



MIDWEST LIMITED

(Formerly known as Midwest Granite Private Limited)

February 18, 2025

To,
The Listing Department
BSE Limited,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Scrip Code: 544587

To,
The Listing Department
National Stock Exchange of India Ltd.,
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400051

Symbol: MIDWESTLTD

Dear Sir / Madam,

Subject: Transcript of Earnings Conference call for the quarter and nine ended December 31, 2025

We wish to inform you that pursuant to Regulations 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, the transcript of the Earnings Conference call held on February 12, 2026, in relation to the Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and nine months ended December 31, 2025, is enclosed herewith.

The same is available on the website of the Company at <https://midwest.in/investors>.

Kindly take the same on record.

Thanking you,

Yours faithfully,
For **Midwest Limited**

Rohit Tibrewal
Company Secretary & Compliance Officer
M. No.: A31385



“Midwest Limited
Q3 FY '26 Earnings Conference Call”
February 12, 2026



MANAGEMENT: **MR. RAM KOLLAREDDY – PROMOTER, WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER – MIDWEST LIMITED**
MRS. UMA KOLLAREDDY – PROMOTER AND WHOLE-TIME DIRECTOR – MIDWEST LIMITED
MR. DILIP KUMAR CHALASANI – CHIEF FINANCIAL OFFICER – MIDWEST LIMITED

MODERATOR: **MS. SANA KAPOOR – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Midwest Limited Q3 & FY '26 Earnings Call hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sana Kapoor from Go India Advisors. Thank you, and over to you, ma'am.

Sana Kapoor: Thank you, Danish. Good evening everyone and welcome to Midwest Limited's earnings call to discuss Q3 and 9 Months FY '26 performance. The financial results and investor presentation have been uploaded on the exchanges. I hope you have had the opportunity to review the same.

We have on the call Mr. Ram Kollareddy, Promoter, Whole-time Director and CEO; Mrs. Uma Kollareddy, Promoter and Whole-time Director; and Mr. Dilip Kumar Chalasani, Chief Financial Officer. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

May I now request Mr. Ram Kollareddy to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you, sir.

Ram Kollareddy: Hello everyone. This is Ram Kollareddy. Thanks for taking time on the call. So, a quick update on last quarter. Overall, the business vertical of granite was quite -- the growth was quite good; the markets are quite supportive. One of the key updates that we are seeing on the granite sector is the domestic market is on a very high growth trajectory. The demand is looking very good, more than expected, and I think that will follow through for the next few quarters.

And the other factor of China; so China also we are seeing a high demand because of primarily two factors. On the ground, our distributors are seeing more -- a slight turnaround where the old construction projects which were in problem. The inventory is almost reduced. So there is a new construction which is happening, and also the old projects which are getting finished, they need natural stone as the last part to hand over. So that is I think --that is also helping.

The other aspect is RMB. So, RMB is at an all-time strong. It is almost 6.9 compared to 6.3 or 6.4 historically. So, then the imports also become more attractive for them. And I think overall China, our largest export market, is also looking sound. And so our challenge or our focus was always on the execution and getting the volumes up, because demand was never an issue. But with this strong demand domestically and in addition to China, I think, we are looking at increasing the production numbers.

Another key update related to this: we got a new mine of 10.9-hectare Black Galaxy mine. It's right next to the current operational mine, so there is an ease of operation. We can share a lot of costs, infrastructure, and there will be good leverage. And so we have just started production

and we are expecting production numbers as early as this quarter from that specific mine, because it is right next to our current mine and there is less development.

The other key takeaway on this mine is the consideration which we are paying to the Government of Andhra Pradesh is lower than the current consideration we are paying to APMDC, which means the unit economics work more favorably in for this specific Black Galaxy mine. So we are bullish on this project. I think the volumes will come in handy for the increase in demand domestically and China.

The other markets are doing okay. I don't see a huge push like these two. Middle East is growing at a single-digit pace and Europe is usually no -- has been no growth and we see a standard requirement. So our customers are positioning themselves to address this increased demand domestically. Companies which were looking at more export are also looking at more domestic sale now, our customers. And so that is pretty much what happened the last quarter with major developments.

There is a new project which we've undertaken in the natural stone business, which is we got a lease -- a new lease of a quartzite mine. And this is to supplement the quartzite stone coming from Brazil into India today. It is a premium stone, and this is a one-off in the state of Andhra Pradesh and we are trying to -- we are building it into a business model of B2B2C, wherein we hold the brand, we have exclusive mining rights, and we use this product to position in the market.

We have a job-working partner who will convert this into different products: slabs, tiles, any form, any shape and form, and then we actually have our own dealers nationwide distributing this product.

So, wherein we are also controlling the end price and we're going asset-light in positioning this product to the Indian market. So, this is something we are building on in the next few quarters. I think in next 9 to 12 months we will know how this is panning out, and if it is panning out well, we will go aggressive on this model. It's a Grey Quartzite, which is a unique material, unique like your Absolute Black and Black Galaxy. Unlike Black and Black Galaxy where there are other miners also, this Quartzite we will be the only company doing it pretty much. So, we may have some more advantage if we are positioning it right.

So, these are the primary updates on natural stone. We can move on to the -- I think Dilip will take over the numbers at the end of my commentary and presentation. So, the other important update that we have in natural stone is we have -- as we have updated in the previous meetings, I think we are very proactive and bullish on converting fossil fuel-driven machinery and trucks, specifically trucks into EVs.

In fact, we've allocated a considerable portion of the proceeds from IPO in converting trucks from diesel trucks to electric trucks. We are currently having nine and we have started placing orders and planning out to purchase the rest of them. And I think we will complete that as early as next one or two quarters, wherein the cost is coming down quite considerably because we'll set the asset.

The other important development is apart from the trucks, our constant drive is to convert other machines also. So, we've also last quarter we did a lot of work in looking at other machine options, especially excavators. After trucks, excavators consume the maximum diesel for us. And we have already found a partner and we are prototyping the first electric excavator in the mine as early as this quarter itself. And if that goes well, I think next few quarters we will be able to roll over and convert the diesel excavators also into the electric excavators.

And I think we have planned a certain capacity of solar power, captive solar power. We will be exceeding that given all these developments in the next financial year. We will be going more aggressive and the exact number of megawatts, we will be able to tell on the next call, but we will be going more aggressive on the captive solar to address these to further cut down the cost on these investments.

The second vertical of quartz. So we have faced few challenges in the last quarter, and we have tested the product. We have sent the product to all the prospective customers; we have got approvals. We have sent bulk samples, we've got approvals. We got orders. We have faced challenge in the streamlining of the solar -- integration plant of solar and the engineered stone. That was the problem last quarter. But we have solved those issues.

The most of the issues are ironed out. We are good to go, and we have started the commercial production as we speak. And then, I think we will try to make up as much, but I think next year -- next year we are looking at doing good volumes beyond what we planned, because of the small changes that we have made in order to streamline the plant over the last quarter. We were also able to increase the output a bit, so we will try to make up for those volumes.

We have already started the work on Phase 2. We have not delayed that part because of the challenges we faced last quarter. So, we already started the work on Phase 2, we already finished the layout, we will be starting to place the orders next month. I think we are in line to commission the Phase 2 also maybe by end of Q3 or early Q4 next year. So, that is also something which is exciting.

And we were waiting for the product testing certification and approval from customers to look at the volumes on the solar glass side. So, now once that is through, we have more clarity on what could be the volumes that we can position to the solar glass market.

And the other development during in the last week is the tariffs. So, we were never directly impacted by tariffs from US, but our customers some of our customers were selling product to US. I think with the tariffs they get a relief and I think we could see good tailwind in -- and that would help the Phase 2 in a bigger way than the Phase 1, because Phase 1 more or less the product positioning was done. I think Phase 2, the tariff thing will help.

I think the tariff with EU also will help this business segment, primarily because EU manufactures, EU as a cluster is the largest manufacturer of engineered stone after India and Vietnam. Considering that, EU usually buys from domestically within EU manufactured product. I think now with what -- with the free trade, I think India will be also in a good position to supply EU, which was earlier a smaller market for our customers.

And the other aspect is our plan was to do the HPQ in Phase 3, and we concluded the plan and layout and the machinery for HPQ, which is high purity quartz, in Phase 2 itself on a small scale, and then we want to ramp it up in Phase 3. So, that is a development which we have taken up for Phase 2. So, that is another change that we have made to our plan in Phase 2.

So, Quartz market is looking good, a lot of positive developments. And initially with the tariffs we were looking at positioning more product export; I think that still exists, we will be exporting the product because even now there is good growth requirement coming from European and Vietnam, Southeast Asia manufacturers.

But I think in terms of price parity, the arbitrage might not be there much between domestic and export unlike when the tariffs were existing, but that's fine. I think overall it's looking healthy and more stable at a global level. So, that is where we are on Quartz.

In terms of the HMS, so, Sri Lanka, where our HMS concessions are, they have started working on a new mining policy which is more transparent and industry-friendly. And they have started that exercise in December, and they have got cabinet approval -- already cabinet approval a few weeks back. So, there is a pause, a bit of a pause for starting our work there due to that. And we are also awaiting the new concessions from the ministry, which is in advanced stage.

So, hopefully in this quarter itself both of them would be resolved and we can move forward on the ground. So, there we have increased the volumes; we are planning to build a slightly larger plant, about 150,000 tons output. And once we get the new concessions, I think we will be exploring that over the next two quarters and starting the work on that in Q3 of next year on the sizing of the plant for that.

So, Sri Lanka is looking good and overall we are comfortable in the country and things are moving in the right direction in more transparent manner. And the government is looking for serious players unlike before, and I think we have done the maximum work as we speak, as far as we know in the country in terms of proving resources and progressing on the ground, including environmental work.

The other aspect in this sector is the Government of India has announced the PLI scheme to make permanent magnets. And initially our plan was to stick to oxides and we are studying whether once the PLI scheme comes, we will be looking at this aspect, whether it suits us to go forward integration and look at this. But I think that clarity will come in -- during next quarter.

The other aspect in HMS: we have formed a company in Sierra Leone and we are looking at some concessions there which are available on sanction based on technical capability. We are pursuing that opportunity and we will be in the next few weeks looking at -- our team was there, they did a lot of work and did a lot of exploration. It's a similar setup, a large resource of HMS with a monazite by-product.

And if something comes through there, we will keep you posted. Right now, we are just scouting in Sierra Leone. Once something concrete comes up, we will update you. So, these are the updates on these three verticals, and Dilip will speak a bit about the numbers.

Dilip Kumar Chalasani: Yeah, good evening. Welcome to the earnings call for Q3 of Midwest. We will speak about the numbers that we have achieved in the current quarter, as well as numbers for the last nine months. For the current quarter, the revenue which we have posted -- consolidated revenue is about INR128 crores. Against its corresponding year-on-year number of INR117 crores last year Q3. So, there is a growth to the tune of 10% and if we look at EBITDA, it's -- EBITDA levels are year-to-date the numbers are more or less the same numbers compared to the last financial year.

But compared to the last financial year nine months, there is a little improvement in the EBITDA from 24.53% to the 27%. The current quarter as a standalone number of EBITDA is around 23.7%. Again its comparative number of the last quarter -- last financial year corresponding quarter is 20%. The PBT levels are around 22% and the PAT level is around 16.16%.

This is on the P&L part. Using the funds that we have raised in the fresh issue, we have repaid the loans to the tune of INR54 crores, and with that our gearing ratio got improved. And we are in the process of application of our funds as Ram mentioned, there is no EV dump trucks which we are going to apply these funds, I mean invest these funds that will further help us to improve the numbers.

And there is no Phase 2 plant and the HPQ in terms of Quartz. We are taking it up together; by Phase 2, HPQ also will be ready. Yeah, that's it from the numbers side. Any questions, I'm happy to answer.

Moderator: Thank you so much, sir. The first question comes from the line of Akhilesh from Emkay Global.

Akhilesh Kumar: So, my first question is on the bit on the more timelines of the rare earth initiatives which you guys are taking on. So, has there been any kind of progress in the, you know, timelines or something if you can elaborate more on those fronts?

Ram Kollareddy: So, timelines in terms of quarter on quarter pretty much in Sri Lanka, we are where we were because of the Government policy coming into place. They took some time for processing most of the work on the ground. So, Sri Lanka no, but I think we are very close to accelerating the whole thing because the cabinet has approved new process and the delay which was beyond our control is done. So, we should be progressing on the ground faster now.

Akhilesh Kumar: So, will there be any final delays like given the timelines which you had mentioned earlier, like within 15-20 months? So, is there like this kind of three months of delay in whatever you are saying in the market, so will that be extending our 20 months target of commissioning?

Ram Kollareddy: So, our initial plan was to start the activity on the ground in end of March and April --sorry, end of March and April. And we are in mid of February now. So, giving another few weeks to this, I think there could be delay of a month or two, but beyond that we don't see. But we can -- our plan is to make up as much time because the EPC contractor will be from China mostly. And given that, I think the plan -- we can make up in the execution, but otherwise if you look at apple to apple, I think there is a month to two month delay.

Akhilesh Kumar: Okay, okay. And secondly, like you mentioned that in the Union Budget there has been announcement around rare-earth magnets. So, how do you see this impacting your plans, like do you expect any PLI support or any fiscal benefits like capex subsidy, tax incentive or anything of that sort?

Ram Kollareddy: The first major impact for us is going to be that we know that there will be a great demand for oxides domestically. Because the PLI scheme is for five companies for 6,000 tons of permanent magnets, and 6,000 tons of permanent magnets will need around 2,000 to 2,500 tons of oxides. So, today India's oxide production of IREL is close to 500 tons, which means just the PLI units need about four to five times of entire India's production.

So, which means that today even if I'm producing the oxide, the demand is overseas, not domestically. So, that is a very positive for me, whether I'm producing oxide in Sri Lanka or I'm producing oxide in India, then the demand is within India. So, that is first positive thing. And we believe that PLI will be certain set of companies, but there will be other companies also which will come after that. So, that is a direct thing.

So, PLI is for magnet production, which means somebody takes the oxides from let's say two years from now once they are ready from IREL or from us and they make a magnet. So, that is a support what government is giving and it's typically translating to around 12% to 15% of opex subsidy and one-time capex subsidy of 15%. So, it is a decent amount.

So, today where there is no domestic market, where there are no magnet manufacturers, this is a huge boost and it will give a big trigger to entire ecosystem, specifically us from oxide point of view where you have a customer within the country closer to us. And second, the scope of the PLI scheme itself, which we will have to evaluate once it actually comes on paper.

Akhilesh Kumar: Right. And how do you see this impacting your pace of scale of investments or where you put your investments in? So, will there be any kind of strategy changes around that because of this coming in now?

Ram Kollareddy: No, PLI point of view from -- to make oxides, our core business, monazite to rare earth oxides, no, because we have built our business based on our reserve base and based on what we can do within our own concessions with our material. So the only thing in terms of -- so -- and we want to initially do 150,000 tons as Phase 1 because that's the first phase and we want to get it right. And after that, we can easily ramp up doubling or tripling. That is something we can always look at.

So from a numbers point of view or from a strategy point of view, core strategy, not much change. But we will be seeing a lot of activity in India to convert monazite to oxides, the existing feedstocks, like the recent Kerala what they've come with EOI. Other states also may come. So, there we will be very aggressive and opportunity to opportunity we will look at it and participate in every tender or EOI and then try to take more of the processing capacity so that within India also we have ability to supply oxides to these magnet manufacturers.

Akhilesh Kumar: Okay, thanks. That answers my questions. Yeah, thank you.

Moderator: Thank you. Our next question comes from the line of Deepesh Sancheti from Maanya Finance. Please go ahead.

Deepesh Sancheti: Okay. Can you shed some light on how the dedicated rare earth corridor mentioned in the budget will help Midwest?

Ram Kollareddy: Yes. So, it's an ecosystem play. It is a very tightly knit industry. So, if you look at what India has, we have feedstock of monazite. If you look at the value chain, monazite is an ore -- it's a mixed ore which has unwanted materials which you have to remove and refine the rare earth into oxide form. So, it is somebody takes the monazite -- so we take the monazite -- then we use a -- it's a chemical electromagnetic, there's a long process chain, solvent extraction, and then we extract the rare earth oxides.

So, the contained rare earth oxides in monazite can be as low as 15%, can be as high as 30%. Once you make those oxides, those oxides are then made into a metal form through electrolyzing, special electrolyzing process. And then that metal is made into alloy based on which industry it's being used form and the form factor and the magnetic properties that are required.

And that magnet -- and that alloy is made into a magnet, and that block of magnet is fabricated based on where you are using it. Automobile will have -- two-wheeler will have different form factor, different fabrication; your iPhones, your iPods will have a small form factor. So, that's the fabrication process -- cutting, polishing, things like that.

So, given this, it's a long chain. So, rare earth corridor per se is -- is what perfectly works, wherein in that corridor you have oxide producer, you have a metal maker, you have alloy maker, you have block maker, you have a magnet manufacturer, you can have a motor manufacturer, you can have EV manufacturer also, but let's end with motor for now for this discussion purpose.

So, it's a long value chain; it's a very tight-knit industry because the motor manufacturer will give the specifications required, detailed specifications required to the magnet manufacturer. And the magnet manufacturer back-works with all the raw material supply chain and then does the required work and gives.

Now the magnet manufacturer's supplier, who is an alloy, again has his own supply chain. So, globally if you look at the industry in China, it has built in this system wherein there is ecosystem there and each one helps -- there is no lag in communication, everyone works together and gets that product right.

So, I think the -- it helps, it's of great help and it also we have to understand some of these process are environmentally quite dirty and they will need large-scale recycling of water, recycling of air, there is gases, including recycling of magnet which can go back to the loop within that ecosystem. So, I think all that is also going to help where this ecosystem or this large infrastructure can have common facilities, including testing facilities which are quite expensive.

So, I think it is a very good move. In fact, India will need few of these, not one, and each state ideally wants one -- one facility in each state where the resources are: one in Kerala, one in

Andhra, one in Odisha, one in Tamil Nadu, where the local industry develops and you don't want to move the -- you don't want to move the monazite on a long distance also.

You want to create the local industry there because let us also remember that all this monazite has thorium in it and which is also great advantage for the country because we may run our entire energy on thorium next 10 years, right? So, given that, the hubs, four or five, will be of great help. And we will be part of the hubs, wherein, wherever we are producing oxides, we will have presence in all these hubs and support downstream industries in these hubs. So, ideally, we will be very active in this ecosystem.

Deepesh Sancheti: And how much of your IPO proceeds have been utilized so far, and what is the plan timeline of deploying the other funds?

Dilip Kumar Chalasani: Yeah, we have raised INR250 crores, and out of that INR250 crores, approximately INR225 crores is meant for other than IPO, I mean, the expenses leaving aside, close to INR225 crores is the number that we have to spend, approximately INR10 crores is what we have allocated for general corporate purposes, and remaining is around INR54 crores we have earmarked for repayment of loans, which we have already done.

And balance amount is to be spent, I mean, so we now have started completing -- we have started applying our funds on Phase II Quartz plant, and so we'll be releasing orders and placing advances on the vendors. And EV dump trucks is another major amount to be spent; that's about INR27 crores. So, these two, I think estimated timeline what we have hinted is this this fiscal, and the next fiscal. Maybe a quarter here and there, the amount will be spent.

Deepesh Sancheti: Okay. And how much long-term borrowings are you going to reduce? I missed that figure?

Dilip Kumar Chalasani: INR54 crores.

Deepesh Sancheti: INR54 crores, okay. Right now, it's about INR164 crores is the long-term borrowing. Is that okay, is that the right number?

Dilip Kumar Chalasani: Correct.

Deepesh Sancheti: Right. And now going ahead, what is the order pipeline segment-wise if you can give me for FY 2027?

Ram Kollareddy: So, in terms of natural stone, we have distributors who are taking material from us for the last 20, 25 years, and usually the way it works is there is -- some of them have a deposit and then they offtake whatever we are producing. So, the bottleneck for us has been the always the increase in production, which we are -- so, we don't specifically maintain a order book, the way we run it.

In terms of Quartz, we have enough demand for the whole year from both the engineered stone plants, typically we are looking at seven companies for engineered stone, and solar glass, our single customer, the first customer will be offtaking the entire material. We are trying to -- once

we in the next -- for Q1 of next year, we are also looking at adding a second requirement there, second player there.

Interestingly, we also have orders for the tailings, you can call, or the remnants of the material from other companies, glass manufacturers, like, AGI and all. So, I think we are more or less full for the next year in terms of product positioning. And we will be looking at Phase II maybe in Q3 or Q4 this year, how we want to position that.

And for exports specifically, we have not confirmed any orders. There are requirements, there are alloys and they are ask, there is requirement. But exports is something we will aggressively start working on next quarter once we meet the demand domestically where some of the customers have been waiting for some time for material from us.

Deepesh Sancheti: And what is the ideal EBITDA margin, which you are targeting overall, because we've seen ups and downs from 20% to 29% and even now 23%? So, what is the EBITDA margin and the ROE, which you are targeting?

Dilip Kumar Chalasani: The EBITDA margins are being consistent since last three, four years if you look at. I mean, gradually it's only upward trend except financial year 2023. 2023 there was specific reason that's not due to post-COVID issues, there is no port-related logistics issue, which has caused revenue drop and the respective numbers also got dropped.

That's the one concerning -- I mean, except that exceptional issue, the EBITDA numbers were growing year-on-year. I mean, maybe a small number, but it's growing. It's consistently being in the increasing trend.

Dipesh Sachiti: If you can just put a number to it, what is the EBITDA margin which you think you will be -- comfortably you will be able to settle at?

Dilip Kumar Chalasani: So, last year we did about 28% plus. This year nine months, we did about 27%, and the last quarter normally our revenue number will be really high and overall it will -- the number will be more or less close to the last year number.

Ram Kollareddy: And in specific numbers, I think once you see a full year of Quartz and then HMS, I think they'll be -- we're looking to be on the healthier side than these numbers.

Dipesh Sachiti: Okay. So, what is the right way you want the analyst to see the company? Is it, you know, quarter-on-quarter would be a fair assessment or year-on-year will be a fair assessment?

Ram Kollareddy: So, I think year-on-year is fair assessment because we have a lot of new projects coming in and each one has its own timeline and traction. So, I think at least for the next three to four years, year-on-year, once these businesses mature and then you have a Phase 2 also Quartz done and our HMS starting production, at least Phase 1, I think from then on you should look at a half-year-half-year or quarter-quarter. Till then, I think we should look on a yearly basis until all of these get matured.

Dipesh Sachiti: Okay, and what is the cost of debt right now?

- Dilip Kumar Chalasani:** It's around 8%.
- Dipesh Sachiti:** 8%. Okay. Fine. And is there any capex which is lined up for the next two years if you can quantify?
- Dilip Kumar Chalasani:** Yeah, one capex is Quartz Phase 2, that is anyway we have raised in the fresh issue; we need to just apply those funds. Apart from that, regular replacements in the mining segment will be there -- that's a capex which is a routine process. HMS will be close to INR150 crores to INR160 crores. That will be funded mostly from the accruals -- internal accruals.
- Dipesh Sachiti:** Okay, this is for the next two years, right?
- Dilip Kumar Chalasani:** Yes.
- Dipesh Sachiti:** Great, great. All the best guys. Thank you so much.
- Dilip Kumar Chalasani:** Thank you.
- Moderator:** Thank you. Ladies and gentlemen, in order to ensure that the management will be able to address all the questions from the participants, we kindly request you to limit your question to two questions per participant. If you have a follow-up question, please re-join the queue. Our next question comes from the line of Naman Parmar from Niveshaay Investment. Please go ahead.
- Naman Parmar:** Yeah, thank you so much for the opportunity. So, firstly I wanted to understand that on the HMS side that you've gotten four licenses in the Sri Lanka, right? So, have you done any tie-up with the any Australian mining company or you will be directly going to mine in the Sri Lankan field for the HMS?
- And also, any update on the South African side that you have done a tie-up also there? And how big could the HMS or the rare earth part could be after two-three years down the line contributing to your revenue?
- Uma Kollareddy:** In Sri Lanka there is, you know, there is no need for a tie-up. Like we mentioned in the past, there are EPC contractors who will come and separate the mineral out of the heavy mineral sands deposits. So, this is not a -- I mean, this is a well-known technology. And Sri Lanka, they'll give Chinese visas also very -- very easily, so the idea is to have a whole EPC contractor come in and quickly implement the project within nine months.
- Naman Parmar:** Okay, understood. And how much could be the HMS or rare-earth part could be two-three years down the line could be contributing to your revenue?
- Ram Kollareddy:** So, the HMS, we are looking at a Phase 1 capacity of 150,000 tons and this is a -- HMS is a mix of your ilmenite, rutile, zircon products once you separate them. And as you go, I think the prices are changing on quarter-to-quarter, but as you go on current prices, I think the weighted average if you apply, Sri Lanka will contribute to around INR350 crores to INR400 crores of top line in Phase 1.

And then we expand from there on to Phase 2, which we don't know right now what that production increase would be. And then there is also the monazite. Monazite we have not factored any cost because we want to make the oxides there, and that will add another INR150 crores to INR180 crores once we start making oxides. So, Sri Lanka can contribute anywhere between INR350 crores to INR600 crores realistically with these concessions that we have over -- over the Phase 1 and further validation into the oxides.

And to give you a perspective, 150,000 tons per year and the reserves that we are having there are close to 3.5 million plus, so we have a good runway of 20-25 years on this alone. But the idea is to accelerate, increase the production and once we get the other concessions also that we are expecting then we'll be able to even double or triple the productivity. So that's the plan in Sri Lanka.

Naman Parmar: Okay, understood. Secondly, on the whole process side, like you mentioned that you are currently in the oxide side, right? In the rare earth material. But from oxide to whole alloy to magnet, how much big capex would be required for any person to enter into forward integration plant, and if you have any plan to enter in future? Like currently you have mentioned that you will be providing till the oxide part, right?

Ram Kollareddy: Yeah.

Naman Parmar: But if you have any plans in the forward, then how big will be the capex?

Ram Kollareddy: So for somebody to make a oxide to magnet, our internal study numbers show that at a capacity of 1,200 tons per year, which is basically what the Government PLI has mentioned, the capex will be anywhere around INR1,000 crores to INR1,100 crores. That will be the capex of plant machinery including, without the land, let's say approximately.

And out of which the subsidy of Government of India is close to INR150 crores. And now this INR1,000 crores - INR1,200 crores investment, today the magnets from China which are being imported, they are imported at a cost of \$60 to \$70 a kg, just to give you an idea. So, you can just -- we can multiply that number of \$60 to \$70 a kg and you'll get a revenue number. Now the key is setting up the oxide to magnet plant is possible and it has its own challenges -- technical challenges, but it is possible. The oxide becomes the key and that's where our focus is.

Now on second question on our interest: it's a forward integration for us. We will look at the policy, the PLI policy in detail, what comes and where it stands. And if it is advantageous to us and we feel that we will be able to leverage and have a good forward integration project for our oxides, I think we will look at it and decide at that point of time.

Naman Parmar: Okay, understood. And lastly, I wanted to understand specifically on the quartz side, that you have mentioned your capacity after Phase 2 would be 6 lakh ton, right? So, overall if we see the demand for the quartz grade powder would be around 37 lakh ton to 48 lakh ton, right? But any client you have been able to crack on the semiconductor side?

Like you mentioned on the solar side you have been able to crack and like you have also mentioned on glass processing also you have API-like players you have cracked. Any player you have cracked on the semiconductor side and you see how the demand will be going to root in the Quartz grade side, how big is the import on that particular powder, because in the India I don't think there will be a large player on that side? You will be the only one getting the 6 lakh ton capacity?

Ram Kollareddy:

So the aspiration of the company has been to go for higher value addition on Quartz, and that is why you see that we -- our baseline itself we put engineered stone and then we are going to solar within that system. So next if you look at our presentation and also what I mentioned, HPQ high purity quartz is something which starts at 99.9 purity. And so we have done a lot of work on that and as mentioned, I think in Phase 2 you'll be seeing some production coming from that.

Now the application of HPQ is very varied. It's not just semiconductor. So the requirements for this -- what qualifies as 99.9 plus requirement -- you have your as basic as your optical glass, the camera lens that the camera, the phone cameras are made of. Then it is also your high-quality screens which are coming on the face of the phones for better clarity. It starts -- that's a baseline. Then it goes to your solar crucibles, it goes to your semiconductor crucibles;

So, as and when you're getting a step higher in quality, the capability and you're in the top of the pyramid. We are in a single-digit company which have capability. So I think that yes, semiconductor grade, we will be addressing that market and that was always our plan. The timelines are looking good and capability-wise also I think we are having comfort. And I think in next years you will see us progressing into those materials. And -- but luckily, the raw material feed also is in India. We don't have to import the basic raw quartz with the quartz with the few of the quartz available in India, we'll be able to make these materials.

Naman Parmar:

Okay, understood. Thank you so much for answering.

Moderator:

Thank you. Our next question comes from the line of Rushabh from RBSA Investment Managers. Please go ahead.

Rushabh:

Yes, hi. Thank you for the opportunity. My question is slightly long-term. I'm just looking at say, Midwest at 2030 and whatever base volumes you would be doing across all the three verticals, that is Granite, Quartz and HMS. Would it still be possible to grow at double-digit volume growth even after 2030 for the next few years after that? I just want to get understanding on the TAM that we have across all the three verticals?

Ram Kollareddy:

As a company, absolutely yes, because we are having these new verticals getting added and they are going to give us those tailwinds, if you look at a four, five year spectrum. And each of these verticals has their own capacity build-up and also the quality build-up of the business. So if you look at the Quartz, you're starting at a Phase 1 then you have Phase 2 to go, so volumes increase. Then we're looking at higher value products also, so both of them will leverage each other and I think we have good runway there.

And globally if you look at the largest Quartz company as we speak, right. Silica company in the world, you can refer to Sibelco, and they produce -- they have also extended into recycling.

We are not looking at recycling in the next four, five years anyway -- recycled glass. So, I think we have a -- we're starting at a very low base, so we have a good runway to go. And in HMS and the rare earth space, I mean the - it's a wide open world, right? So we are -- you have HMS to start with four concessions in Sri Lanka, then you -- we expect another or few more.

We increase the volume there from zero to 400, maybe doubling that in next four, five years. Then you have the monazite play, monazite to oxide, that is something that we see the world needing for sure for the next few decades and more importantly, the supply chain away from the current supply chain. So I think that is going to be the other tailwind. And so -- yes, if you ask me, we are very comfortable in -- if you're asking on double-digit, yes. I think Uma will add something to that.

Uma Kollareddy:

I mean to give an overarching idea, the industries that we've chosen, whether it's Quartz for high-value industries like the semiconductor, the solar and all that we've chosen, or the sectors or even heavy mineral sands, these sectors cater to the EV industry and to the medical devices, defense and all these that are servicing the customer base which is extremely strong.

And these are coming from learnings from the past, where we choose sectors that have a really good growth, top line, bottom line. And the gap between the demand and the supply is massive. And like our CEO has just mentioned, even for the PLI of 6,000-ton magnets, we need at least 2,000 to 2,500-ton oxides. And then production is 500 currently in our country. So that's the kind of gaps we try to address.

And not just the gaps in India, there are supply chain self-sufficiency or supply chain from even in the U.S. and several countries other than China. So when you're looking at China Plus One strategy, people are even in the U.S., they are even giving 2x the pricing than the listed Chinese exchange price, which means there is not just an uptick in the possible volume growth, there is also a massive upside on the price growth eventually.

And then because it's our strength to add the resources and separation of these resources and to cater to these raw materials, we're using our strengths to go all across, not just Sri Lanka, we'll be scouting other places also to add -- keep adding to the resource base. We're very strong on following this particular strategy and not wavering from it.

Rushabh:

That was very helpful. Just a follow-up to that, you mentioned that strategically you chose sectors, which are sunrise sectors and high growth, and also coupled with that you want to move up the value chain. So in terms of mapping our capabilities and hiring say, senior personnel, how are we placed in that lens as well, we don't falter when as we currently are having a lot of tailwinds with us?

Uma Kollareddy:

Yes. So like you rightly pointed out, hiring and bolstering the team with technical capabilities outside China has been the challenge. But we do -- but we are constantly focused on this front and we've bolstered the team from Lynas and from other competitors from Iluka and others constantly, and other Quartz companies also we've been adding. Listing has helped for that, because we now have the visibility and the comfort for people to join in.

And also within China, also, there'll be people in originally from India who would like to move back to India. This is an opportunity for them to come back home. So there are a lot of ideas that we are working with to bolster the team. And this is where quite a lot of effort is going in.

Rushabh: What about the incentive structure for the top management? Would you be giving them ESOPs or something or how does it work? So that they stay with the company and -- yes?

Uma Kollareddy: Yes, we are planning that. We hired a consultant and we are devising the ESOP scheme.

Ram Kollareddy: So to just give an update, fact, strengthening this case is we just have Srinivas who has joined as a Business Head for Quartz, and he has been heading Sibelco operations for last many years. So I think Sibelco is a global company. So I think we are seeing a lot of traction there and that is something we personally spend a lot of time in building these teams.

Rushabh: Okay. Okay. Thank you. And just a last question if I can if you have a chance. And on a broadly whatever strategy you're saying, whatever you're doing, everything looks good on paper. But is there any challenge or risk that you see or maybe one thing that keeps you awake at night, both of you? Anything that you can share.

Ram Kollareddy: So, what keeps us awake in the night is, I think, we are trying to do things that have not been done by many companies, right, outside certain geography. So a lot of these flow sheets, the plans, the architecture, and though it's coming from lot of know-how and experience from people from the industry who have run these plants. They become redundant very fast in terms of technological change, right?

So, you never know, you are slightly blindsided on what's happening the other side of the world. So you want to build a state-of-the-art plant. You want to be right at there. You want to have the best efficiencies in the world. They are good for you, but are they there? So, that is a constant thing we keep thinking and trying to chase. We hear ideas. We know somebody is talking about something, what is fact in it, what is not -- so, lot of noise around it. So, getting over that noise and clearing that noise and trying to see what suits us, I'll just give an example, right?

So, now we are talking about making monazite oxide. So, monazite oxide, obviously, China is the best technology. They have the best scale and they are doing for last decades. So, obviously their efficiencies are 95% to 96%, which means for the contained rare earths in a monazite, they are able to capture 95% to 96%. Now, that is something that we know and lot of literature and we know from the industry that's the number.

Now on our test work, on our lab, on our pilots, we did not cross frankly 86% to 87%. But still you make money, the yield is good enough, and that is something best of the class outside China. Now obviously due to these the geopolitical situation in the last one year, you are looking at double the price, 50% higher price, so everything is feasible. 70% is feasible, 80% is feasible, even 65% is feasible.

But as a CEO, as a management, we want world-class. We want to be there at 90s. How do we get there? So, I think that is the strive that we find it challenging and we see okay these guys are

better, we are -- we will be doing better in the next decade because of this issue, but otherwise where do we stand kind of a thing. I think those are the challenges.

But I think it's a good challenge to have and to the team, and we are trying to learn a lot. We are trying to, in fact, look at new things where we can do slightly differently. So, we spend a lot of money on R&D as well. So, I think it's a good challenge to have, but it will always be there, I feel, for the next four, five years. There is no one solution to it. And if we're able to inculcate the same culture into the team where they are also restless and thinking about all these things daily, I think we would have done our job.

- Rushabh:** Thank you for the detailed response. Thank you and wish you all the best.
- Ram Kollareddy:** Thank you.
- Dilip Kumar:** Thank you.
- Moderator:** Thank you. Our next question comes from the line of Arvind from Equiventure Capital Advisors. Please go ahead.
- Arvind:** Okay. First of all, very good evening, and congratulations on the results. Secondly sir, I would like to have some clarity with regards to the pilot project that a letter of interest which was received from KMML. Where do we stand on that as on date, sir?
- Ram Kollareddy:** Yeah. So KMML, we have an EOI and we are progressing on discussion with them. I think there is two and four happening and we will be getting some clarity over the next few weeks and have an update with you in next few weeks where we are on that. But, it is something that they are also wanting to do, but there is some delay on their side on executing it, and I think we will have an update in few weeks.
- Arvind:** Okay. And how much contribution, revenue contribution can we expect Quartz to make once the Phase 1, Phase 2 and HPQ, all the three plants are up, what would be the revenue contribution, sir?
- Ram Kollareddy:** So, Quartz Phase 1, it will be around INR200 crores plus, around INR200 core-INR210 core. The Phase 2 will be similar number, let's say Phase 1 Phase 2 for engineered stone and solar glass will be around INR400 crores odd, plus or minus you can take 5%-10%. Then the -- HPQ per se, the initial plan that we're building in is close to around 20,000 to 25,000 tons, we will be getting more details shortly. But overall you can look at the total size of this Phase 1 Phase 2 including HPQ close to around INR500 core to INR550 crores would be the tentative range on the top line.
- Arvind:** So, that would be exceeding around 40%, right?
- Ram Kollareddy:** Of the of the overall revenue of the company.
- Arvind:** Of the overall, yeah. Yes.
- Ram Kollareddy:** Yes.

Arvind: Okay. Okay. That -- and last question sir, are we planning to plan any project in Sierra Leone once we since we have acquired the subsidiary over there, we have set up the subsidiary, so any site in future? In the near future probably in next two years' time?

Ram Kollareddy: Yes, so that is the idea and we the -- Sierra Leone is transformed. So, the world's largest rutile mine is there and there's a byproduct monazite there. And we were looking at low entry wherein we don't spend upfront lot of money in acquiring mines. Like Sri Lanka, we go in, we use our technical skills, identify the mines, develop those and then try to evolve. So that even if few of them don't come through, we are not stuck with large capital block. That's the whole idea.

And that was -- this is the terrain where we felt that there is that scope. We did lot of scouting and yes, we will -- the idea is to have some own mines in Sierra Leone, with same HMS projects and then setup. Another attraction with Sierra Leone is from Sierra Leone you can also just setup a concentrate plant and get the concentrate, unlike we don't need to actually separate do a separation plant. It's feasible there. So, I think yes, in the next two years we are looking at a good possibility of a asset there.

Arvind: Okay. Okay, thank you so much, sir. Thank you for the clarity. I wish you nothing but the best and let's see how the next quarter turns out to be. Thank you, sir.

Ram Kollareddy: Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would like to hand the conference over to the management for the closing comments. Thank you, and over to you team.

Ram Kollareddy: Thank you everyone for participating in the call and wishing us well and hopefully all of you will participate in the next call as well. Thank you so much for your time.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.