



“Steel Strips Wheels Limited Q4 FY23 Post Results Conference Call”

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MODERATOR: **MR. AMIT HIRANANDANI – SMIFS LIMITED**

Moderator: Ladies and Gentlemen, good day, and welcome to the Steel Strips Wheels Limited Q4 FY23 Post Results Conference Call hosted by SMIFS Limited.

As a reminder, all participant lines will be in 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 would now hand the conference over to Amit Hiranandani. Thank you, and over to you.

Amit Hiranandani: Thank you. Good afternoon everyone. On behalf of SMIFS Limited, I welcome you all to Q4 FY23 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, Mr. Naveen Sorot – CFO 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.

Naveen Sorot: Yes. Thanks, Amit, and good afternoon to everyone who is participating on this call.

I will start with giving some brief into the numbers that we have for Q4 as well as for the entire year. In terms of net sales, in Q4, we did 1,004 odd Cr. The EBITDA for the Q4 stands at 115.14 Cr. EBITDA in terms of percentage for the quarter is 11.38. PBT for the quarter is 72.5 Cr and PAT for the quarter stands at 47.29 Cr.

For the entire year, the net sales stand at 4,040 odd Cr. EBITDA for the entire year stands at 455.19 Cr. PBT is 291.20 Cr, and PAT is 193.79 Cr. Overall for the year, the ROCE stands at 23.9% for the entire year. Return on Equity stands at 33%.

In terms of the overall debt that we are carrying, the total term debt, which is there, the total term debt has been reduced to 600 and total debt including working capital stands at 638 odd crore as against 777 Cr. So, the long-term debt overall had reduced by 152 Cr in FY2023 and the total long-term debt which stands in the books as on March 23 stands at 222 Cr.

Debt to equity overall for March '23 stands at 0.52x, and as we have been discussing all throughout that we are working on deleveraging ourselves, and with specific focus on improving ROCE. Again, that's it for the overall numbers. We are now open for Q&A. Amit, we can start with the Q&A.

Moderator: All right, sir. Thank you very much. We will now begin the question-and-answer session. The first question is from Rohit Suresh of Samatva Investments. Please go ahead.

Rohit Suresh: Sir, my first question is could you give a broad overview on both the international and domestic markets and the demand from the demand perspective and how do you see it for the entire year going forward?

Mohan Joshi: So, you know, as you see the European and the American markets coming out of the woods, and they will take another one quarter or so to stabilize and come to the terms of the erstwhile pace that we carried in '21-'22, we anticipate this financial year to give us close to a 15% kind of a volume growth.

So, this band can be between 12% to 15% in terms of volume growth, predominantly held by, you know, a jump in exports from a low base that we did in '22-'23, and we feel that on the top line side, as we have discussed it earlier and guided it earlier, that the numbers will be anywhere between 4500 crores to 4600 crores.

Domestically, the markets which are predominantly contributing positively is the commercial vehicle market, which is consistently moving slow and steady at high single digits. We anticipate them to be contributing in this financial year.

Alloy wheel as a growth driver is always going to be the pivoted space which will further add up close to high single digits in this financial year despite being at a very high base as compared to past two, three years trend.

The PV segment will also contribute but albeit at a lesser rate as compared to last financial year because last year we had a stupendous growth of double digit of close to 20%. So, we anticipate this year is going to be anywhere between 8% to 10% in line with the market trends.

And exports, we feel that is going to be coming back, and we anticipate this financial year to have a coverage of close to 500 crores to 600 crores worth of exports, as against maybe 300 crores, 310 crores worth, 292 crores of last financial year. We feel that it is going to be between 500 crores to 600 crores.

Rohit Suresh: Sir, my second question would be since you said that the export markets are going to come back, so how much is the alloy wheel export? Because I remember last year was the first year that we started exports. So, how has it grown like and something on that?

Mohan Joshi: We feel that, you know, in the last financial year, the majority of the years went in development, and we did barely any exports for alloy wheels. We anticipate this financial year is going to be the kick-starter for alloy, the way that it is done with steel wheels, and the provisional numbers that we are anticipating this financial year for alloy is around 80 crores to 100 crores worth of revenue.

Rohit Suresh: On the AMW part, any updates on?

- Naveen Sorot:** See, the AMW part, Supreme Court matter is all resolved, and the matter has now fallen back to NCLT, and now NCLT will take its due course. So, the next hearing is lined up in June. So, we expect that the matter should get concluded maybe by the end of July itself, and then maybe from the August onwards we should be having the possession of the facility.
- Rohit Suresh:** A couple of bookkeeping questions. So, could you provide the mix in terms of volumes and more sales value for all your segments, so passenger vehicle volumes, CV volumes?
- Mohan Joshi:** It's about the value that you are trying to talk about or volumes here that you are talking about?
- Rohit Suresh:** Sir, both would be great if you could provide me both.
- Naveen Sorot:** So, if you look at the overall volume that we did for FY '23, 176 numbers that we sold in terms of volume. This number is in lakhs, and if you look at in terms of total alloy, we sold almost 28.5 lakhs wheel rims in alloy. Do you need the segment wise bifurcation of these as well?
- Rohit Suresh:** Yes. That would be great, if possible.
- Naveen Sorot:** So, I will give you an overall breakup of numbers. So, in two-wheeler and three-wheeler, this will be almost 22.8. PV, it will be 110. OTR will be 0.9. CV will be 26.6, and tractor will be 15.8. So, these are the volume that we did across segments. On an overall basis, the total will come to 176.2.
- Rohit Suresh:** And value wise also if you could?
- Naveen Sorot:** So, the value wise, two-wheeler, three-wheeler will be 83.69. All these values will be in Cr, crores. For PV, it will be 1,925. For OTR, it will be 48. For CV, it will be 1,236. And for tractor, it will be 495.
- Moderator:** The next question is from Shridhar Kallani of Axis Securities Limited. Please go ahead.
- Shridhar Kallani:** My queries have been answered. Thank you.
- Moderator:** The next question is from Meet Rachchh of Anu. Please go ahead.
- Meet Rachchh:** So, just one question on guidance. If I am correct, in the last earnings call, the management had guided for minimum 5,000 crore of revenue in FY '24, and now we are saying it will be around 4,500 to 4,600.
- Mohan Joshi:** It is because of the raw material impact which was there. There is a steep increase which we have not taken into consideration. It is obviously something which is not speculation. I think the volume growth is still intact.

- Meet Rachchh:** So, just wanted to clarify, we are expecting the same volume growth as we were expecting in Q3, right? 15%?
- Mohan Joshi:** Yes. I think we gave the numbers of exports also in the same range of 500 crores to 600 crores. Balance everything is domestic. So, on this, I think, volume side, the band is 12% to 15% is the band that we are trying to maintain.
- Meet Rachchh:** And on margins, what would be the sustainable EBITDA margins for FY '24, I mean, range?
- Management:** One second. For FY23-24 that we are trying to understand?
- Meet Rachchh:** Yes. How should we look at margins for the coming year?
- Naveen Sorot:** See, in terms of guidance, again, we will stick to our guidance in the form of EBITDA per wheel. And I guess, before last year we guided for Rs. 150, 250 odd rupees per wheel. For Q4, again, we are at around number 255. I guess we will keep that number as a guidance even going forward as well.
- Meet Rachchh:** Rs. 250 per wheel?
- Naveen Sorot:** Yes.
- Moderator:** The next question is from Ashwini Agarwal of Demeter Advisors LLP. Please go ahead.
- Ashwini Agarwal:** Sir, this is the first time I am speaking with the company. I just wanted to get some sense on the competitive environment. Who are the other players in India? And where do you have an edge? And also, is your business pretty much like other auto components where you would ideally be either a number one supplier or a number two supplier with a large market share coming to you if you are number one and maybe 30% coming to you if you are number two? How does this business work compared to other auto components, you know, whether they are engine parts or whatever it is?
- Mohan Joshi:** So, when you talk about wheels, it's a proprietary design which is there with us, and we designed the wheels for the customers, and because of this proprietary nature, it has its own criticalities in terms of putting and selling it to the customer.
- So, typically, the industry is divided into two large players. One is us and the second one is Wheels India. And between us, the industry is divided close to 90% in terms of the steel wheel business, and the business is fairly very matured, and it is always on engineering and design in which we have to excel in terms of light weighting the wheel by not compromising anything on the strength. That is the first idea.
- And over a period of time, the other aspects of commercial aspects, as well as deliverables like, you know, the final product quality, the customer interface, the warranties, and the field analysis

will result into gaining market share. I think as a company, we have been gaining market share for the past one decade, and the intent is going forward, continuously working on engineering side to maintain that trend.

On the alloy side, there are four, five players in the country. As the country is growing very aggressively towards moving from steel to alloy, and as it happens, this industry has the capability to grow between 12% to 15%, and that's where engineering will always play the first role that how you are first and right is going to be the motivating factor for the customer to award you.

And we are very happy to say that, you know, within first four, five years, despite being late, we have come close number one with the second competitors, and we feel that engineering edge and the state of our technology will only keep the competitor ahead of the competition. And that is what the endeavor is, and that's how the industry works, be it tire, be it engines anywhere else for that matter.

Ashwini Agarwal: Sir, on realization, what is the difference between a steel wheel and an alloy wheel for, let's say, the same automobile? And when you speak about Rs. 250 per wheel as an EBITDA margin, how does that number change when it comes to alloy?

Mohan Joshi: So, what typically happens is, obviously, the realization is 4x because the raw material itself is almost 4x. So, the intent is that within the overall business, the increase in the, what do you call, alloy penetration is going to be the motivating factor for the company to continue to improve on alloy segment and exports because they are little positive on the EBITDA side. So, as and when we try to move up in terms of alloy contributing more to the overall growth of the company, this Rs. 250 is Q northwards to improve the financial metrics.

Ashwini Agarwal: Would you like to put a number that if you were 100% alloy wheel company, what would this Rs. 250 number look like?

Mohan Joshi: I think between Rs. 500 to Rs. 550.

Ashwini Agarwal: So, roughly 2x on a 4x revenue.

Mohan Joshi: Yes. But obviously, this 2x doesn't come very easily because it has its cost impact also, and it has its own complications because steel is very proprietary and alloy is not. Alloy has a global computation. Steel has not. So, it is a good mix between two of them.

Ashwini Agarwal: And is the alloy wheel market has a secondary market angle to it as well or these are all primary OEM supplies?

Mohan Joshi: For alloy, I think it is aftermarket is also there, because it's a market of styling. So, what happens is in steel, the wheel should not fail. In alloy also, the wheel should not fail, but when you do that, a lot of people are much more inclined towards styling. So, he can change the wheel after

three years by getting bored that, you know, I don't like this style and maybe I need a golden wheel or a yellow wheel or a black wheel.

But in steel wheel, that is not the option. Yes, alloy wheel is fairly dynamic in that, but predominantly, we being an OE player, our focus is quality. And that's where, you know, we are not concentrating on aftermarket which is there is a lot of compromise because of the price and competition from China.

Ashwini Agarwal: And sir, last question from my side. Do any of the OEs make their own wheels or pretty much everybody buys them?

Mohan Joshi: No. So, nobody makes the, you know, alloy wheels. Globally nobody makes it.

Moderator: The next question is from Niraj Vajifdar of NV Capital. Please go ahead.

Niraj Vajifdar: My first question is related to alloy wheels. So, what is your current capacity level and alloy wheel in FY '24 and '25?

Naveen Sorot: Capacity utilization for the alloy wheel plant is around 96% for FY '23.

Niraj Vajifdar: And what would be like in '24 and '25?

Mohan Joshi: In '24-25 you are trying to ask?

Niraj Vajifdar: Yes, sir.

Mohan Joshi: I think that capacity is under build up. So, as we have told the street that this capacity of 3 million is getting expanded towards first 4 million and then to 5 million over next 12 to 18 months where the order booking is already underway. So, I think over two years, the capacity should be around 4.8 million to 5 million in terms of the alloy wheels.

Niraj Vajifdar: Sir, my next question is related to a JV with the Israel company for the controllers business. If you can give us an update on that?

Mohan Joshi: So, JV is at the definitive agreement stage which is under farming right now. The customer demos and customer interface is already running in the parallel, and then as we updated in the previous call also, that the revenue recognition from the development will be done in the next financial year where the sampling and field trial and testing will be done within the financial year, and it's on track.

Niraj Vajifdar: Sir, next question is, if you can give us what are the steps we have taken to improve the EBITDA margin, and if you can give us some guidance on that?

Mohan Joshi: In terms of EBITDA margin improvement?

- Niraj Vajifdar:** Yes. What are the steps we have taken to improve it?
- Mohan Joshi:** So, the effort on various aspects is underway where we have tried to maintain the EBITDA levels despite the, you know, a drop in the raw material impacting the inventory losses within this financial year, and despite a very sharp decline in the exports because of the global situation, we have tried to maintain the financial performance. I think the intent is that there is a sharp improvement, sorry, increase in the inputs of various commodities, which got passed on into the system. So, economies of scale has taken care of that up to a certain extent, and we feel that some easy mark in this financial year will be visible, you know, in terms of next coming quarters to see how we improve upon that.
- Another side is where we are trying to continuously work on exports as one and alloy as second feature, where these both contributors towards the total revenue mix will shift the margins upwards. As I think our CFO Mr. Naveen Sorot has indicated in terms of the Rs. 250 per wheel kind of a margin, which is anticipated to be pushed higher with these two segments contributed higher contribution towards the total revenue.
- Niraj Vajifdar:** Sir, if you can give me what would be your exports revenue for FY '24 and your domestic and exports revenue breakup for FY '23?
- Mohan Joshi:** So, I think that that exposure of total 4,000 crore coming from the total revenue, 292 odd crores will be from the export side. The balance is domestic in Financial Year '22-'23.
- Niraj Vajifdar:** And what would be the revenue for exports for FY '24?
- Mohan Joshi:** In exports '23-'24, it will be close to 500 crores to 600 crores.
- Niraj Vajifdar:** Sir, if you can give me the CAPEX guidance and any steps you are taking to reduce our debt further, CAPEX guidance for FY '23?
- Naveen Sorot:** Next year our target is around 150 crore of total CAPEX.
- Niraj Vajifdar:** And any plans to reduce your debt further?
- Mohan Joshi:** The plans of debt reduction?
- Niraj Vajifdar:** Yes, sir.
- Naveen Sorot:** Term debt is around 222 crore. It's already reduced to 150 crore from last year. Next year we scheduled at around 60 crores of net repayment schedule for next year.
- Moderator:** Thank you. The next question is from Jyoti Singh of Arihant Capital Markets. Please go ahead.

- Jyoti Singh:** Sir, my question on the competitive stage. So, who are our major competitor on the alloy wheel side?
- Mohan Joshi:** So, on the alloy wheel side, the industry is amongst three, four players. Minda Kosei is one of the players which is a large player in the industry. Then we have Maxion and Rockman. These are four guys who are OE-based suppliers, which are there in the country. Between two of us, which is two large places, which is Minda Kosei and SSWL, majority of the market share is distributed.
- Jyoti Singh:** And sir, as we are already utilizing 96%, so going forward, we have any plan of debottlenecking on Brownfield?
- Mohan Joshi:** As I said, you know, over past next 12 to 18 months, this capacity of 3 million will be moved from 3 million to first stage of 4 million, and then from 4 to 5 million where the order booking is already underway, where capacity and program management is happening. So, we feel that in financial year '24-'25, this will be at close to 4.8 to 4.9.
- Jyoti Singh:** And sir, if you can comment on the order book side, like how is the order book on the domestic and export front?
- Mohan Joshi:** So, as we are indicating that the top line for the next financial year with the same raw material basis is at close to 4,500 crores to 4,600 crores. Volume growth of 12% to 15% is visible, and the surprises can come from exports where, you know, the stuffing has already happened, and we feel that, you know, positive news can come in from the export side given the kind of damage which was done in previous financial year. So, order book is fairly visible for next 12 to 18 months with this rate and, you know, low single digit, low double digit volume growth is fairly visible.
- Moderator:** Thank you. The next question is from Aabhash Poddar of Aionios Alpha Investment Management. Please go ahead.
- Aabhash Poddar:** So, a couple of things. First, just wanted to understand on the margin front, so we are doing Rs. 250 per wheel right now and given that we are saying export should do better and alloy wheels also will grow faster. So, shouldn't theoretically the EBITDA per wheel also improve? So, just your thought, one, on why it basically, why are you commenting guiding for a flat EBITDA per wheel? And two, what is the potential here for the EBITDA per wheel to go to? Because as you are saying, export will continue to do well, and alloy wheel also will continue to grow faster. So, just one potential and the EBITDA per wheel numbers that it can achieve in F '24?
- Naveen Sorot:** So, I will answer it in two parts. So, first is concern which have been raised regarding the margins. I guess, if you compare FY '23 versus '22, and if you compare just on an overall basis, EBITDA looks at around 11.23 versus 13.04 for last year. It is FY '22.

Again, as we indicated even in FY '22 as well, that in FY '22 there has been other income of almost 60 crores because of raw material gain. And if you remove that raw material gain, then EBITDA percentage comes to 11.36% versus 11.23% that we have done in current year.

Again, there is a raw material increase which is sitting there. If you probably have an apple-to-apple comparison versus last year, this percentage improves to 11.34%, so the apple-to-apple comparison is 11.34% for FY '23 versus 11.36% for FY '22. So, we have been able to maintain our margins despite steep fall in exports.

You will recall that export has fallen by almost 500 odd crores from 829 to 292 odd Cr in current year. For next year, yes, we are targeting a much better export. We are already seeing a turnaround in the export numbers, and we believe that number should be between 500 to 600 odd crores as Mohan had indicated. In terms of top line, if we consider the raw material position as is in terms of rates and do not consider any other movement, the top line should be somewhere between 4,500 to 4,600.

In terms of margins, I guess percentages should improve because the blended is now more towards exports and lower, though we still choose to quote a number of 250 because that has been a consistent number. Even if you look at FY '22, without considering the raw material increase of 60 crores, that number drops down to 226. So, there is already an incremental jump from 226 to 255, and this number should further move up. So, the 250, 265 number that we are saying is more on a conservative side.

Aabhash Poddar: Fair enough. And theoretically, if you are seeing volume growth of 12% to 15% and EBITDA per unit being maintained, which would imply that EBITDA growth would also be in that similar range. That understanding would be correct, right?

Naveen Sorot: Yes. And see, again, another concern which is being raised on the capacity utilization side on the alloy, which is already touched 96%, but as we keep already expanding our capacities on that front, and you will recall that what Mohan had stated in terms of exports on the alloy there is hardly anything last year. In terms of total number were not more than 40,000 odd. This year gain, that front will also open up. There has been a good discussion which are spanning out, and we expect this number to be almost at around 2.5 to 3 lakh odd numbers.

Aabhash Poddar: And lastly, is it possible for you to comment on basically the total alloy wheel capacity that the industry would have say by end of F '24 and where you would be at? Is that number available for you? And is it possible for you to share?

Mohan Joshi: So, you know, I think I have been talking about this number greatly over the past few conference calls with global demand of alloy wheels is at 350 million wheels. India has a capacity of close to 12 million odd where the demand is standing at, this 12 million is a theoretical capacity, but it is not giving output because of the quality issues and the ramp up and everything. The demand in India is around about at 9 million.

So, you have competition coming in from China where China and you are separated by a margin difference of 3% to 5% if you have to compete. So, if you imagine yourself that you are competing at 16% to 18% kind of a band on EBITDA, if you drop this by 5%, you can compete with China anywhere in the world. So, you have competition which is, you know, in China, in Europe and somewhere around the African region, which is Morocco and turkey and all that stuff.

So, out of 350 million, what as an organization that we are eyeing, that this 9 million, I cannot get this entire 9 million. The endeavor is between four players. We will try to grab 33%, 35%, maybe 40% market share with our technology and with our face to the customer. We will continue to maintain that, and there are other three players also.

And as a country, we should try to target to grab 1%, 2%, 3% 5% of the global market share and try to deliver 4 to 5 to 10 to 15 million wheels and compete with China and Africa. So, this is a global platter, which is open for all, specially India, where you have cost of labor advantage, manufacturing cost, engineering, and manufacturing capabilities.

As I said and as Naveen indicated that this financial year, the exports will start and we are already at a pace which is decent enough to cover close to 300,000 numbers for the financial year. We feel that this number can continuously move up not for us but for anybody which is in India. So, sky is the limit where you do good on your engineering, try to reduce the weights, be ergonomically and engineeringly better than the competition, and serve it at a maybe 12% to 15% kind of a margin and still maintain a decent margin profile for export markets.

Aabhash Poddar: Lastly, just one quick bookkeeping question. Just on the tax rate because I see that the cash taxes as compared to the taxes that we report in the P&L is different, so just your tax rate guidance for F '24? Would you be at the corporate tax rate 25% in the next year or is it going to be any different?

Naveen Sorot: This year, I think we will be at around 25% of our taxes, and we have already utilized our net rate which is available in the book.

Mohan Joshi: I think it may be one quarter of this peak tax rate, and as Pranav indicated that the max rate is completely availed, and it should be at 25% for the balance 2.5, 3 quarters.

Aabhash Poddar: So, if I can just slip in one more quickly, I am sorry to extend. So, just wanted to understand one on the near term, the April monthly numbers that we have reported. The number for passenger vehicle in terms of volume shows a 19% drop, and then the commentary by...

Mohan Joshi: I got the question before you are asking that.

Aabhash Poddar: No. So, I just wanted to come to the second part of it as well. So, the other part also is that for some OEs, at least the CV players have commented that Q1 may be weak because we have seen some pre-buy in Q4. So, is it that Q1 may be relatively weaker as compared to the annual

numbers that we are guiding for or we are saying the export will make up for it? Just wanted your thoughts on that. Final comments.

Mohan Joshi:

I think from a PV side, last year we delivered stupendous kind of a number, which was, first of all, say, maybe they have delivered some 21 odd percent in terms of growth, right? So, I feel that 10% of the growth was for inventory replenishment. That's what my rough math says that from an inventory of four or five days because of the chip shortages, they have built this inventory now towards the tune of 35 to 40 days, which is close to 3.5 lakh cars, which is 10% of the annual production. So, the consumable growth was close to 10%, 12%.

What I feel this financial year is that we are going to be maintaining anywhere between 8% to 10% kind of a growth in terms of the domestic market. Export, anything can happen because you can explore Nepal, and you can explore Africa and Maruti can continue to export. That can happen.

But for the industry per se, I feel six to eight to ten, anywhere in between that kind of a number is fairly possible given the persuasion which is happening and the adoption of the vehicles which is happening. There is no slowdown, but yes if you try to imagine that if we grew 20% last year, we are going to grow 20% this year, that's not going to happen. Anywhere between 8% to 10% for the industry is fairly achievable. It should not be a big problem.

Moderator:

The next question is from Pulkit Singhal of Dalmus Capital Management. Please go ahead.

Pulkit Singhal:

First question is regarding the guidance. At the end of third quarter call, you mentioned about 5,000 crores of revenue and 12% EBITDA margins. That translates to almost 30% EBITDA growth for FY '24 guided hardly one quarter ago. Now you are guiding to 12% to 15% volume growth with similar EBITDA per wheel which would mean 12% to 15% EBITDA growth. So, you slashed your guidance into half in just one quarter for the full year FY '24. So, can you please explain why? What has happened in this last one quarter for you to slash your guidance by such a large amount?

Mohan Joshi:

We will give the calculation on what basis has we had done this calculation. I think I have made it very clear.

Pulkit Singhal:

Basis your guidance that you have given in at the end of third quarter. In the transcript it's available.

Mohan Joshi:

Tell you what the guidance was, and I clarified it. On the basis of the new raw material, you know, increase which has already happened, we have removed that because, you know, that is for this financial year, and it should not be...

Pulkit Singhal:

We are not talking about raw materials. We are not talking about revenues. We are only talking about EBITDA growth guidance, right? Because we understand very clearly that raw material



prices move up and down, and that impacts the revenues. But EBITDA growth should be independent of that.

Mohan Joshi: Let me first clarify 5,000 versus 4,600. Both are the same in line with the raw material gain because tomorrow if the Rs. 10 steel price comes in, this 5,000 will become 5,500 or 6,000 crores. Tomorrow Rs. 20...

Pulkit Singhal: We are not debating that aspect at all.

Mohan Joshi: First, volume growth, and, you know, revenue growth has to be sorted out. I think that is in line with what we are trying to talk about next financial, in the previous call versus this. They are equivalent. There is no cut in the guidance.

Pulkit Singhal: But then why should EBITDA per wheel be similar? If your alloys and exports are going up, then why should EBITDA per wheel be similar this year versus the last year? Look, the EBITDA guidance is also provided previous quarter. It was provided as 12% margin, right? As a percentage margin at that price.

Mohan Joshi: You please understand. I think what Naveen has indicated is that we have ended the year at Rs. 250 from Rs. 226. There is a 10% increase in terms of per wheel accrual of the EBITDA in this financial year. That's the reality.

Pulkit Singhal: Yes.

Mohan Joshi: The reality is that this 250, he is making a base for next financial year is what is on account of the number that he is trying to give on close to the volume that we are trying to talk about which translates into an EBITDA close to 500 crores to 520 crores odd broadly. Broadly.

Pulkit Singhal: My question is why would EBITDA per wheel, whatever you achieved in FY '23 is achieved. That's delivered.

Mohan Joshi: No. The point is that 226 has become 250. That it has to be first sustained. This 10% EBITDA accrual has to be first digested.

Pulkit Singhal: So, that means then you are facing pressure on margin because, you know, if exports, alloys are growing faster, right? And you are saying EBITDA per wheel should remain constant. There should be a reason for that.

Mohan Joshi: You please understand that 250 for the full year is not from the quarter one of Financial Year '22-'23 at 250. It has grown gradually and has averaged out to 250. The intent is to continuously maintain the economic value system and, you know, a balance between customer input as well as our output so that there is a disparity on the export side because we are handling a larger cloud of volumes and maintain this going into the next financial year. So, there is no downside of the earnings. That's what I am trying to project that.

- Pulkit Singhal:** I think in that case maybe we can, you know, refer this on offline because transcript you all are also checking, but maybe, you know, you can have a presentation which you used to do earlier and maybe put your guidance there so that it's a matter of record as well.
- Mohan Joshi:** Presentation will also be updated, and it will be shared maybe in a day or two.
- Pulkit Singhal:** So, the second question is, I mean, you are nicely earning 20% plus ROC now for two years, and you have the annual cash flow of 350 crores to 400 crores for the last two years, cash flow from operations.
- Mohan Joshi:** Yes.
- Pulkit Singhal:** Now that debt to equity is in a much more reasonable range of 50%. Should you choose you can actually deploy the entire cash flow for growth? I mean, we do talk about all this opportunity in alloys exports etc. But then our annual CAPEX is very conservative at 100, 150. So, why don't we be using the entire 350, 400 crores cash flows for growth? Are you not finding enough opportunities for growth?
- Mohan Joshi:** So, what I feel right now is that out of the 450 crores or 500 crores that whatever we are trying to talk about, the free cash flow is not 350 crores, right.
- Pulkit Singhal:** Cash flow from operations is 350.
- Mohan Joshi:** You have your payables of interest at close to 80 crores, 85 crores. Then you have dividend at 15 crores. And you have a tentative, aggressive CAPEX on the alloy wheel side to build up the capacity of close to 150 crores this financial year and maybe another 150 crores in next financial year to meet the customer demands.
- So, alloy side has to be very aggressive because it is growing very, very rapidly, and we do not want to leave out anything, especially on exports, because exports have started picking up, and we feel that this financial year, it is going to be close to 80 crores to 100 crores of exports, and this divergence can open up such huge doors because now the wheels have reached these shores and customers have started taking and accepting the quality.
- So, word of mouth has gone through many, many shores where we are trying to develop these wheels, and we are fairly very, very confident that next financial year, this number of 80 crores to 100 crores can do 2x to 2.5x only in alloy side. So, CAPEX on alloys factory is going to be very, very aggressive apart from the regular CAPEX and business developments which are happening. Naveen, you have some comment on that.
- Naveen Sorot:** So, Pulkit, I guess, other than the 150 crores that Pranav has guided for, I guess, you will recall there is another 150 crores that will be required on the AMW business side. And that transaction is also expected to materialize within the current financial year. So, on an overall basis, again, the CAPEX will be around 300 crores if you include AMW as well.

- Moderator:** The next question is from Shyam of Finacle Investment Advisors. Please go ahead. It seems there is no response from that line. The next question is from Prajay Soni of Hexagon. Please go ahead.
- Prajay Soni:** I wanted to ask how the PLI scheme is going to pan out and where this scheme is going to impact our financial, like the line item?
- Mohan Joshi:** So, there are two businesses which is going to be part of the PLI side which we feel which is on the motion control, which is the controller side as well as the motor side. Both the businesses have qualified the PLI list, and I believe that there is a fresh list which is going to be coming up as per the government rumors which should be coming up maybe next 15 days or so. And we are here to see how other products can be added up from the current domains of the businesses of automobiles, and once these revenue starts percolating from these relevant businesses of PLI approved list, the minimum threshold is close to 8% EBITDA accretion from those businesses as incremental money from the PLI. Those should be visible in the years '24-25 as the revenue recognition will be seen in those financial years.
- Prajay Soni:** So, we are going to see the impact on EBITDA because of that, right, expansion?
- Mohan Joshi:** From these businesses, yes. These EBITDA are for obviously technology development within the country because nothing of this sort is, you know, manufactured at that scale which is happening in China. So, it is to motivate those people and try to compete with China in coming future.
- Moderator:** The next is from the line of Jyoti Singh. You may go ahead with your questions.
- Jyoti Singh:** Thank you for this follow-up opportunity. Sir, if we don't have any presentation of SSWL, so if you can guide us for the revenue mix that we have for FY '23?
- Mohan Joshi:** You mean '23-'24, right?
- Jyoti Singh:** Yes.
- Mohan Joshi:** On the same raw material, again to clarify, on the same raw materials of last financial year is going to be at between 4,500 crores to 4,600 crores in terms of the revenue recognition. In terms of the volume growth, it is going to be between 12% to 15% based on domestic and export market performances.
- Jyoti Singh:** And also, sir, if you can tell us the content per vehicle for alloy wheel if possible?
- Mohan Joshi:** So, for the steel wheel side, it should be around Rs. 5,000, and for alloy wheel, it should be around Rs. 17,000, Rs. 18,000.

- Moderator:** The next question is from Shyam of Finacle Investment Advisors. Please go ahead. There is still no response from that line. The next question is from Chintan Patel of Satco Capital Markets. Please go ahead.
- Chintan Patel:** Sir, last, your last monthly published number, there is a huge difference between a volume growth and a value growth in a segment wise number. So, could you please explain it?
- Mohan Joshi:** Was this because of Y-o-Y? It was a Y-o-Y comparison I believe.
- Chintan Patel:** Yes. But there is a difference between the value and volume growth. So, could you please explain it why there is a huge difference between value and volume growth? Like a tractor segment, the volume growth is around 39%, and value growth is around 33%. So, why this is huge differences are there?
- Mohan Joshi:** Let me just open up the press release because I don't remember that exactly right now as you are saying. Let me just see it and you please give me one minute, please. If you have anything specific in terms of, okay, we have that number. So, you were saying, I think on the volume number, it was overall a flattish growth. On the value growth, it was close to -4%.
- Chintan Patel:** But sir, in the month of March, like tractor growth, tractor volume growth is around 39%, and value growth is 33%. In two-wheelers and three-wheelers, that is around 25%, and the value growth is around 19%. And so the truck business, like volume growth is around 6% year-over-year, and the value growth is around -1%. So, what is the difference? Why there is a difference in this numbers?
- Mohan Joshi:** I will share the numbers of April '23. I think there is some mistake that you are trying to say. Export, the volume growth was 48%. Value growth was 13%. Alloy was 19% volume. Value growth was 13%, 14%. Truck, volume growth was 1%. Value growth is 11%. Two and three-wheelers, it was a flattish growth of numbers, and -7% in terms of value. Tractor, as it is -2%, and volume growth was -3%. Passenger is -19% and -26%. What do you want to try? I mean, they all are similar in nature.
- Management:** This is the month of April.
- Mohan Joshi:** This is the month of April '23. I hope you are talking about the same month, right?
- Chintan Patel:** Yes.
- Mohan Joshi:** Coming from the press release in front of me. We will take it offline if you want to have some clarity. You can share the press release which you want to ask and we will answer that.
- Chintan Patel:** No. Sir, just I want to, could you just explain why this is a flattish volume growth and difference between the volume and value growth?

- Mohan Joshi:** I am saying that overall growth is including export growth, right? As we said that passenger car, there is a -19%, and there is the overall sales growth of 13% of, you know, market, right? The sales versus production numbers, we are working on production numbers and not on sales number, right?
- Market can be clearly differential, and what model was produced and what model was sold can be completely different. Over a period of time, we will see that, you have to see alloy and passenger vehicle in tandem at one level that how these both have grown and how we have grown for the PV segment. And same goes for truck wheels or two-wheelers or three-wheelers or other segments for that matter. But you can take this offline with us, and we will share all the data in case there is something which is unanswered.
- Moderator:** The next question is a follow-up question from Aabhash Poddar of Aionios Alpha Investment Management. Please go ahead.
- Aabhash Poddar:** So, thanks again for the follow-up. So, just wanted to check, like you said that your long-term debt will reduce by 60 crores. So, this includes the fact that you will be able to do close AMW this year. This is post that, right? Or pre-AMW, if you could just clarify on that?
- Naveen Sorot:** So, the repayment debt we have indicated for next year is 60 crores. In the current year, the debt has been reduced by almost 150 crores. This year it is about FY '24 what we have guided for is there will be 150 crores will be the CAPEX that will include alloy and others. And there is another 150 crores which has been required for the AMW side.
- Aabhash Poddar:** Right. So, this AMW also happens. Your long-term debt will either stay flattish or reduce by the overall debt basically will reduce or stay flattish. Would that understanding be correct?
- Naveen Sorot:** Yes. That looks correct, yes.
- Moderator:** The next question is from Shyam of Finacle Investment Advisors. Please go ahead. There is no response from that line. I would now like to hand over to Amit Hiranandani for any other questions. Please go ahead.
- Amit Hiranandani:** Just few questions from my side. Any inventory loss we have reported in Q4?
- Mohan Joshi:** For the full financial year, I think it will be around 23. 15 to 16 crores.
- Amit Hiranandani:** 15 to 16 crores. Nothing in Q4?
- Mohan Joshi:** Not in specific.
- Naveen Sorot:** No, nothing material, Amit. So, nothing material.

- Mohan Joshi:** The prices have fallen all through the second quarter onwards. So, the entire impact has come in like that.
- Amit Hiranandani:** Sir, another question is on the alloy wheel side. So, competition is, you know, increasing in the alloy wheels. So, any these of margins sustainable in alloy? And any competitive advantage SSWL will have as compared to other competitors?
- Mohan Joshi:** I don't think that there is any competition. People are not able to supply the wheels I think. The problem is that the desired quality is fairly very, very stringent, and two of the guys are almost at 40% utilization because they are not able to supply, and we are being forced now to get these supplies online in terms of expansion well in advance, and they are pushing us. We are happy for that. I think to serve 10% to 12% kind of a volume growth on a 9 million base is fairly possible, and with SUVs coming in as a culture in the industry, I feel it is fairly manageable to sustain these margins.
- Amit Hiranandani:** Continuing with the alloy side, sir, any new client win in FY '23? And in case also, if you can share some orders in hand for alloys?
- Mohan Joshi:** So, as you know, the export side we have already clarified. There are close to 28 RFQs which are being worked upon where we feel that this is going to be helping us in next financial year, as well as towards the Q3 or Q4 of the financial year to build up this volume in this '23-'24.
- On the domestic side, you know, we have already shared that between two of us, which is us and Minda Kosei, considerable amount of market share is taken up, and we feel that some good news will be visible in financial year '23-'24 towards Maruti for some market share, and consistently, between four large players and few small players, if we are trying to get between 35% to 40% market share, it's a commendable thing to maintain.
- Amit Hiranandani:** So, you are expecting some large client to get into your client list by FY '24?
- Mohan Joshi:** Yes. Within this financial year.
- Amit Hiranandani:** And sir, next is on what is your outlook on the commodity side? I wanted to understand whether all the input cost pressures are passed on to OEMs?
- Mohan Joshi:** It's not so easy to say that, you know, input cost will be passed on very easily, but yes, some of the claims have come in this financial year, and we feel that similar pressure is going to be built on to the customers to participate and give it back to us in certain some or the other form, and that's where, you know, the toughest question is that margin profile is fairly very easy to say on Excel sheets, but on actual, the gas prices are up. The steel prices are again up. All the chemical prices are again started going up.
- So, whether it is going to be easily passed on from an industry which is working at close to 37 to 41 days, it's tough to say. But yes, we are trying to do our best in terms of maintaining the

current run rate of EBITDA, and the effort to further push the input increases to the customer in financial year '23-'24 will be on its tail.

Amit Hiranandani: Sir, lastly, before closing the call, I have one last question. So, like total volume growth you have given guidance of 10% to 12%.

Mohan Joshi: 12% is 15%.

Amit Hiranandani: Yes. 12% to 15%. So, segment wise if you can, you know, guide us how much growth is possible in FY '24, like two-wheeler, CVs and et cetera?

Mohan Joshi: See, I don't have that number handily available right now. We can share with you in terms of segment number because the annual numbers are anyways frozen. But I don't have it readily available right now for segment wise, but I think Naveen can share it with you in terms of separately.

Moderator: Thank you. I would now like to hand over to Mohan Joshi for closing comments.

Mohan Joshi: I thank all of the participants to give us the opportunity and present ourselves. And we feel that within this challenging time of Financial Year '22-'23 with a lot of support from your feedback that we have tried to achieve what we have committed and with the endeavor of such feedback, we hope that we are in line with your expectation to deliver as promised, and we are happy to hear any feedback offline also via the IR agency and try to work in collaborative manner for common sustenance. I thank all of you once again for this participation. Thank you.

Moderator: Ladies and gentlemen, that concludes this conference Thank you for joining us and you may now disconnect your lines.