Operator: Bharat Connect Conference, I welcome you all to the call of Steelcast Ltd. Today, from the management side, we have Mr. Chetan Tamboli, Chairman and Managing Director of the company; Mr. Subhash Sharma, Executive Director and CFO of the company; and Mr. Umesh Bhatt, Company Secretary of the company.

Before I hand over the call to the management, I will lay out the flow of the event. We will begin with brief introductory remarks by the management and then move on to the Q&A round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from participants who have raised their hands and then move on to the chat box. If time permits at the end, we will take questions that I have received from clients who were not able to participate. With this, I now hand over the call to the management. Over to you, sir.

Chetan Tamboli – Chairman & MD: Good afternoon, everyone. First of all, our special thanks to Arihant Capital for inviting us to the call. Also, thank you to our IR advisors, E&Y, for helping us organize this call.

Just to give a brief background on Steelcast Ltd., this is an engineering company in the steel foundry space that was established in 1960 as a partnership firm, became a private limited company in 1972, and then went public in 1994. For the past 15-18 years, we have been suppliers to all OEM customers in mining equipment, construction, earthmoving, railways, locomotives, ground-engaging tools, cement, steel, and defense. We have been an OEM supplier for the past 18-20 years, and the company has all the necessary certifications required for these end-user industries.

About 10-12 years ago, we were highly concentrated in mining equipment. I think 84% of sales in FY13 went to just one end-user industry, which was mining equipment. Over time, we have added 6 additional end-user industries. This is to de-risk ourselves as much as possible. The number of parts we used to produce was perhaps in the range of 150. We now produce more than 350 parts. We used to supply to about 3 or 4 countries. We are now shipping to about 16 countries, and we will take that to 18 countries within a year's time. Exports account for about 50-55% of sales, and that will continue going forward until FY29.

Last year's capacity utilization was 48%, which we will take to 60% in the current financial year, FY27. It will be about 75-76% in the next financial year and about 90% in FY29. At the beginning of this financial year, we approached all our customers and realized, based on their forward planning, that we would reach 90% in FY29 and that there was a distinct possibility of business exceeding our capacity.

Against that background, we have initiated an additional capacity of 8,500 tons, which is about 30% of our capacity. We can plan for more than 90%, but it is prudent and wise not to go beyond 90%, as all kinds of bottlenecks can arise in manufacturing. Hence, we have capped utilization at 90%.

The company has been debt-free since FY23. We have 122 crores of reserves as of March 26. We plan to continue keeping these reserves at the same level for the next 2 years. We will spend 120 crores in the new facility and about 100 crore in the existing facility by FY29, totaling about 225 crores, and we will do this entirely from cash accruals, including current cash accruals from FY27,

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FY28, and FY29.

In the last few years, our new parts development has also been aggressive, and we have significantly developed more parts than before. Those parts will also go into serial supplies next year and the year after. With this, we will reach 90% capacity by FY29, and the current capex will also generate additional capacity.

We plan to commission this by March 28. We will have 8,500 tons of capacity ready by March 28. The approximate time required to create a greenfield facility is about 2 years. We plan to do this quite ambitiously within 1 year and 9 months because we initiated this capex in July, when it was approved by the Board at the July Board meeting.

This is a brief background of Steelcast Ltd. in the past, present, and future. We will be happy to take questions, if any.

Operator: Thank you, sir, for the brief introduction. We will now begin the Q&A round. Any participant who would like to ask a question can raise their hand or put it in the chat box. First, we will take questions from participants who have raised their hands and then move on to the chat box. If time permits at the end, we will take questions that I have received from clients who were not able to participate. I request any participant who has a question to raise their hand. Our first question is from Koushal Sharma. Please go ahead.

Koushal Sharma – Equinox: Hello, good afternoon, sir. This is Koushal from Equinox. Am I audible?

Chetan Tamboli – Chairman & MD: Yes, please go ahead.

Koushal Sharma – Equinox: My question is regarding the aerospace certificate that you recently received and your intention to enter this segment. Could you explain a little about this? What kind of products are we targeting, when will it start contributing to our revenue, and what kind of capacity has been assigned for this?

Chetan Tamboli – Chairman & MD: Mr. Sharma, we do not recall making any comment about aerospace. Are you referring to Steelcast Ltd. or some other company?

Koushal Sharma – Equinox: I am referring to Steelcast Ltd. Recently, about 1 month ago, you received a certificate for entering the aerospace segment.

Chetan Tamboli – Chairman & MD: Mr. Sharma, it appears that you are mistaken because our aerospace certification took place more than 2 years ago, and we have neither announced nor discussed any aerospace plan recently. This must be something else. Sir, are you referring to a certification we received called IRIS?

Koushal Sharma – Equinox: Yes, correct, sir.

Chetan Tamboli – Chairman & MD: IRIS is different. IRIS has nothing to do with aerospace. Let me explain. IRIS certification is for European railroads. It is for selling in Europe. We have now obtained this certification.

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We do not plan any sales in the near future in the European railroad industry, but we are doing this for the future. As we speak, until FY29, there is no plan to do anything for European railways, but this is for the future, so we obtained the certificate to enable us to plan for the future.

Moreover, this is being done in line with the government's bilateral trade agreements with the European Union and the UK, under which tariffs on India will be zero. Hence, it is a precursor to the plan for the future.

Koushal Sharma – Equinox: Do you have any comments on the aerospace side? Are we ready to enter this segment?

Chetan Tamboli – Chairman & MD: In aerospace, steel castings per se are not used. Aerospace generally refers to planes. We are doing very little work for combat vehicles such as tanks and similar products. About 1-1.5% of sales is being planned in defense products, not more, and we are already doing this. We have also developed prototypes, but there is nothing significant to report.

Koushal Sharma – Equinox: Could you please comment on the ongoing geopolitical issues and how we are viewing the US market at present? Trump has just signed the 100% tariff. How are we looking at all of this? Because of the supply disruption, freight costs are higher. What kind of challenges are we seeing in the near future in our US market, and what kind of capacity utilization are we expecting this year with our existing capacity?

Chetan Tamboli – Chairman & MD: I will repeat what I just said. Our utilization was 48% last year. We will do about 60% in the current year, about 79% in FY28, and 90% in FY29.

Regarding the geopolitical situation, let me tell you that we are too small to really comment on it. However, as far as we are concerned, our sales have not really been affected by this. Of course, costs have gone up. International freight rates have increased, but all Steelcast Ltd. sales are on an ex-works basis. Therefore, customers have to pay those additional freight costs.

There is also a pass-through mechanism with all our customers for the increasing cost of natural gas, fuel, and other items, so the customers are paying these costs. I do believe, and this is my personal opinion, that the situation will be sorted out in the next couple of months. The situation will ease, and there will be a settlement between the US and Iran, as well as a settlement between Russia and Ukraine. We may therefore have a very quiet 2027. This is what I personally feel may happen, but please note that I am neither an economist nor a geopolitical expert. This is my personal view.

Koushal Sharma – Equinox: Do you have any comment on the tariff that Trump has just signed? Will it affect our business?

Chetan Tamboli – Chairman & MD: No. As I said, our sales are on an ex-works basis, and any tariffs are paid by customers. However, the recently signed 100% tariff may not happen. If you look at last night's statement by our Commerce Minister, Mr. Piyush Goyal, he commented that trade negotiations with the US are at an advanced stage. India has requested some preferred-nation benefits, and he also said that this should happen soon.

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Koushal Sharma – Equinox: The capacity utilization that you stated—is that for the existing capacity, or does it include the existing capacity plus the new capacity that you have planned?

Chetan Tamboli – Chairman & MD: We are talking about the existing facility, where we will do 60%, then 79% next year, and 90% the following year. The new facility has not yet been commissioned. Once it is commissioned, we will discuss that.

Koushal Sharma – Equinox: You have incurred around 120 crores for the new facility, correct?

Chetan Tamboli – Chairman & MD: Yes, please.

Koushal Sharma – Equinox: You are expecting approximately 8,500 tons of capacity by March 28 in the first phase?

Chetan Tamboli – Chairman & MD: Yes.

Koushal Sharma – Equinox: Understood, sir. Thank you very much for answering my questions.

Operator: Thank you, sir. Any participant who would like to ask a question can raise their hand or put it in the chat box. We have a question from Praharsh Rai: Going forward, will the company maintain its EBITDA margin profile?

Chetan Tamboli – Chairman & MD: I have always said in all the investor calls and earnings calls that a sustainable margin over the medium to long term should be around 25–26%. Lately, we have been making 28–29% because of rupee depreciation and a few other benefits. Those additional benefits may not continue over a longer period. Therefore, the sustainable number should be 25–26%.

Operator: Thank you, sir. Any participant who would like to ask a question can raise their hand or put it in the chat box. We have a few questions from participants who were not able to participate. How are the demand trends differing between exports and domestic customers, given that exports contribute around 60% of our revenue?

Management: Across all the end-user industries, of which we cover about 9, there is growth of 5–6% year-on-year for the next 2–3 years. Demand in India is good because of the government's infrastructure spending. Because of high commodity prices worldwide, the mining, earthmoving, and construction industries will also do well.

Overall, there will be a good growth rate in our end-user industries, and in turn, we will also grow with them. Thank you.

Operator: Thank you, sir. Our next question is from Akash Jain. Please go ahead.

Akash Jain: Thank you very much, sir, and apologies because I am relatively new to understanding the company, so a couple of my questions may be very basic.

If I understand correctly, we had a few tough years in terms of growth. If my understanding is correct, there was higher inventory accumulation in some markets across the overall industry, which muted customer demand and created a growth challenge. I want to understand what the past 3 years have been like and what changes you are seeing now that give us the confidence to discuss

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higher capacity utilization and undertake more capex currently.

Management: There are many situations that are helping India. I am speaking in general terms. Most overseas OEMs have a China-plus-one strategy, and people want to reduce their dependence on China. Overall, engineering exports from India will be good in the current year and for the next few years as well.

After China, India is the next-best country in the world for this kind of engineering exports. There is a lot of potential for us to increase our share of business with our existing customers. That is also helping us. The number of parts we have developed in the last 2-3 years is significantly higher than the number developed more than 3 years ago.

With all this in mind, we will reach 90% capacity utilization by FY29, and we expect considerable business to flow after FY29 as well. With that in mind, we have increased our capacity. In addition, rupee depreciation is helping us, as we are more competitive compared with our peers in other parts of the world. All these factors are converging to create better years ahead, and that is why we are increasing capacity.

Akash Jain: We have some marquee customers who have been our clients for decades. I want to understand whether, for some of these parts, we are the sole supplier to these customers, or whether there are other players in the global market who also supply products similar to ours.

Management: Generally, any OEM will have a minimum of 2 suppliers for every part, whether the OEM is in India or outside India. Sometimes they have 3 suppliers as well. Our share of business can be anywhere from 20% to 50%, depending on the part, pricing, competition, and other factors.

There are very few cases where a supplier provides 100% of the requirements, but our experience is that there are always 2 or 3 suppliers for every part.

Akash Jain: Finally, our end-user industries are also cyclical in nature. As you mentioned in your opening remarks, we have diversified across multiple industries, parts, and customers. Do you think that cyclicality in the end-user industries will have a much smaller impact on us going forward, and that our confidence in growth is therefore much higher?

Management: Absolutely. Our volatility has reduced significantly; I think it is close to zero compared with the past. We are much more broad-based now than before. Initially, we operated in 6 end-user industries, and we now operate in 9. In FY13, we had approximately 20 customers; we now have 54 customers.

The number of parts we produced in the past was about 150, whereas we now produce more than 350. Even in terms of customers, we ship to more than 1 facility of our customers. Therefore, we have diversified significantly compared with the past.

Although the industries are cyclical, volatility in our case will be significantly lower.

Akash Jain: Understood. Thank you very much, sir.

Management: Thank you.

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Operator: Thank you, sir. Due to time constraints, we request each participant to limit their questions to 2 per participant. For further questions, they may rejoin the queue. Our next question is from Sangeeta Purushottam. Please go ahead.

Sangeeta Purushottam: Thank you, sir, for the opportunity. My question is about the company's journey over the last 3 years, which has been a period during which sales growth and profit growth have been quite limited. Could you help me understand the history so that I can better assess the future?

Management: To put this in perspective, our CAGR growth over the last 4 years, considering the base from FY21 to FY25, is about 24%. Between FY21 and FY26 or FY25, our EBITDA has also grown significantly, with CAGR growth of more than 40%. Profit after tax is also around 40–45%.

There may be 1 or 2 years of no growth, or perhaps 1 year of slight degrowth. However, our kind of industry and companies have to be evaluated over a 3–5 year period. If I count from FY21 through my forward projections until FY29, we may have a 17% CAGR.

Sangeeta Purushottam: I understand that. I am specifically referring to the FY23 to FY26 period. If we look at these years, we did not have much sales growth, although profit growth was somewhat better. I understand that the longer-term trajectory is one of growth, which is why I wanted to understand whether there were any specific circumstances during these 3 years that prevented us from growing significantly.

Management: There were no specific circumstances. It is part of an industrial cycle that every company goes through. If you consider FY23, our PAT was approximately 70 crores, and in FY26, last year, it was 88 crores. This is the growth we achieved over a period of 3–4 years.

I would recommend that one should look at the company through a 3–5 year lens rather than only the most recent 2 years. You may not see growth in sales or profits over 2 years. If you take a slightly longer-term perspective, you may be able to assess us correctly.

Sangeeta Purushottam: The second question is regarding the last 3 years. Margins actually improved, and as you mentioned earlier in the call, margins of 27–28% are not sustainable and are partly due to rupee depreciation. Does that mean that as our sales growth picks up, our EBITDA growth could be lower than our sales growth as margins trend back to normal, which is about 25%?

Management: No. What I have been saying is that even in the current year, we will achieve something similar to last year. However, this should again be viewed from a 3–5 year perspective in terms of what sustainable margins could be.

Only the additional few percentage points are likely to go away, but the underlying strength we have remains. On that basis, we are projecting a sustainable number of 25–26%. We may achieve an additional 1% or 2% here or there, but from an investor's point of view, one should consider 25–26% as the relevant number.

Sangeeta Purushottam: Understood. Thank you.

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Management: Just to clarify, if my profit after tax was 70 crores in FY23 and 88 crores in FY26, that is absolute growth of 25%. That is growth of about 25%.

Sangeeta Purushottam: That is absolute growth, sir. The CAGR is lower, at about 7%.

Management: The CAGR will probably be 7–7.5%.

Sangeeta Purushottam: Yes.

Management: Thank you.

Operator: Thank you, ma'am. Our next question is from Tejas Thakkar. Please go ahead.

Tejas Thakkar: Am I audible?

Operator: Yes, sir.

Tejas Thakkar: Thank you for the opportunity, sir. I have a couple of questions. You mentioned that your sustainable margin is 25–26%, and that we are seeing an increase because of rupee depreciation and other factors. However, as utilization increases, won't operating leverage come into play and take the margin up to its current level?

Management: That is also possible, and operating leverage will certainly help as volumes grow. The only issue is that, given all the uncertainties in the world, we do not know what may happen. That is why, at a macro level, we say that 25–26% is the sustainable level. However, you are correct that operating leverage will provide some benefit.

Tejas Thakkar: Connected to this, what is the impact of raw materials due to volatility and increased metal prices? We have a pass-on clause, but what is the time lag between our absorbing the cost increase and passing it on to the customer? Are we doing back-to-back hedging? How do we protect ourselves from raw material volatility?

Management: Our contracts with all customers state that this pass-through mechanism is reviewed on a quarterly basis. If there is any significant increase in raw material costs, we have to absorb it for 1 quarter. Thereafter, at the beginning of the next quarter, prices are reset.

Generally, we carry inventories of 40–45 days at any point in time. Therefore, any abrupt or sudden change in raw material prices affects us for approximately 1.5 months. The 1.5-month period is covered by our inventories. That is what we absorb ourselves.

As soon as the quarter ends, the new prices are factored in, and we receive a price increase. If prices reverse, we provide a price reduction. Therefore, the impact can be for a maximum of 1 quarter.

Tejas Thakkar: Are we seeing anything in this quarter, sir, and do we undertake any hedging?

Management: We do not undertake any kind of hedging. Our forex exposure is also open all the time. It is better to keep the forex exposure open than to hedge it. In terms of raw materials, we do not hedge any materials.

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I can say that from last quarter to this quarter, there has hardly been any increase in raw material costs.

Tejas Thakkar: Thank you very much, sir. That is all for my questions.

Management: Thank you, sir.

Operator: Thank you, sir. Our next question is from Naman Maheshwari. Please go ahead.

Naman Maheshwari: Hello. Am I audible?

Operator: Yes.

Naman Maheshwari: During your initial comments, you mentioned that we are increasing our export presence from 16 countries to 18 countries. Could you provide some insight into whether we are at an advanced stage of signing new contracts in new countries, and how the export pipeline looks in terms of the new products we have developed over the last few years?

Management: The plan covers 2 years. We do not sign contracts to ship into specific countries. It is the customer who buys similar products in several countries. The customer may tell us to ship to Country A, Country B, or Country C.

The contracts are with 1 customer, but the products may go to different facilities, and that is how we plan to de-risk ourselves by selling in more countries instead of selling into 1 country.

Naman Maheshwari: So essentially, the customer remains the same, but the plants they operate are located across different countries.

Management: Correct.

Naman Maheshwari: Is there any update on the US railroad approvals that we were seeking and tracking aggressively, or has that been put on the sidelines?

Management: We are no longer pursuing this actively; we have kept it on the sidelines. We have found many opportunities that are better than the US railroad opportunity.

However, the US railroad market is a huge market, so we will not neglect it. For the near future, we will focus on the 9 end-user industries in which we currently operate. We are selling in the North American market, but it accounts for about 4.5-5% of our sales. If there is an opportunity in the future, we will certainly pursue it, but we are not pursuing it at present.

Naman Maheshwari: The last point was that we had made a few sample supplies to an Israeli defense company and were expecting those orders to ramp up. How do we see that growing? Within the industries we currently serve, do we see some industries gaining share compared with their current levels? Please provide some idea of the industry-wise share as we move toward 90% capacity utilization.

Management: To give you a synopsis, in {? FY13 ?}, 92% of our sales were to mining or mining and construction. In the current year, mining is 27% and construction is 15%. We have substantially

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reduced mining and added earthmoving, which accounts for about 43%.

These 3 are the major industries we serve, and their combined share has gone down from 92% to 85%. It may decline further to 82% by FY29. The other 6 sectors accounted for about 7% earlier; in the current year, they will account for 14%, and by FY29 they may account for 17%.

This is how we continuously pursue de-risking. We will continue this de-risking journey. There is no end to it; every step we take is aimed at de-risking ourselves.

Naman Maheshwari: Do you have any update on the defense side?

Management: Our share in defense is very small, at about 1-1.5%. We will continue doing that, but as of now there are no plans to pursue defense aggressively.

Naman Maheshwari: Thank you, sir. That will be all.

Operator: Thank you, sir. We request each participant to limit their questions to 2 per participant, as we have more questions lined up. Our next question is from Ishika Garg. Please go ahead.

Ishika Garg: Hello, sir. I do not have much knowledge about the company, so I wanted to understand whether the company makes parts through precision manufacturing or whether we do casting.

Management: These are steel castings used in different types of equipment, including mining, construction, and earthmoving equipment. One may not be able to call this precision manufacturing because the parts are quite large. Our average piece weight is about 700 kg per piece, and we operate in the steel castings space.

Ishika Garg: The new capacity that is coming in became operational from March 26. What capacity utilization are we expecting for this new capacity this year and in the coming years?

Management: The new capacity will be commissioned by March 28. We are not discussing the utilization of the new capacity; we are discussing the utilization of the existing facility. We will do 60% this year, 79% next year, and hopefully 90% in FY29.

Ishika Garg: You have given guidance of 300 crores from this new capacity. When can we achieve 300 crores, and at what utilization rate of the new capacity?

Management: The new facility will be commissioned by March 28, and we should achieve sales of 300 crores over a period of approximately 3 years.

Ishika Garg: We also bought land for 18.6 crores in FY26. Is this the same land on which we are constructing the new capacity? You also mentioned that you received the land from the Gujarat government.

Management: This is 100,000 square meters of land given to us by the Gujarat government, and the facility is 12 kilometers from our present facility. This is where we are commissioning the new facility. Thank you.

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Ishika Garg: Which particular segment will we focus on the most, and which is the higher-margin business for us?

Management: All segments are very important to us. Even in the new facility, we will operate in the existing segments, namely the 9 segments. There is no such distinction as a high-margin or low-margin segment. All segments are very important to us. The difference between the margins of one segment and another is marginal, and there is nothing significant to discuss.

Ishika Garg: When we look forward to capacity expansion, is it driven by demand, or are we seeing supply constraints? Do we have contracts backing the new capacities?

Management: Yes, this is based on the outlook provided by existing customers and by other customers who are in the pipeline.

Ishika Garg: Thank you, sir.

Operator: Thank you. In the interest of time, we request each participant to limit their questions to 2 per participant. Our next question is from Basant Bansal. Please go ahead. Basant, you are not audible. We will move on to the next participant. Karan Gupta is next. Please go ahead.

Karan Gupta: On the volume front, what growth are we expecting?

Management: Last year, we achieved about 48%. In the current year, we will achieve about 60% of our present capacity. Next year, FY28, we will achieve about 79%, and by FY29 we expect to reach 90%.

Karan Gupta: You are referring to capacity utilization, correct?

Management: Yes. This is based on 29,000 installed capacity. The growth over a 3-year period will be a 24% CAGR.

Karan Gupta: Regarding EBITDA per ton, I can see a significant increase over the last 2-3 years. Going forward, over the last 1 year there has been a 6.5% increase in EBITDA per ton. What is the guidance?

Management: Karan

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