



“Steel Strips Wheels Limited Q1 FY25 Earnings Conference Call”

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MANAGEMENT: **MR. MOHAN JOSHI – EXECUTIVE DIRECTOR (COMMERCIALS),
STEEL STRIPS WHEELS LIMITED**
 **MR. NAVEEN SOROT – CFO, STEEL STRIPS WHEELS
LIMITED**
 **MR. ADITYA DIXIT, PRESIDENT, EXPORTS DIVISION, STEEL
STRIPS WHEELS LIMITED**
 **MR. PRANAV JAIN – DGM (FINANCE), STEEL STRIPS
WHEELS LIMITED**
MODERATOR: **MR. AMIT HIRANANDANI - SMIFS LIMITED**

Moderator: Ladies and Gentlemen, Good Day and Welcome to the Steel Strips Wheels Limited Q1 FY25 Earnings Conference call hosted by SMIFS Limited.

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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded.

I hand the conference over to Mr. Amit Hiranandani from SMIFS Limited. Thank you and over to you, sir.

Amit Hiranandani: Thank you, Neha. Good morning everyone. On behalf of SMIFS Limited, I welcome you all to Q1 FY25 Conference Call of Steel Strips Wheels Limited.

We are pleased to host the senior management of the company. Today, we have with us Mr. Mohan Joshi – Executive Director, Naveen Sorot – CFO, Mr. Aditya Dixit – President of Exports Division, and Mr. Pranav Jain – DGM, Finance.

We will start the call with Initial Commentary from the Management and then we will open the floor for Q&A.

Now, I hand over the call to the Management Team. Over to you, sir.

Management: Revenue is Rs.1,025 CR versus 1,044 CR in Q1 of FY24, EBITDA is at 118 CR versus 117 CR same quarter last year. Profit after tax stands at 46.20 CR, which remains largely in line with previous quarter despite increase in finance cost and depreciation. EBITDA per wheel for Q1 stands at 257 versus Rs.253 in Q1 last year and Rs.256 in Q4 last year.

For the quarter gone by, our revenue mix has been 29% for alloy wheel rim and balance 71% for steel wheel rim business. For alloy wheel, sales volume increased by 1% year-on-year to 7.25 lakh wheel rims, for steel wheel rim, sale volume remains flat year-on-year at 38.67 lakh wheel rims.

Coming to export front:

Q1 FY25, export revenue stands at 123 CR as against 154 CR for Q1 FY24. Overall export includes Rs.15 crores on alloy wheel business. For current quarter, overall debt stands at Rs.965 CR versus 1,047 CR in Q4 FY24, thus a reduction of approximate 82 CR.

During the past quarter, our revenue in domestic market is in line with the industry across segments except two - three wheeler and tractor wherein we have outperformed the market. However, in export, volumes declined due to multiple reasons, that includes supply chain disruption and rising global inflation. Through all of this, we expect our exports to improve going forward and we maintain our guidance of exports to be around 675 to 700 CR.

Looking forward, industry reports predict that the automotive industry will grow at a moderate pace due to the release of pent-up demand and the impact of high base effect. Going forward for FY25, we expect 6% to 7% growth in steel wheel's in domestic market.

In two-wheeler industry, we have focused on electric vehicle sector where we are now leaders in wheels providing significant value addition. This business is expected to grow by about 15% to 17% in FY25.

As mentioned earlier, we had concerns on the PV business as margin were lower than expected, but those concerns are getting resolved and we expect a 7% to 10% growth this year in this segment. Last year, we achieved our highest CV volume, this year we expect flat or marginal growth in line with the expectation of CV industry.

In tractor business, we have secured long-term agreements with prominent customers which should result in a growth of over 10% for FY25. We expect our market share to increase overtime in this segment.

In aluminum wheels, we are expecting a growth of 12% to 15% with major growth coming from exports. Last year, we introduced a new business line aluminum knuckle. This will start generating additional revenue from Q3 onwards. This product is primary for the SUV segment where OEM has stronger pricing power and are keen to enhance vehicle features like better maneuverability. Going ahead, the automotive sector is poised due to continue its upward trajectory, benefiting from both domestic demand recovery and favorable export conditions, along with positive monsoon forecasts and the festive season as potential growth drivers. We are determined and steadfast on utilizing every available resource to its optimal level for reaping the best output.

Company continues to remain laser focused on the road ahead and are committed to leveraging every opportunity to drive innovation, deepen our customer relationships and solidify our position as a leader in the market.

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

Moderator: We will now begin the question-and-answer session. The first question is from the line of Kunal Sharma from SP Capital Financing Limited. Please go ahead.

Kunal Sharma: I have a couple of questions. First, I just wanted to ask you about the market share front. In our PV market share, we have like the market share has gone drastically to 37% sequentially. So, can you please throw some light on what's the reason behind it?

Mohan Joshi: See, on the alloy side of the business, I think the market share remains very, very stable. The PV side on the steel side, there are certain decisions that we took on some of the customers where the margin and the value-addition by those products because they were very age-old products and I've been clearing that in every conference call that we left out those businesses 1.5-years

back. So, from almost 47%, we tripped down to 42% and currently we are at 37%, 38% and we are fairly very comfortable with this 37%, 38%. We will do this business profitably and wherever there is the competition, somebody wants to do that business at those prices, we are more than happy, because we will create that space for exports, we will create that space for some other products. But on PV side, minimum margin expectation from the customer is now building up. Some of the discussions with the customers is already underway. We feel that margin correction in some of the customers profile will be done within this financial year and wherever it is not happening, we are going to leave those businesses.

- Kunal Sharma:** So, going forward, we are going to maintain the market share of 37% to 38%, is it?
- Mohan Joshi:** At the minimum, this 37%, 38% will be maintained and slowly and steadily, the margin profile correction is underway. It will take a little bit of time, but we are fairly confident this market share we will maintain.
- Kunal Sharma:** Another question is on the export end. Could you please throw some more light on the export as the growth has deteriorated because of this geopolitical tension of those things? So, what that's been the issue, is there is a price related issue and when can we expect the growth will be bounced back?
- Mohan Joshi:** So, our export head which is Aditya is going to take that question.
- Aditya Dixit:** As my colleague earlier explained in the opening statements, we are definitely going to see a recovery in the coming three quarters as against what has happened in the first quarter. The reasons are pretty much clear. One is the headwinds due to the freights and the availability of the overall logistical support that is required in terms of container and vessel availabilities. Also, the fact that yes, there has been a slowdown in the US market which we now expect to have a recovery towards in the Q2, Q3 and Q4 of this year. So, this is also coupled with the fact that the US market is also dependent or is dependent on the seasonality of the overall product requirements. So, the Q1 is typically low because the industry has got inventories in place already. But as the inventories get depleted in the first quarter of the season, you will see recovery starting in Q2, Q3 definitely for exports.
- Kunal Sharma:** On the follow up, Aditya, I just wanted to check sir, in the upcoming election over there in US so that can be another issue, right, so we can't, how we expect that the growth can be rebound in the export end?
- Aditya Dixit:** One aspect is definitely the elections, the overall sentiment in the market. But this unclarity in the market in terms of the geopolitical situation, it has been not very recent, I mean whichever government comes in, the sentiment is definitely anti-China. So, the suppliers especially outside that geography will still see a strong pull from that market, especially us in India. So, I do see. Yes. So, if whichever way the elections go, I do not see it as a dampener to our requirements in the US market.

- Kunal Sharma:** Could you please throw some light on our optionality business that what's the progress on the OTR side and where are we standing right now?
- Aditya Dixit:** So, that is one segment where we are making gradual progress. It is not as rapid and the volumes are not high as they happen to be in the trader market or the PV kind of market. So, we are currently focusing on the products which we can produce from our existing production lines. And yes, there is an irrigation market where we have entered into there is skid steer market that we have entered, we have also entered into the compact tractor segment. So, there are definitely three or four new business areas that we have entered in the last 12 months, which itself is an achievement because getting an entry, it's a mix of OEM as well as what do you call the trader market. So, we are new to the market, but we saw very, very encouraging feedback from that segment and they were very interested in getting wheels from India, because this market typically is not serviced by a lot of players from the Indian side, there are a lot of players outside India, but yes, it was encouraging to know the keenness with which the customers who are following up with us.
- Moderator:** The next question is from the line of Omkar Arora from ERAYA CAPITAL. Please go ahead.
- Omkar Arora:** I just wanted to enquire about the current status of capacity expansion, particularly on the AMW front.
- Mohan Joshi:** On AMW, I think the asset is with us, and as we updated last time that the capacity addition of our CV plant which is in Jamshedpur is already underway and equipments are being shifted from AMW to take the capacity from 1.5, 1.6 lakh per month to close to 2 lakh, 2,10,000 numbers per month. And this capacity will be added by I think Q3 end for utilization for Q4 of this financial year where the CV domestic, what do you call demand/supply scenario is very, very tight. So, this relaxation will come towards Q4.
- Omkar Arora:** Since the demand scenarios becoming kind of grim right now, do you think the capacity expansion that has happened for a few years from here, could cause some stress on your balance sheet?
- Mohan Joshi:** Let's not see CV from month-to-month. I am fairly confident that the infrastructure demand which is in the country along with the compliance rules which are coming from the government in terms of banning the vehicles beyond a certain period of time, will make sure that the demand will take care of 4% to 7% kind of a growth rate. And with that kind of a base, along with, the focus on increasing the product offering to the customers. Along with the export territories, we are fairly confident that the capacities will be utilized to the tune of 85% to 90%.
- Omkar Arora:** On the alloy wheel expansion front, how is the progress going for capacity for quite some time?
- Mohan Joshi:** So, I think currently as we updated last time, we were at 3 lakhs per month which is 3.6, and I think that very soon we are going to be moving towards 3.3, 3.4 lakhs per month and towards this financial year end, the plant will be at close to 4 lakhs per month which is 5 million capacity,

against which this year's full year projections are estimated between 4 to 3.5 million wheels, next year, it's going to be between 3.7 to 3.8 million wheels. So, we are in line with the demand/supply scenario there also.

- Moderator:** The next question is from the line of Rohit from Samatva Investments. Please go ahead.
- Rohit:** Sir, my first question is on the exports market per se. So, if you look at the Chinese EV or some of the large players, they've been very aggressive in terms of their penetration in US, in terms of Europe. So, do you see that as a threat in terms of electric vehicles penetrating the export market, which may lead to a slight decline in the demand for alloying right now?
- Aditya Dixit:** What this with a perspective of what China has done in the US and Europe market in terms of their EV?
- Rohit:** So, my question is, if you look the largest player today in the EV sector is from China. In terms of their expansion, they've been very aggressive, and if you are catering to the non-Chinese market, in addition is if there's going to be a penetration of EV, do you see some risk to our alloy business which it has just started to pick up right now?
- Aditya Dixit:** I don't think because the pie is so large, the conventional auto maker, I don't see anybody of them having less aggressive plans than what the Chinese are doing. Yes, the Chinese are entering, but if you see the US is already putting in duties on them as far as the China vehicles coming into the US market. We also expect similar situation in Europe, because at the end of the day there are so many people working in these American or the European OEMs that nobody is going to make them struggle so much in their own markets, and we per se are very, very strategically placed with all these American and European OEM. European OEMs for sure, because we have had a very encouraging story with them in India, and that's how we have created a pedestal where we are now stepping upon and getting the businesses outside India. So, I don't foresee China creating that much of impact so that our exports are going to get affected by this dynamic.
- Rohit:** Just an additional question. So, are we doing anything on the EV front right now on the four wheeler part, both in India as well as the export market?
- Mohan Joshi:** See, for the current space. I think alloy wheel is where the penetration is going to increase given that EV is an expensive proposition. So, obviously penetration of alloy wheel is going to be a primary thing which is what we are trying to do currently. On the other side, as we said that the knuckles business is already underway, and we feel the current penetration of aluminum knuckle is fairly very low and it's a sunrise industry going forward. The way that aluminum wheels has propagated, we are fairly confident that alloy knuckles will see the similar trend over next 4-5 years, and I think that opportunity for us as an alloy wheel maker to convert steel knuckles to alloy knuckles will be to the tune of 2,000-odd crores and we are a part of that. So, these two opportunities which is where we are working. On the steel wheel business, we are already

working on the two-wheeler side. So, that's where we are having a leadership position, and we are fairly happy with this kind of a penetration into this segment.

Rohit: Sir, actually, I was asking, are we into the EV part, are we selling alloy wheels to any of the EV players in India or the export market?

Mohan Joshi: Wheel is in EV-agnostic kind of a product. So, 100% will have EV. So, Tata Nexon EV is what we are supplying. We are supplying to the Mahindra EVs also. So, wheel does not have a distinction. So, if you are supplying to Mahindra the EV, then normalized engine as well as the EV both are supplying there.

Moderator: The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.

Chirag Shah: I have a pretty different question. See, when I look at the past interaction in the post result call, we tend to be very positive on the outlook and somehow those outlook doesn't turn out in every quarter, we have to keep on lowering our expectations. So, how should one look at your current outlook that you have shared? I understand everything is not in your control. It's also a function of how demand dynamics are, but it can't change suddenly every quarter on the downward side. In fact, if I go back to Your AMW acquisition when it was being done we were under impression that it could ramp up sooner than later, especially the way... now it takes needs to be taking more time in getting accreditation, customer approval, etc., and also using the plant either refurbishment or shifting of sceneries, etc., So, how do you internalize your forecasting or your budgeting so that the downward revisions don't really happen?

Management: Hi, Chirag. So, I will tell you there is no change in the volume forecast of the company, there is no change over past one year, maybe past six months, past three months. So, first, let me clarify that very, very clearly. So, if we were targeting 20 million for this financial year, we are targeting 20 million for this financial year. Segment wise some small here and there can happen, because CV goes from (+5) to (-3) or something. That can always happen. But I think for the full year in terms of volume growth, we are 100% confident what we have committed for 20 million, we will hit that 20 million. Second question is that the top line tends to change because of the raw material which is not in our control. It is market-driven and steel prices have gone down by almost Rs.10, 12 which is on a base of Rs.70, 65 is close to 15%-odd. So, this is also not in my control, and we have to be a pass-on and turnover will move around accordingly. The third part is AMW. I think AMW came to our lap in the month of I think March 2024 and the plan was very clearly indicated that it will take six months of for repairs in the plant to make it functional. So, there are two strategies of the business whether we run the plant at 10% capacity and run operational loss. That is one side. The second strategy is to pick up the machine and add up the capacity in any of the plants which needs the capacity, and every fraction of CAPEX will be done and it will turn your asset to 10x, 15x, 20x asset turn. So, we have done the exact same thing that probably it will take 12 to 15 crores in terms of investments for shifting of these machines from this plant to that plant, and we will run Jamshedpur at a 90% utilization, lowering and improving our economies of scale and, hence improving the margins. Rather than, I

produced 40,000 in AMW which has a capacity of close to 5 lakhs a month, run all plants and run operational loss. So, I think that due credit should be given to the organization to make choices of making maximum of share wealth of the shareholders, right. So, we have taken a decision and we are fairly confident that this CAPEX will increase the top line of the CV business of close to 200 to 250 crores at a fraction of spend of I think 12 to 15 crores. And it is not in my hands. I feel that industry has given a hint of the minus 5%, but I have a hint that the infrastructure spend will continue to grow, it will continue to increase and we should see a flattish growth for us in terms of volumes if the industry grows by minus 5. If the industry grows by a little better, we are going to be outperforming the industry anyways.

Chirag Shah: Second question is on exports. Now, if I look at last five quarters, our steel volumes have actually gone down from a peak of 1 million to 0.7 million and even other exports have not really picked up the way we were hoping. So, for us, you have indicated some of the reasons, but when I look at bottom up, some of these were looking to make inroads in certain customers, and because of which we were reasonably optimistic on that. So, is there a postponement of product launch from their side or SOP from their side or more demand macro dynamic which is driving this?

Management: So, there are both aspects to it. One is definitely the demand has come down for some of the steel wheel requirements and that's purely market dynamics. As I said, the trailer industry in the US market is still at around 35% to 40% down. But yes, we do see the forthcoming quarters to take care of whatever downfall we have seen in Q4 of last year and Q1 of this year. Now, we do see that part of recovery happening in the coming three, four quarters. And yes, as far as aluminum needs are concerned, there have been postponement in the SOPs of certain OEM programs and it's nowhere a case that we have lost any share of business or any business per se. It is purely the customer has changed few of their SOP dates.

Chirag Shah: If you can just help us recollect, assuming that SOP now starts whatever timeline that the customer has indicated, what is the ramp up in alloy wheels that we can see from current levels or whenever the SOP starts, if you can disclose when the SOP start, it would be great, if you can't, fair point, but what is the jump that we can see in the alloy wheel export if the SOP is on schedule?

Management: One is that in terms of the overall exports for the total year, we still see ourselves in the region of 675 to 700 kind of a number. If you are purely referring to the aluminum wheels, so we would still say that we are going to at least double the aluminum wheels what we had done in the last year. So, we see fair amount of growth in that area and we are definitely on track.

Chirag Shah: And would you like to indicate when the SOP is starting?

Management: No, I would like to avoid giving any specifics on that.

Chirag Shah: See, EBITDA for wheel, if I look at because that is the metric that we as an outsider are aware, not based on tonnage. EBITDA for wheel, how should we look at it, because it has been stagnating, I understand there has been cost issue on freight rates and all these other things, but

from here on, how should we look at it because earlier the expectation was that the mix will grow. It should reach closer to 300 per wheel over a period of time. So, is there a postponement in that aspiration from current 250-odd levels plus/minus? So, how should we look at EBITDA per wheel as a metric and what will drive, is it pure revenue or there are certain cost leverages and when do you expect them to play out?

Management:

Chirag, on your earlier questions, one is on the projections that we have given, I guess what Mohan has clarified that we have already remained in line with what we have projected for. So, even when we look at export, I guess, Pranav has given in his starting statement that for the full year, we are still maintaining our guidance that we have given at the start of this year that we will be doing closer to 675 to 700 crores and we are sticking to it, irrespective of what has happened in Q1. In fact, when we have budgeted our numbers for current year, Q1 was already forecasted at a lower number. So, we are in and around the Q1 projections that we had for us internally. So, there are ramp up as Aditya has indicated that there will be a ramp up which you'll see in Q2, Q3 and Q4 wherein this number should see substantial growth versus what we are seeing today. On the EBITDA per wheel, so if you look at, I guess, Pranav in his opening statement has quoted a number of Rs.257, which if you probably look at the last four or five quarters is one of the best EBITDA per wheel which we have received. And as we've indicated that once the mix is more towards alloy and more towards export, this is expected to move up. So, whether it will reach 300 or not, I guess it will take some time, immediately it will not move from 260-odd level to 300-odd level. But yes, the trajectory should be an upward trajectory.

Chirag Shah:

So, over three years, we can assume that this is a possibility, right?

Mohan Joshi:

Again, what kind of mix that we are doing, what kind of products that we are serving? So, yes, ideally trajectory should be upwards. So, whether it will be 280 or 300, I guess that is to be seen.

Moderator:

The next question is from the line of Nirav Shah from SSWM. Please go ahead.

Nirav Shah:

Did you get any new business anywhere in knuckles from India?

Management:

I think as we have discussed that knuckles business will start towards the Q3 of this financial year and there are two large nominations which have already been given from two marquee customers of our alloy wheels. And this is for one customer it is close import substitution, for second, it is local development and the full-service support and there are three, four more knuckle proposal which are going on in terms of development which is from export as well as from domestic markets, and we are fairly very, very confident on this business of becoming like an alloy wheel business the way that it is happening.

Nirav Shah:

I think will the knuckle be the turning point of your company.

Management:

So, I think we have already turned the corner from 100 crores EBITDA to 500 crores EBITDA. Now to get to the next league where you move from this 500 to 700 crores EBITDA is where this kind of a business will obviously help, and we are fully committed towards it.

- Nirav Shah:** This is only one player. Definitely, it will be.
- Management:** Our first mover advantage will definitely help. We are confident on that.
- Moderator:** The next question is from the Bhavesh Jain from DW Investment Advisors. Please go ahead.
- Bhavesh Jain:** So, if I just look at the macro picture like we are focusing more on the alloy wheel penetration. And if I look at the last quarter, we mentioned that there is high vent wheels, which OEMs are preferring. So, can you throw some light on like what is the penetration of high vent wheels and alloy wheels and the steel wheels and like how is the picture shaping out?
- Mohan Joshi:** So, when you talk about steel and alloy, first, we will talk about the bifurcation of steel and alloy. I think 36, 37, 38% is alloy wheels, balance is steel wheels. So, within the steel wheels, I think the penetration, which is 65%, I think very minute scale of high vent hole has started taking up. So, current juncture is at close to 10%. And we feel that it's not a very easy game to change from alloy to high vent and customer will expect that I will take it, because obviously he's paying money to it. These are cost savings proposals coming from the customers and the intention will be to fix mid models of the cars, not on alloy wheels, but on high vent wheels, which is there also we are there. And on the lower trim, which is the base model or maybe base plus one, you will have steel wheels, and on the higher model which is top three or four categories of the model, we will have alloy wheels. So, within this year, we expected that the alloy wheel penetration will move from say at 36%, 37% to maybe 39%, 40% which has not happened in this financial year because of the cost pressures or maybe the OEMs are not able to sell those cars in that numbers and they are trying to have different kind of a connotation towards pleasing customers. But we are fairly confident with the industry moving towards heavier vehicles, steadier vehicles and stylish vehicles, alloy wheel penetration will continue to move up towards 45% to 50%. The largest alloy car maker, which is Maruti, was at close to 20% of penetration and has already reached 33%, 34%. They are also indicating towards the movement towards 50%. So, alloy wheel will definitely move up in terms of penetration and steel wheel is there. The fight between steel and the high vent hole wheel is going to be there. So, we feel that over the medium term this penetration will cap around 15% of the steel wheel side.
- Moderator:** The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.
- Aejas Lakhani:** My question is more near term for FY25. Could you give some color directionally on how the EBITDA per unit should shape up because you've just said right that knuckle casting will start, which is better from a margin perspective? And also juxtapose to that is the fact that you said that ramp up will take time towards 5 million. So, I am just trying to understand in the context of knuckle casting starting and the ramp up taking a little more time than anticipated, how EBITDA per unit or per wheel should be for FY25?
- Management:** So, on the EBITDA per wheel side, so what we have done in Q1 is Rs.257. So, we expect, I guess, for the entire year will be somewhere between Rs.255 to Rs.260. On the knuckle part, yes, the knuckle will have a better margin profile, but if you look at the current year, as Mohan

pointed out we will be starting with knuckles. In current year we expect to sell almost 1,40,000 knuckles. In terms of revenue this translates to almost 30-odd crores. So, its contribution to the bottom line at least for current year will be much lower. Next year this number is expected to get doubled and then we will take it from there. As Mohan indicated in his I guess initial query that he has said that there is a definite amount of traction which is there in the market. We have already covered couple of OEMs and there are gradual interest which is coming up from other OEMs as well. In fact, there will be an opportunity overseas as well where we can probably export these knuckles. So, based on how the market shape up, we will probably look at adding further capacity. So, for current year, I guess the EBITDA benchmark on a per wheel basis should over between 255 to 260.

Aejas Lakhani: And when you call out the EBITDA per unit at 255 to 260, do you factor in the knuckle casting or is that excluding the knuckle casting?

Management: Knuckle in any case will not be a major contributor to the bottom line, so it will not make much of a difference. Because this is purely EBITDA per wheel, we will not cover knuckle in this.

Aejas Lakhani: And on the AMW side, I think last quarter you even called out that you are moving the machinery. So, I just wanted to understand that is it taking slightly longer than anticipated to kick off all of this and then when should we expect a ramp up or rather commissioning of all those facilities of AMW for which we've paid?

Management: See, the endeavor is to utilize those assets which are there with AMW irrespective where exactly they are located. And currently looking at the size of that facility wherein almost 7 to 8 million in terms of capacity, I guess, it will not be prudent to run those capacities without first attaining a minimum order book size. So, what we have done is in fact we have already started shifting those equipments to our plants in Jamshedpur and Chennai and those are getting commissioned. I guess few of those equipments will need some repair as well. And as Mohan indicated, maybe by Q3, we should be up and ready with those Brownfield capacities getting added in our Jamshedpur and we will start utilizing them immediately. And on a long-term basis, I guess we are already working on garnering further orders both for the domestic as well as for the export side and alternate set of businesses are also being explored, which includes your OTR and agri wheel.

Aejas Lakhani: Because of the incremental debt that has been taken to finance this, the run rate that in finance cost that we've seen for this quarter, is that how we should sort of forecast FY25 or will this sort of ramp up or increase?

Management: No, it should actually come down. So, if you look at in our starting commentary where we have quoted our overall debt, so in FY24 Q4 end we were almost at 1,050 crores in terms of the overall book debt which was there. The same number for Q1 end is hovering at around 965-odd crores. So, there is already a reduction of 80 to 83 CR which is already seen. We expect that, yes, Q1 we have seen a financial cost hovering at around 31-odd crores. I guess for the full year, it should be somewhere between 105 to 110-odd crores.

- Moderator:** The next question is from the line of Vivek Tulsyan from Newmark Capital. Please go ahead.
- Vivek Tulsyan:** My question is on the export front and more a longer-term trajectory. So, if we look at last 3-4 years, our growth in exports have been quite impressive. But now that we have excess capacity both in steel and alloy as we have commissioned our new plant, I am just trying to understand what is the hindrance to ramping up the exports business in a big way -- is it that from a cost perspective, India is not as competitive as China or some of the other markets where wheels are getting supplied from or is it that customers take time to empanel you as a supplier and that is something that is taking time?
- Management:** I think what world has seen in the last 4-5 years; I don't think anybody saw it post world war-II. I mean pandemic, followed by the crisis in Ukraine and Russia, these are such big speed breakers in the overall economic growth of any region per se. So, if we put ourselves in the shoes of OEM customers for them to make their procurement strategy, also they try to buy a little more time, ramping up new suppliers away from their domestic region. So, if I am sitting in Europe and if there is suddenly a war and then the costs are going up, the trade is going up, I take a little time instead of going all in a very, very expeditious way to introduce the supplier into the domain, which is away from them. So, we have seen this happening that the ramp up is taking time because of these big changes in the overall geopolitical situation across the globe. So, I would factor those reasons as the real reasons why we are not seeing a very, very fast ramp up in our export segment. But having said that, the way India is poised in terms in our relations with US and Europe, I am very, very confident that exports will continue to contribute in much larger ratio in the coming years. So, it will continue to grow. The only thing is that all these large factors that are happening around us, they do put some dampness.
- Vivek Tulsyan:** From a cost competitive perspective, how would you position us versus the global suppliers?
- Management:** We are definitely amongst the most competitive suppliers today. I mean if you talk about the manpower costs, even in Southeast Asia and countries like Vietnam and Thailand. But even these countries are realing under high manpower cost situation, forget about what's happening in the developed economies, I am not even talking about them. But even if you talk about Southeast Asia, or even if you talk about Mexico, the manpower costs are too high, the inflation is too high. Turkey, you see what's happening to Turkey. I mean, Europe is buying a lot of their commodity products from Turkey, but if you ask any European buyer today from the OEM perspective, they do not want to rely so much on Turkey because of how they are poised politically. So, they are trying to survive Turkey as a nation is just because their local currency is depreciated against the euro so much. But if you see the inflation, the spiral through which that country has gone in the last 36 months, nobody wants to build a long strategy on that country. So, considering all these factors, India, forget about these odd freight increases that happen, they stay there for 3-4 months but they go back. But largely speaking, we are a pretty much stable nation in terms of our deliverables. So, we are very, very optimistic considering that capability of our nation that we have.

- Vivek Tulsyan:** My next question is on the consolidated versus standalone number. So, there is a 5 crores difference in the PAT between consol and standalone. Would be fair to say that this is largely attributable to AMW and this will continue till we commercialize production at AMW?
- Management:** Yes, so there are two aspects to it. One is the depreciation of AMW asset. I guess this amount is almost 3, 3.5 crores. And the second is the day-to-day expenses... the routine expenses that we are incurring in the book.
- Moderator:** The next question is from the line of Chirag Shah from White Pine Investment Management Private Limited. Please go ahead.
- Chirag Shah:** Two questions. First is, sir, if you can just give a recap on AMW capacities that we have effective capacities for next two years because I think that they had tractor or off-highway tire capacity also, so if you can give your broad indication? Commercial vehicles you indicated the plant that you have shifted for like unit a month. If you can just give a broad indication of the segment wise capacity of AMW, which could be effectively used over next two years?
- Mohan Joshi:** So, the capacity is between 5 to 6 million wherein one of the line which is the tube type line can produce close to half a million which is now getting shifted towards the Jamshedpur. And we have a tubeless line which is going to be close to 0.5 million again and that is not used because we have Chennai plant, and we are going to be sufficing that. As soon as this comes to us a level where we are going to be at 80%, obviously this will come into act, and we will start to utilize that. The other side is tractor the capacity, which is close to 0.5 million again, which is Dappar plant is close to 0.91 million kind of a number for tractor. We are at close to 85% utilized factor there. And some of the debottlenecking is already happening in Dappar from these machines to increase the capacity of the Dappar plant. Apart from this 1.5 million, then we have two car lines which are available, close to 1.8, 2 million roundabout. So, this is where the breakup of this 5.5 million is coming from. The car lines which we anticipate with the industry going at between 5% to 6% will come into some of the utilization in Financial Year '25-26. I think right now Chennai is fully balanced at close to 85%, 90% utilized, Dappar is close to 85%-odd, Jamshedpur in the current month it is not there, but for the full year I think it is utilized to the tune of 85%-odd, Chennai plant is close to 65%, 70% and next financial year because of the volume growth we anticipate some of the working to be starting in AMW as well. So, whether we do it in AMW or we do it in our existing plant by debottlenecking, that will be the choice based on the financial performance of the plant post operations.
- Chirag Shah:** Just a clarification. We already had some customers at AMW, right, even in the export market?
- Mohan Joshi:** No. So, for AMW, we do not have any customers there. We have customers which are for SSWL and we do not have any AMW customers where they were serving because the plant is shut for many, many years now. Those customers have already been taken up by Aditya's team in terms of SSWL. To increase the market share as Aditya has in the site terms of our future strategy towards OTR, this plant will be utilized where the team is already working.

Chirag Shah: Just a follow up on the earlier question on the export opportunity to India. Just to understand it slightly better, why is it taking time for a casting product like wheel because in off-ancillary we have seen the shift happening, even in some of the other industries we are seeing shift happening because of anti-China plus cost issues in Europe plus geopolitical issues that you highlighted. It appears in the wheel space it is taking a bit longer. Is it the wheel industry from India is a bit late to enter from this or customer focus has not yet come on this and when do you expect the tipping point to happen?

Mohan Joshi: I think I will take the first chance and then I will ask Aditya to take it up. I think wheels is a very sensitive subject. It is a Maru-A safety product. In the entire car, this wheel chassis assembly is the most sensitive. So, do not take it just for the namesake if mirror industry has done then why wheels is not able to do it? It's a very sensitive decision to move one continent to other continent because it's a safety product. And at the same time. The validation of a vendor, the sustainability of the vendor and certification and ground certification takes time, because the vehicle has to run certain amount of thousands of kilometers to ensure that it needs to be changed from China to India, it takes a bit of time. I think it is commendable that Aditya's team has taken up close to 250-odd crores to close to 700 crores worth of exports in a market where globally they grew at 1, 1.5%. With COVID taking them down by 25%, 30%, so it's a commendable amount of improvement in exports. And it has its own pace. As I stated in many calls that alloy wheel market is a 350 million deal market. India should target 10 million, 15 million over next five years, SSWL supply a million, 2 million, 3 million in next five years is where the vision of the company is. So, we are at 5 million. We will not stop at 5 million, we will go to 10 million. Out of that 10 million, yes, something will be domestic, majority will be exports because that's where the playing ground is. In that exports, yes, there are challenges of geopolitics, there is challenges of duties, there is challenge of demographics, there is challenge of social unrest in those countries. So, those challenges I think Aditya and his team is taking care of. And anything that I've missed, Aditya, you can please add.

Aditya Dixit: No, I think Mohan you have covered.

Chirag Shah: Some of the other is in the auto ancillary also. Some of the other critical components has seen a reasonable offtake from India. So, I was coming from that perspective. And when do you see the tipping point? My more important question is are we two years away, are we three years away in your best guess or best estimate? I understand these are all estimates or guesstimates in that sense, but where are we in that validation plus approval process that two-year route could be the real tipping point for India is the place for wheels exports?

Mohan Joshi: As a company and sensible shareholders representative, I think it is very important for me to give a vision to the shareholders that we are at close to 4,000, 4,500-odd crores and we aspire to be a billion dollar revenue at 8,500-odd crores, 8,000 crores in the next coming five years. In that journey, export will play a very pivotal role, because that's where the unseen market is. We are doing just 700 crores. Can we do 500 crores more, can we do 1,000 crores more is where company is working in terms of the product development, which is on alloy, on steel, on trucks, on OTRs. At the same time knuckle is another product which is going to add 500 crores, 700

crores, 800 crores is where the thought is. So, broadly, we are inclined towards that kind of a number over coming in five years, which is going to be coming organically from the domestic market, inorganically from the export market and some of the cannibalization which is going to be happening from China Plus One philosophy. So, these three factors will run around. And I think with the auto ancillary volume business, I think indicated to be down by 2% to 5% this financial year, I think we will be confident to take a volume growth as well as value growth for Financial Year '24-25 is where my stand for the organization is.

- Chirag Shah:** Because your capabilities in India are far ahead than your peers. That's why I was asking this, what is the tipping point? Definitely, your capabilities are far better than your peers at least in India.
- Mohan Joshi:** So, it will take maybe two years for us to pace up whatever effort that the team is making right now and the results will be visible.
- Moderator:** The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.
- Shashank Kanodia:** Just wanted to check what will be your CAPEX guidance for this year and next year roughly?
- Mohan Joshi:** Can you please repeat it?
- Shashank Kanodia:** So, what will be our capital expenditure guidance for this year and next year?
- Management:** Total CAPEX expenditure for this year will be around 210 to 220 CR, which includes knuckles and alloy wheel expansion with the balance amount was pending.
- Shashank Kanodia:** Next year could be tapered off, right? I think large part of CAPEX will complete this year, so –
- Management:** Large part of CAPEX will be completed within this year, and for next year I don't think so we are doing some of the major CAPEX only except knuckles where if we want to increase the capacity, yes, we can add on capacity by doing some CAPEX in knuckles.
- Shashank Kanodia:** Next year we can expect something in the range of 50 to 100-odd crores, right?
- Management:** So, see, there is nothing significant which is there on table as of now for next year. I guess that knuckle require something if there is an incremental demand coming in because the kind of traction that we are seeing. But on an overall basis, I guess we are not seeing CAPEX of more than 70, 80-odd crores including the replacement and the balancing equipments.
- Shashank Kanodia:** Secondly, on the debt side, so as you've been highlighting before also, so the peak debt is behind us, right? So, now it's going to be a downward digit for us for the next couple of years, right?
- Management:** Yes. So, the 1,050 crores that we saw last year will be the peak and then now will be on the reduction part.

- Shashank Kanodia:** Sir, in your initial remarks, we mentioned that the steel business is expected to grow 6% to 7% this year, the aluminum business is 12% to 15%, right. So, blended basis, we could expect something like 19% kind of a top line growth for us this year?
- Management:** No. So, in terms of volume, I guess the overall growth will be hovering around 5% to 7%-odd and in terms of number, I guess it will be somewhere around 20 million. In this 20 million, the export is expected to be around 4.2, 4.3 million.
- Shashank Kanodia:** Responding to a previous participant, you mentioned that the key levers of growth will be organic domestic and inorganic export. By inorganic are we indicating some kind of acquisitions or something of that sort or it's just rise in normal exports?
- Management:** So, it will be normal exports. There is no acquisition which is there on the table as of now. On the export front, I guess the number will be around 4 million, like 3.7 million is what we did last year, this year you should be doing almost 4 million.
- Moderator:** Ladies and gentlemen, we will take this as the last question. I would now like to hand the conference over to the management for closing comments.
- Management:** So, thanks a lot for having us present ourselves and giving us an opportunity to explain the quarter. As we have stated earlier that company is committed towards improving the margin profile, improving the customer profile, and improving the product profile. We are fairly committed, and we feel that the effort that the company has done over the past two years in terms of NPD will start yielding results from this financial year-end and will be fairly visible in '25-26. And the CAPEX that we have done over past 3-4 years, we will try to show its relevance to shareholders in Financial Year '25-26. Once again I thank all the participants for giving us this opportunity. Thanks a lot.
- Moderator:** On behalf of SMIFS Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.