dhruv Jain: Okay. And similarly, even I think other expenses has kind of zoomed. So I think sir mentioned about it, but how should that trend going forward?

Kunal Bubna: If you see total other expenses including salary expense, it is around 16.18%. We believe it can also inch slightly higher because the entire backward integration at that facility is working. Apart from that when you export, there are ocean freight and others which are slightly higher on that side as compared to the domestic cost. But we believe sort of 16.8% can go up to 17.8%,-18%, something to that.

Dhruv Jain: So sir, is it safe to say for the next couple of quarters, you mentioned about the next quarter, but assuming that, say, if the capex scenario remains sort of muted, we will be in the same sort of number in terms of margins, 16%, 17%.

Kunal Bubna: Yes.

Arun Kothari: Mr. Dhruv, what we are seeing there is very good demand may come in the coming 1 or 2 quarters from the power sector in India. Water/power projects have been announced by the Government of India, has already started capex. If this order will start to flow, they will definitely improve the margin as well as some of the government very good initiatives, at least in our sector from Make in India concept from BIS.

Secondly Government of India has announced new BIS quality order for the pipes and tubes. This will be implemented by 1st of August 2025. This will also give a very good boom to all the stainless steel pipes and tube company in India.

We are seeing definitely there will be margin improvement. But at least from this quarter not, we are foreseeing from next quarter, definitely margin improvement will be there.

Dhruv Jain: Sure. And sir, could you just spell out what is your order book for whatever order book that you have at this point of time?

Arun Kothari: Right now, we have almost INR350 crores order book. We can say almost near about 4 months order book.

Moderator: Next question is from the line of Mihir Damania from Fident Asset Management.

Mihir Damania: So my first question was, we're seeing the bulk of the growth coming from the other segment, which is the non-Seamless and non-Welded Pipes segment. So what does the other segment include? And what's driving that? What's driving the disproportionate amount of growth in the other segment?

Kunal Bubna: No. Basically, it's scrap and primarily fittings is which contribute to it. See 5% to 7% as a level we believe we should be in this level.

Mihir Damania: Okay. So it will remain in this 5% to 7%.

Kunal Bubna: Yes. Between 7% to 10%. Yes.

Mihir Damania: Got it. And my second question is fundamentally, when you look at it, exports have been a much higher margin product like around 300 to 400 basis points better than what you could source domestically. Such a dramatic increase in contribution from exports should ideally have led to much higher gross, much higher EBITDA margin.

So can you explain the divergence between where the margins have kind of settled and the higher proportion of export should probably have led to like 18%, 19% EBITDA margin. That's what you've currently reported. So can you give a bit of clarification.

Kunal Bubna: Yes. Generally the domestic direct sale and export have generally a similar margin. But as we said when you increase your volume and you establish in those markets, we tend to get higher margin on those products.

But if you see on the side of the welded, many of the geographies we are trying to penetrate where we were not in the bulk or in a voluminous nature that geography like Middle East, Africa and U.S.A. we are penetrating at a current level. So there the margins had come at a lower level.

But we believe as and when with a few more suppliers to those geographies, we would be there. And I think going forward then we would be able to achieve our EBITDA margin as compared to what we have in domestic.

Moderator: Next question is from the line of Romil Jain from Electrum PMS.

Romil Jain: Sir, one question on this ongoing tariff war. Just to understand, I think a few days back, we've seen a 25% import duty on any steel or aluminum coming in, right, in the U.S. So how does that affect us as a company or any export from India to U.S.? That is one. And also, probably is there a possibility where other Asian countries, including China can have some additional dumping in India? How do you see that happening?

Kunal Bubna: So if you see primarily this 25% duty which has been recently executed by U.S. was already there on the steel product from India. But there were a few countries like Canada, Mexico and Brazil and a few others who were exempted from this. So primarily they have also come under this net. So from the India perspective, it will be more positive.

Romil Jain: Okay. So you're saying that on stainless steel pipes, it was already there. So it's not a big change for us.

Kunal Bubna: Yes.

Romil Jain: Okay. And you don't see a major impact of dumping as well at this point?

Kunal Bubna: No, not much. Because in case of seamless antidumping duty is hefty amount, we don't see that affecting too much.

Romil Jain: Okay. And sir, just a clarification to the earlier question. It was a little unclear. We have said that I think our gross margins have still remained resilient because of export contribution increasing. But at the same time, there's been an EBITDA level impact and I think we mentioned that it is going to continue. So I just want to understand the reason. It was not very clear. Can you just repeat that, sir?

Kunal Bubna: No, we were telling from the perspective from the side of welded we have been quite competitive while exporting to those geographies where we have exported in the quarter. So the prices what we would have taken slightly competitive, so it was on a lower side. So that way the margin and other cost has also increased both on the salary and other costs. But keeping the market scenario, we were unable to charge those price on our selling prices. Because of that, the EBITDA has been affected.

Romil Jain: Okay. And just a question again on the gross margin. So let's say, fast forwarding to 1, 2 years from here, when the additional expansions kick in and when the fittings also kick in, as well as the domestic market also improves, what is the band of gross margins that we see from here with all these changes coming in? Your band of gross margin

Kunal Bubna: RM convention percentage will be in the range of 66% to 68%, sort of.

Romil Jain: 66% to 68%, okay.

Kunal Bubna: Again, it will depend on a few of the product mix and all, but a ballpark number I'm just indicating you.

Romil Jain: Last question. If you can just give some sense on what kind of cash flows did we see so far in the 9 months, operating cash flow?

Kunal Bubna: It was there similar to what was there, slightly increase what we achieved in September for the half year ended.

Romil Jain: Okay. So from there, it has increased a little, right?

Kunal Bubna: A little, yes.

Moderator: Next question is from the line of Aasim Bharde from DAM Capital.

Aasim Bharde: Just one clarification I wanted on the export split that you spoke about that the welded portion was higher and at competitive prices, so that hurt our overall margins. But in the overall mix, was welded far higher versus what it normally is? Or was welded still a small part of the overall export mix?

Kunal Bubna: Yes. In totality term also welded was high. Out of the total export of INR89 crores, you can say around more than 35% was on the side of welded, which used to be very low in the previous quarters.

Aasim Bharde: Okay. And is it to multiple different countries or is it more concentrated to the Middle East and some part of Africa?

Kunal Bubna: No, it was definitely more towards U.S., but again, Middle East and Africa was also forming a good chunk of it, in case of welded. And in case of seamless, it was more towards European countries.

Aasim Bharde: Okay. Got it. But I'm assuming at least on the European seamless bit, we don't need to be like open minded on margins, right? It's just a U.S./Middle East thing.

Kunal Bubna: Yes.

Aasim Bharde: And I'm assuming it will not be a persistent or rather longer-term thing, it might get resolved in 1 quarter or 2 once you make improves.

Kunal Bubna: Absolutely.

Aasim Bharde: Okay. Second, again, another clarification. So you mentioned that you are going to add piercing back-end capacity. Will that also come online on the side when your Phase 2 seamless capacity comes online in December of this year?

Kunal Bubna: Yes, that is the whole target of that.

Aasim Bharde: Okay. And finally, just this is slightly a more medium-term question. So on the 20% revenue CAGR aim or aspiration that you're talking about and taking margins back from 16% to 20-odd percent. But will your mix still be at the same current range where 50% to 55% is seamless, 37%, 40% odd is welded? Or will this mix also start to change? And basically, I just wanted to understand then how that 20% will be achieved? How will that road map from 16% to 20% EBITDA margin actually happen?

Kunal Bubna: No. From a margin perspective it's not 20%. On the value perspective we are telling this should be more than 20% EBITDA growth, if I compare FY '24 with FY '27. But on a margin perspective definitely from this level, and coming quarters we believe definitely the margin will improve. Because as we said, the condenser pipe, which is expected to come by March, it will start giving the results. We will be moving towards more towards value-added products in a few more quarters to come.

And again, fitting business also will come into the play, which will also help as a comprehensive piping solution to the end customer. So we believe keeping all those perspective, it should help us to improve the margin.

Aasim Bharde: But is the margin profile of this particular category or rather whatever the capex that is coming in March, is so high because the overall I think capacity addition is just 10-odd percent?

Kunal Bubna: It will be high but not very high. But again, a few other capex is coming by September, few by December. And again, as we said, we are penetrating from welded in export side. So those penetration should be done and we should be able to get good prices going forward also.

Aasim Bharde: Okay. And is there any role for fittings also on the margin improvement bit or will that just be a smaller nominal part in the overall scheme of things?

Kunal Bubna: Margin, it will be similar to this sort of number. It will not increase the margin. But going down the line because it's again a fully approval driven business where we get requisite approval for these fittings from the end customer. Post that definitely we can improve the margin there also.

Moderator: Next question is from the line of Arpit Agarwal from Electrum Portfolio.

Arpit Agarwal: First a follow-up on what Dhruv have asked. I just want to clarify, you're saying that the duty of 25% is similar on all your products across the range to the exports to U.S., right? It is already 25%, and there is no change.

Kunal Bubna: Yes, on the side of welded what we currently export to U.S. remains the same. It was earlier also and now also.

Arpit Agarwal: So you only do welded to U.S. and that is why I think there is antidumping duty as well there, right?

Kunal Bubna: I think it's a different tax and duty. This is not done in the name of antidumping, something other tariff. But it remains the same for us. But as I said there were a few companies like Canada, Mexico, Brazil, they were getting exemptions on that. And again, in case of Aluminium , , it keeps on increase of 7% to 8% to 20%, 25%

Arpit Agarwal: I just want to understand the competitive intensity. So obviously, you are expanding on other products and domestic market is very slow. So how is the competitive intensity in India? So if you can just map out the kind of expansion which are common in the industry. Is it more there because of the slowdown it's been putting pressure on the volumes?

Arun Kothari: Definitely competition is coming, but with just what Venus Pipe is focused, Venus Pipe is the solution of the all type of stainless steel pipes. This includes seamless pipe, LSAW pipe, then welded pipe, then we are going the titanium tubes, high-end condenser tubes. Then further, we are creating a very good presence in high-end quality products.

So in this all the segment in India also very limited players is available. Whatever competition is coming they are coming in the segment-wise competition, not that much volume. Our company, our campus will be at the single location. So customer get benefited from the single location benefit. So every customer requires the all type variety of pipes so they can get benefited. But if any new company comes, if an existing player will expand the capacity, definitely it will impact the pressure on our business.

But if new players come, so any new players who are doing the stainless pipe will require quite good time to penetrate in the market to create the presence in the market. So almost all the business is driven by the approval based business.

Arpit Agarwal: Right. That's what I just wanted to understand that in the competition, the existing players, is there a significant expansion coming up?

Arun Kothari: No, nothing from the existing players. We are not foreseeing any significant expansion from existing players. Some of the new players is coming, but definitely, it will take time to penetrate in the market.

Arpit Agarwal: Just wanted to check on an update on the expansion. I think the Phase 1 is supposed to get completed in March '25. So are we on track? Is there some delay?

Arun Kothari: Yes, almost partial capacity on the Phase 1 will be commissioned by this quarter. Remaining some partial capacity will be operation by April of FY '26. Remaining Phase 2 expansion is already on track. That will come by the December 2025 as we had committed earlier.

Moderator: Next question is from the line of Bijal Jitendra Shah from RTL Investments.

Bijal Jitendra Shah: I have only one question. Kunal ji, you mentioned that you will see some increase in employee cost as a percentage of revenue and maybe that other expenses will also go up. So I understand in the longer term, you are talking about better margins. But in Q4 and probably Q1, can we see contraction of margin from current levels? Or you will be able to maintain margins at current levels at least?

Kunal Bubna: What we see currently, we should be able to maintain this margin.

Moderator: Next question is from the line of Rahul Mishra, an individual investor.

Rahul Mishra: I wanted to know the growth guidance for revenue and top line and bottom line for the coming quarter and for FY '26. What's your growth guidance, sir?

Kunal Bubna: Yes. For the coming quarter, we believe it should be around 10% should be for the coming quarter. And for the coming year, we believe it should be more than 20%.

Moderator: Ladies and gentlemen, due to time constraint, we will take this as the last question for the day. I would now like to hand the conference over to the management for the closing comments.

Arun Kothari: Thank you, everyone. I take this opportunity to thank everyone for joining the call. We will keep updating the investor community on a regular basis for incremental updates on your company. I hope we have been able to address all your queries. For any further information, kindly get in touch with SGA, our Investor Relations adviser. Request all of you. Thank you once again. Good evening, everyone.

Moderator: Thank you. On behalf of Ambit Capital, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.