



“Steel Strips Wheels Limited
Q2 and H1 FY '26 Earnings
Conference Call”
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Mangement: **MR. MOHAN JOSHI – DEPUTY MANAGING DIRECTOR
– STEEL STRIPS WHEELS LIMITED**
**MR. PRANAV JAIN – DEPUTY GENERAL MANAGER,
FINANCE – STEEL STRIPS WHEELS LIMITED**
**MR. PUNEET SHARMA – DEPUTY GENERAL
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MODERATOR: **MR. DISHANT JAIN – ANAND RATHI SHARES AND
STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Steel Strips Wheels Limited Q2 and H1 FY '26 Earnings Call. 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 touch-tone phone.

I now hand the conference over to Mr. Dishant Jain from Anand Rathi. Thank you, and over to you, sir.

Dishant Jain: Thank you, Danish. Good afternoon, everyone. On behalf of Anand Rathi Research, I would like to welcome you all to the 2Q FY '26 Earnings Conference Call of Steel Strips Wheels Limited. Today, we have with us Mr. Mohan Joshi, Deputy Managing Director; Mr. Pranav Jain, DGM, Finance; and Mr. Puneet Sharma, DGM, Finance and Accounts. We'll start with a brief opening comments from the management team, post which we will have the floor open for Q&A.

I'll hand over the call to the management team now. Over to you, sir.

Pranav Jain: Thanks. Good afternoon. Hope everyone is doing well. I hope everyone had an opportunity to go through the financial results and investor presentation, which we have uploaded on the stock exchange and on our company website.

I would like to start the earnings call by introducing you all to the new CFO of our company, Mr. Rahul Kumar. He is a qualified chartered accountant and has passed Level III of Chartered Financial Analyst, CFA. He has years of experience in finance, accounts, and commercial control. He has been associated with the company since 2022. Previously, he has worked in industries such as health care, technology and Ed tech.

Now coming to our half yearly performance. We reported a healthy top line growth of approximate 13% during H1 FY '26, reaching INR2,387 crores. Gross profit grew by a robust 10%, reflecting strong momentum. EBITDA stood at INR234 crores, largely flat year-on-year. However, EBITDA margin witnessed some pressure primarily due to lower export volume this quarter, exports typically being among our higher-margin segment. Profit after tax for the half year stood at INR88 crores.

The alloy wheel segment has been a standout performer this half, delivering exceptional growth and increasing its contribution to the total revenue to 36%. Volumes for the segment reached approximate 18 lakh units. We expect this upward trajectory to continue and with its share in overall revenue likely to rise further in the coming quarters. The strong performance of alloy wheels has been instrumental in sustaining our overall business margin, and we remain confident about its continued growth and momentum.

Our new aluminum knuckles segment has made an encouraging progress since its launch in this half year. We sold around 1.24 lakh units, generating INR33 crores in revenue. Capacity has already been scaled up to 3 lakh units per annum, and we plan to expand it further to 5 lakh units by this year-end. Our goal is to fully commercialize this business line by FY '26, bringing major OEMs into our customer base and establishing it as a meaningful contributor to the growth.

On the export front, performance was subdued this quarter with revenue declining to INR111 crores, down by 26% year-on-year, primarily due to global uncertainties surrounding potential U.S. tariff, one of our key export markets. We are closely monitoring developments on this front to assess the implications.

Meanwhile, we have increased our focus on European markets, where the contribution has risen to 52% of the total exports in this half year. We will continue expanding our footprint across Europe, neighboring region to further diversify and derisk our export portfolio.

Looking ahead, we expect strong momentum in the domestic market, supported by recent GST reforms that are likely to boost consumption across the auto industry. On the export side, we will continue to evaluate the impact of tariffs while broadening our geographical reach to mitigate risk.

With this, we now open the floor for question and answers. Thank you.

Moderator:

First question comes from the line of Anand Kulkarni from Front Wave Research.

Anand Kulkarni:

Just a couple of questions from my end. First being on your capacity addition plan]. Does this refer to AMW Autocomponent, which is yet to be operational? So when do we expect it to be coming online? Any particular reason for delay?

Mohan Joshi:

So as I've already said in my previous calls also, that the first intent of using AMW was to increase the capacity within our existing portfolio of the existing factories. So in that context, what we have done is that we have increased the capacity of our tractor segment by close to 40% over the past 6 months, and that's why we are in a position to offer the best amount of tractor wheels to the industry, with the help of equipments that we have taken from AMW.

The second thing which is underway right now and maybe another 1 or 2 months, capacity expansion in Jamshedpur will be done to add close to 0.5 million wheels into the kitty of commercial vehicles to make sure that the economies of scale continues to be higher, and it's a place which is very strategic to customers as well as from raw material side. So we expect a little bit of margin improvement when these economies of scale pitch into the operations in next financial year.

At the same time, steel segment offers low volume growth in terms of the industry. So as

and when this capacity will be needed, where the plans are already getting discussed with various segments of the business, I believe that over next quarter, we'll be in a better position to give you the steel wheel expansion and utilization of AMW.

Anand Kulkarni: Okay. Understood. Sir, my second question was on alloy wheel segment. We can see in our monthly updates, the product mix is changing. Alloy wheel is doing better than our steel wheels. Still that is not reflecting in our EBITDA margin. So I'm trying to wrap my head around this, so what's happening with the EBITDA margin?

Mohan Joshi: Okay. So as I said that in our case, EBITDA margins will not play a very significant role in terms of percentages because raw material keeps on changing. So as all of us know that aluminum prices are at record levels, and it has moved from a level of close to INR225 a kg to currently around about INR265 to INR270 a kg. So it impacts the margin percentage. But from a per wheel basis, which we are trying to talk about, I think we have reached a level of INR262 in last quarter, which was amongst the best.

And in this quarter, we are at INR242 wherein the impact of the U.S. exports fall in terms of sales was around close to INR50 crores in terms of quarter 1 to quarter 2, wherein we lost close to INR8 crores, INR9 crores in terms of our margins because of the loss of sales and higher cost of operations in those plants.

And the level of INR262 is fairly a decent level where we have achieved it over the past 2 years, wherein we started with INR185-odd levels to slowly and gradually hit the number of INR262. And we are hoping that alloy wheel segment will continue to be the front runner. And once the situation of tariff eases up with the current ongoing discussions with the government, I believe that we can scale back to those levels.

Anand Kulkarni: Okay. So a couple of more questions on this front. On the tariffs, have we been able to pass down whatever the increased tariff has been, or like we have taken 100% hit of the thing? And second one, if you can paint some picture around expansion in Europe, the subsidiary that you have acquired. Any traction you are seeing, how much has been compensated in nature, on alloy exports?

Mohan Joshi: So I'll answer the second question first. So the European subsidiary, which is under consideration right now is a trading arm only. It has nothing to do with the manufacturing. So it is a customer demand that it serves from that country to them via we manufacture it from India and supply to that subsidiary. So there is no margin impact or anything of that sort.

The second thing, which is on the U.S. tariff. I think the tariffs are fairly very, very stringent right now in terms of 53% to us, wherein it does not leave us any scope of negotiations if we want to do that business, because the incremental punishment for any importer in U.S. is to the tune of maybe 24% to 25%. So even if we compensate by 4%,

5%, it doesn't make sense. So currently, the U.S. business is fairly, fairly dim and the compensation is happening only from the European side.

The alloy wheel segment exports are fairly doing good and ramping up. So we are expecting some bit of recovery from the export loss from the European side. On the U.S. side, we don't see any possibility as of now where some compensation of price can get the business back because the penalty amount is fairly large.

So in case we are into a situation where the penalty which is on account of the import of Russian oil, which is 25%, gets waived off, then India stands at close to 28% for us as an industry. At that point in time, we can think of getting into a negotiating space and try to see that if some bit of negotiation can be done on prices for starting the imports.

Anand Kulkarni: Just to end on this note, any guideline if you want to give on EBITDA per wheel a couple of years down the line, 2, 3 years down the line?

Mohan Joshi: See, over the years, I think when we started this aluminum factory was one of the reasons that we see the challenges in steel wheel market, being a sunset industry where alloy penetration is increasing in the PV segment, although in tractor and truck segment, it remains stagnant and there is no scope of aluminum.

Today, I'm proud to say that close to 35% plus of revenue is coming from aluminum business, which is higher accretive business. At the same time, aluminum knuckles is a start of the business where we see similar kind of trends coming in, in terms of the industry growth and penetration growth for us. So I believe that the erstwhile thought of INR300 a wheel is what the site is.

But currently, with the business challenges which we are facing and the export drop, which is pushing up the cost a little bit, I anticipate that first, reaching a INR260, INR265 level is considered to be the first milestone, then hence fourth, we are going to be moving towards that level that we have spoken.

Moderator: Our next question comes from the line of Shankar from Eraya Capital.

Shankar: So I wanted to ask around EBITDA per wheel. Can you give me a breakup of EBITDA per wheel for steel and alloy wheels separately? So yes, that's my first question.

Mohan Joshi: So we don't do it separately ourselves. But yes, if the detailing of segment-wise can be spoken about, I think we can take it offline with SGA. But as a company, we don't do it separately Transcript13112025 because there are common functions and common portfolios. But yes, on request, I think we can discuss it offline with SGA with the help of our team.

Shankar: Can you give me any ballpark range for that, like if you have any? We can discuss it...

Mohan Joshi: I'll try to give you a perspective in terms of percentages because we have never considered this as separate for per wheel of steel as well as aluminum because in steel also, there are four segments of the business. But typically, what we have guided in past also that the domestic steel businesses are in the range of 8% to 9% in terms of EBITDA margins. The export steel businesses are in the range of 13%, 14%, 15% margins. In terms of aluminum wheels, the margin range between 11%, 12%, 13% with the increased prices.

And the volume mix will play the percentages from that perspective. But as you know that the volume -- the percentage is not the right benchmark to see it over a period of time, because raw material can change. And if tomorrow 20% drop in the raw material comes in, this margin of maybe 10% will look like 11.5%, which is not the right depiction. So we will give you a perspective of per wheel kind of a concept if we take it offline. Will that be fine?

Shankar: Yes, yes. So I just want to understand on the trajectory, as you stated that you look to target INR265 and then INR300-odd levels. So can you give any time lines as to what do you have in mind? When do you look to achieve those numbers?

Mohan Joshi: So as the business grows, I think this year, as we had anticipated earlier, the top line remains committed towards INR4,800-odd crores in terms of the figures which are looking like right now, wherein some bit of dent came in from the perspective of exports, but still we'll try to achieve that level. And over this period, the intent is that the capacity of 5 million alloy wheel capacity will hit close to 4.1 million or 4.0 million or 4.2 million in this financial year.

The expansion of capacities is also going to be happening mostly in and around alloy wheels and knuckles, which is the accretive business towards margins as well as a future where lightweighting and aluminization is happening. So I believe that over next 2, 3 years is what I feel is the trend that we are anticipating towards this INR300 kind of an EBITDA per component that we can think of.

Shankar: Understood. So next, I wanted to ask around the volume growth. Can you give any guidance around what can be the volume growth we can expect for full year if current tariff situation remains the same? And similarly, what kind of EBITDA growth we can expect if tariff situation remains the same.

Mohan Joshi: See, what we had anticipated at the beginning of the year that there will be a 5% to 6% kind of a volume growth, which I feel that it is looking tough. And I think that will fall down around 2% or 3%, which is completely impacted by the fact of exports, wherein the question is out of syllabus right now. So I'll not be able to answer that. So 2% to 3% is what I think on a volume growth.

In terms of EBITDA growth, I believe last year, we did around about INR490-ish-odd crores kind of a number. I think we have done close to INR235 crores right now. So there

will be an impact of EBITDA if the situation remains same. And anywhere between INR260 crores -- sorry, INR470 crores to INR480 crores is what we are trying to think on a flattish year for this financial year.

Shankar: Understood. What are the trends that you're seeing in November, given we are already in November, what are the trends you're seeing in Q3 in terms of volume growth? Like is it...

Mohan Joshi: So what we feel is on the domestic side, I think the GST side is still prevailing. I think the festive mood has been extended by the help of GST for all the segments. So I believe that two-wheeler where our exposure is less, but albeit industry is facing a lot of demand, and it is a happy moment. PVs post the miraculous number, which came in during the festive season, I think the outlook for next 3 to 5 months is visibly better. I believe that, that number is going to be between 6% to 8% higher to reach a number of 3% to 4% for an annual growth.

On the tractor side, the segment is growing very, very good this year. I think there is a possibility that for the full year, we may report anywhere between 8% to 9% to 10% kind of a volume growth. And for CVs, I think it's been very dull moment despite having all the engines which are working for the economy. But I think that is something to do with the business sharing with railways or other segments where I feel that the volume growth is going to be maybe flattish or maybe 2% on the plus side.

Shankar: Understood. Just last on -- same on the EBITDA per wheel, I wanted to ask, given the historical trends that I'm seeing. So what I have is -- so we did around INR250 -- we achieved INR250 levels in FY '23 itself. And from then, we -- as you said, in last quarter, we did INR260, but volumes have grown, but not per wheel -- EBITDA per wheel has not grown materially as volumes have grown. Like any trend that you are seeing because of that, that is -- any reasons for that?

Mohan Joshi: So I think when we compare it with that period of INR250 in 2022, '23, in that financial year, we have also indicated that there was INR55 crores to INR65 crores worth of inventory gain because of the sharp rise in the raw material. It was a one-off in that financial year because of which this INR250 came in. And that got normalized in the financial year, which was preceding.

And since then, I think it's a slow and steady angle on towards higher side towards where we reached INR262 as the highest number last quarter. We would have reached that level given that the situation is out of our control, and we are trying to offset it by the European side of the business or transferring more and more in terms of the segments that we can offer to the European side to compensate.

Moderator: Our next question comes from the line of Sakshi Pratap from Pratap Securities.

Sakshi Pratap: As I joined a little late on the call, apologies if anything is repetitive. My first question is the

export slowdown was cited as a major reason for margin compression. If exports normalize in coming quarters, what would be the likely margin recovery range that we'd look at?

Mohan Joshi:

So I have answered this question earlier, but I'll repeat it. I think we lost around INR20 per wheel kind of a margin in this quarter, which is amounting to between INR8 crores to INR9 crores purely based of the volume drop, which happened. In volume -- in value terms, it was around INR50 crores worth of export, which got hit in Q2 versus Q1. And I anticipate that some solution will be found out.

And I'm fairly hopeful between the governments that there's negotiation going on. But without negotiations and without the removal of the duty, which is penalty of 25%, I believe that it will be very tough to do business with U.S. because those kind of margins are not there available in the business. And I mean, if it gets started in maybe next 2 months, I believe that Q4 will be better and we can get back to the margin profile of Q1 with better margins and better products at the same levels.

Sakshi Pratap:

Understood, sir. Second question is on the aluminum knuckles segment, which has ramped up very quickly for us. So when do we expect it to reach breakeven or contribute to our overall EBITDA?

Mohan Joshi:

So the segment is already broken even. I think we are running at a pace of close to 0.3 million annual base capacity. And the capacity by this financial year-end will be close to 0.5 million. And we are also augmenting a capacity expansion to add up another 0.5 million where discussions with the customers are ongoing. And we anticipate with the order book, which is visible to us to reach a level of close to 0.5 million kind of a capacity by Q4 end or Q1 of next financial year.

I think the margin highlight also I told you that once we reach to a certain stage, I think the mid-teens kind of a number is where the margin is standing right now, although the value is less in terms of turnover, but the industry offers a similar kind of industry potential, the way that alloy wheel has taken up shape. So lightweighting and aluminization is the theme.

And EVs anyways is going to be having this as a mandatory thing. But the penetration is towards the ICE engines where we anticipate some of the programs to be converting the forged knuckle -- steel forged knuckle to aluminum knuckle by next financial year of Q3. And similar trends are visible in the market. And I think it is going to be seeing the same story the way that aluminum has played out for us.

Moderator:

Our next question comes from the line of Vignesh from KSEMA Wealth.

Vignesh:

Just regarding the capacity utilization, now we are close to almost 75%, 75%-80%. So by this year or next H1, we should be reaching around 80%. So after that, what's the plan for the capacity expansion, sir? Any idea like how much capacity are we putting in or any plan

internally? Just want to understand that.

Mohan Joshi: So as I said that the capacity expansion will be only towards the aluminum segment of this business right now, wherein a large amount of money can be spent. Otherwise, internal capacity expansions, as I hinted towards the tractor segment and the CV segment was done with utilization of the existing equipment of AMW and some repair amount which we spent on that.

So we are anticipating this capacity of aluminum wheels to be hitting close to 80% to 82%, 85% in over next maybe 7, 8 months, wherein the thought of adding up aluminum wheels capacity is going underway. I think by next quarter, a lot of clarity will come in, in terms of time lines and money to be spent on that and what kind of capacity we are adding.

Similar way, knuckles is where we are having close to 0.5 million, say, for this financial year. Another 0.5 million will be needed in next financial year, where discussions are ongoing with the government -- with the customer for the time lines and the money to be spent. So I think these are two areas where we are looking out for capacity additions.

Vignesh: Okay. That was helpful. And one more thing on the export side, apart from U.S., how is the demand situation in Europe and other geographies for alloy wheel? And how is the customer preference -- or from our supply point? How are they responding?

Mohan Joshi: So I think Pranav, would you like to take the details in terms of percentage and all that for the European side?

Pranav Jain: Yes, please. Just hold on. So in H1 FY '26, our U.S. market overall export was 44%, 52% is for Europe and 4% is rest of world. And in FY '25, 64% is in U.S. and 32% is in Europe and 4% in other countries. So we gradually increase our share of European business from 32% to 52%.

Vignesh: Okay. And demand is good over there or the opposite?

Mohan Joshi: The demand side is fairly stable in Europe, given that old customers and no tariff situation or anything of that sort. I think aluminum wheel is ramping up nicely. We have two programs with the European OEM has already started on the aluminum side. And we anticipate two more programs, which are going to be starting in Q4 of this financial year, if everything goes right with the customer testing and everything.

And in terms of new awardings and new pipeline, which is going to be visible in next financial year is also very strong with four programs from the European OEMs already awarded to us where program development and touring development is underway. So European side, there is no problem. I think the situation remains very fragile in the U.S. where solutions are being found.

- Vignesh:** So for next year, exports we might see the growth back again, sir?
- Mohan Joshi:** It is very tough to say. I think we -- in this -- at the beginning of the year, we clearly thought that we are going to be hitting INR600 crores to INR650 crores. I mean we have lost INR50 crores in 1 quarter itself. So propagating that 4 quarters will be INR200 crores. It is very tough for us to compensate this INR200 crores from the European side.
- But efforts are going on given that you do not know what kind of shape the tariffs will take. So business wins in Europe is being focused. Business wins for alloy wheel is being focused. And just in case something doesn't work, at least we'll try to see if we can make up for the lost ground in this financial in the coming financial year.
- Moderator:** Our next question comes from the line of Prachi Sharma from ACE Investor.
- Prachi Sharma:** So just wanted your view on the domestic auto industry since we know that we are seeing strong recovery supported by GST 2.0. So how do you see the demand trends across your key customer segments? That is one. And also wanted to get your answer on the planned capex for FY '26 for alloy wheel, knuckles and the backward integration facilities that we are focusing on?
- Mohan Joshi:** So I think I'll answer the first question and second question will be answered by Pranav. So the first question is about the industry. I think it is a welcome step. I think that it is visible from the festive registration, which has happened during the Diwali festival. The mood is -- obviously, it has slowed down a little bit because festive is festive, but the momentum is continuing for all the segments, two-wheeler being the best, given that affordability hits the most in that segment.
- Cars also are visualizing an 8% to 10% kind of a number on the uptake side, and we are fairly optimistic that this will continue for another 2, 3 months till that time, the excess demand, which got generated because of this benefit to pull the people on the sidelines to be coming in. Plus, there is an added advantage of tax savings, which the government announced in terms of the budget, which is also helping.
- Tractor segment because GST has also lowered for those equipments. It is going to go good despite some of the negative impact being taken up by the floods on the northern side were taken up and were compensated by the GST impact.
- CV side is the only side which is very flat and it is not seeing a very gung-ho kind of a situation, which has its own reasons, maybe because of the competition with railways or something that I said. So I anticipate CVs to be turning maybe a plus 2%, which was anticipated to be flattish or minus 2% for the financial year. So amongst all four segments, CV is the least positive and rest segments are fairly very positive. On the capex side, I think Pranav will answer that.

- Pranav Jain:** Yes. In H1 FY '26, we already done capex of around INR115 crores and expected to close this year with a total capex of INR250 crores, which will be majority in alloy wheel and the knuckle segment.
- Prachi Sharma:** So any percentages on how this is going to be allocated between alloy, knuckles, etcetera?
- Pranav Jain:** Our major portion is in knuckles because we are expanding our knuckle plant from existing 2.5 lakhs to 5 lakhs. And then alloy wheel, we are also expanding from existing 4.2 million to 5 million wheels, right? So I think roughly you can take around 40% to 50% in knuckles and that's 30% to 40% in alloy wheels and balance in general maintenance capex.
- Moderator:** Our next question comes from the line of Saket Kapoor from Kapoor & Co.
- Saket Kapoor:** Sir, firstly, can you once again reiterate what was the knuckle contribution to the revenue for the first half, the turnover?
- Pranav Jain:** It's roughly INR33 crores of the overall revenue.
- Saket Kapoor:** Okay. And what is expected from H2 depending upon the -- our execution ramping up also and the order book?
- Mohan Joshi:** I think in the balance 6 months, we are anticipating another INR38 crores to INR40 crores worth of revenue. So I think we anticipated around about INR75 crores to INR80 crores worth of revenue in this financial year in '25, '26 at the beginning of the year. So we are very, very close to that.
- There are four programs which we are running, and there are two programs yet to start. So in next financial year, we anticipate that this capacity anyway will be fully sold out, which is 0.5 million, which can generate close to INR100 crores to INR110 crores, INR115 crores based on which product gets sold.
- And then capacity addition, as I said, is under discussion with the customers, which will seek production output from September or October 2026, which can be additional of another INR15 crores, INR20 crores for the balance maybe 4 or 5 months. So this is what the projected numbers that we are trying to think as of now.
- Saket Kapoor:** Okay. And sir, what has been the net long-term debt or the net debt number as on September, our current maturity for the remaining half of the year, what should we end the year with?
- Pranav Jain:** The remaining maturity for the next half year is around INR40 crores. So currently, the total debt long-term and short-term debt, total is around INR902 crores, and we expect to close this year with a total debt of, I think, around INR950 crores to INR960 crores.
- Saket Kapoor:** Okay. And INR40 crores is the repayment? Is that correct?

- Pranav Jain:** Yes. INR40 crores is the repayment. We are taking a fresh debt in the second half for that knuckle expansion.
- Saket Kapoor:** Okay. And that you have outlined at, what is the figure, sir? I missed the number for knuckle expansion. What will be the capex?
- Pranav Jain:** The overall capex for the knuckle up to 5 million is around INR130 crores.
- Saket Kapoor:** Okay. And -- up to 5 million?
- Pranav Jain:** Up to 5 lakh, 5 lakh, 0.5 million.
- Saket Kapoor:** 0.5 million, what is the existing capacity in million?
- Pranav Jain:** Existing capacity is 0.3 million as of now.
- Saket Kapoor:** Okay. Sir, when we look at...
- Mohan Joshi:** So I'll add up to this what Pranav said. So existing capacity of 0.3 million will first get to 0.5 million. So there will be a capex which will be needed in balance 2, 3, 4 months. And then additional 0.5 million, which is getting discussed with the customers, wherein if the customer gives us a go ahead today or tomorrow, maybe it will be done over 15, 20 days, then that additional 0.5 million will also entail the capex, which will also fall into this financial year, which is what I think Pranav said that for that 0.5 million, the total capex is going to be INR130 crores.
- Saket Kapoor:** Okay. So the total -- then the net capacity -- I mean, total capacity will be close to 1 million?
- Mohan Joshi:** Yes, it will be 1 million, which will come into effect from maybe September or October 2026.
- Saket Kapoor:** Okay. And the peak revenue from the 1 million would be, sir, what?
- Mohan Joshi:** Around about INR240 crores to INR270 crores based on product mix.
- Saket Kapoor:** Sir, when we look at your closing capital work in progress balance, that has also gone up from INR288 crores to INR406 crores. If I remember rightly, previously we had done with now the capex. Correct me there. So now what will be our trajectory in terms of the uncertainty relating to the U.S. tariffs, then the downward trend in the profitability also, how are you looking at it, what constitutes the major of this INR406 crores closing balance.
- Mohan Joshi:** Okay. So I'll tell you that within the capacity, the capacity will end up at 5 million. The capacity has capability issue also. So what happening -- what is happening right now is that within the business, the existing type of wheels are getting converted into a newer technology, which is flow formed wheel. So capacity remains at 5 million.

But customer says, no, no, no, I don't want lightweighting from the normal process, but I want this from this German process because it is getting highlighted and now it has become a brand. So we also want those kind of capex to be done, wherein the capacity remains at 5 million.

But to add 1 million of flow formed wheels within that 5 million, I need to spend close to INR88 crores to INR90 crores. The customer pays me as an additional price, which is to cover my cost of capex over maybe 5 years, 6 years, 7 years.

But although I don't need the capex, but customer says, because this capability is not there when I am exporting these cars to Indonesia or Brazil or any other Asian and European countries, you have to compete with Chinese or you have to compete with European cars. So to get this strength, you have to get this technology. So these are some of the reasons where the capex is being called, which is not adding capacity, but adding capability.

Saket Kapoor: Correct. So sir, INR405 crores minus INR80 crores is clear, so...

Mohan Joshi: The second thing is on the paint shop. The paint shop capability is also being asked now that suddenly there is a demand of tinted kind of wheels, which is not heard of in the country, and it is only heard in U.S. But because Mahindra is -- having a subsidiary in U.S., they are exposed to that market and the trends. So they say what is popular in U.S. needs to be brought to India.

So once this comes in, another INR30 crores, people are asking that, okay, you put up this paint facility also because I think my car should have it first before, say, a Tata Motor builds in or Maruti builds in. And tomorrow, Tata and Mahindra, Tata or Maruti or Renault Nissan or Hyundai also asked, we need to another further spend capex for bridging this capability gap. So such kind of activities are building the capex activities, which are -- I'm not saying that they are not needed, but it is for customer delight and customer has to compete in the market, so we have to do that.

Saket Kapoor: Okay. And anything particular on the balance amount, sir, you want to allude to?

Mohan Joshi: So I think within the capex, the capacity is getting added. And as I said, and Pranav added that we are going to be doing close to INR135 crores worth of capex, which is for the existing capacity addition for knuckles, for aluminum wheel capability building and some capex for the new knuckles and aluminum shed, which we are trying to build up for maybe 1.2 million to 1.5 million of aluminum wheels and maybe close to 0.5 million of knuckles in balance 6 months.

Saket Kapoor: Okay. And when we see the conclusion, sir? When will this all projects get capitalized?

Mohan Joshi: See, I believe that in March, close to INR300 crores, INR350 crores worth of capitalization

should be doable given that what is the trajectory and our completion time and our handing over time. This is what I feel...

Saket Kapoor: Okay. And lastly, sir, we are done with H1, and that has all the unforeseen element of the tariff impact. So taking today into consideration and the plan B or the exposure towards the European market, as you have alluded previously, how should we look at H2 in terms of the revenue and the margin profile?

Mohan Joshi: See, from the domestic side, I'm fairly confident that it is going to remain as it was in the month of September, October and the things are good. Festive mood was okay. It was a peak, and it has tapered a little bit. But yes, Y-o-Y, it will be better. But the export side, I don't see any situation at least for these 2 months, where there is no clarity from the government.

And maybe now government has expanded the Credit Guarantee program, so they are buying time for another maybe a quarter. So U.S. exports, I believe that they will remain like this. unless until something -- some ice breaks and you remove those tariffs, right?

So I think this margin profile will remain same in this context, given the fact that close to INR50 crores worth of quarterly U.S. revenues are gone, which are 14%, 15% or 13% kind of a margin. So we will go into that INR8 crores to INR10 crores worth of deficit because of the current situation. Once it comes back, this INR10 crores will get added up and efficiencies will also improve to improve the EBITDA.

Saket Kapoor: Right, sir. And if I may conclude with, sir, we were looking for European acquisition earlier, our MD in one of the call, I think did mention about -- we're also looking and those players are also looking for us -- to get acquired by us. I think Mr. Dheeraj Garg commented on the same 2 or 3 quarters ago. So what is the status? And correct me, sir, there, whether my information is correct or not?

Mohan Joshi: So I think there are multiple European wheel makers, be it aluminum or steel. The opportunities are always on the trot. There are, I think, four factories which are -- which were into IBC or bankruptcy code were sold in competition to many of the wheel makers from India or from the global platform to Chinese.

And there are still 3, 4 opportunities, which is from aluminum to steel wheel, which are there, where collaborative efforts are under discussion for having some kind of a collaboration where outright purchase is not being thought of. But I believe that, that is not a core area where we are trying to grab them. Unless until it comes at a very steep discount to build capability, it will be considered. Otherwise, I think Indian capability of matching the cost is not there in European side.

So I believe that we are interested on an asset which is worthwhile at a very deep discount else India is good enough to compete with them. And this trajectory for European region

will continue to hang over their heads because of their inability to compete with the Asian side.

Moderator: Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to the management for closing comments. Thank you, and over to you, sir.

Pranav Jain: Yes. I hope we have been able to answer most of your queries. We look forward to your participation in the next quarter. For any further queries, you may contact SGA, our Investor Relations Advisors. Thank you.

Moderator: Thank you so much, sir. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.