



## STEELCAST LIMITED

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<b>Stock Code: 513517</b>	<b>Stock Symbol: STEELCAS</b>

Dear Sir/Madam,

**Subject: Transcript of the earnings conference call for the quarter ended December 31, 2022**

Pursuant to Regulation 30 and 46 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call for the quarter ended December 31, 2022 conducted on January 24, 2023 after the meeting of Board of Directors held on January 23, 2023.

The above information is also available on the website of Company at the following link:

[https://www.steelcast.net/pdf/investor/Steelcast\\_Earnings\\_call\\_Transcript\\_Q3FY23\\_24Jan-2023.pdf](https://www.steelcast.net/pdf/investor/Steelcast_Earnings_call_Transcript_Q3FY23_24Jan-2023.pdf)

We request you to take the same on your record.

Thanking you,

For STEELCAST LIMITED,

Bhatt  
Umeshkumar  
r Vasantray

Digitally signed by  
Bhatt  
Umeshkumar  
Vasantray  
Date: 2023.01.31  
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(Umesh V Bhatt)  
COMPANY SECRETARY



“Steelcast Limited  
Q3 FY '23 Earnings Conference Call”  
January 24, 2023



**MANAGEMENT:** **MR. CHETAN TAMBOLI – CHAIRMAN AND MANAGING  
DIRECTOR – STEELCAST LIMITED**  
**MR. SUBHASH SHARMA – CHIEF FINANCIAL OFFICER –  
STEELCAST LIMITED**  
**MR. UMESH BHATT – COMPANY SECRETARY –  
STEELCAST LIMITED**

**MODERATOR:** **MR. FARAZ AHMED – ORIENT CAPITAL**

**Moderator:** Ladies and gentlemen, good day, and welcome to the Steelcast Limited Q3 FY '23 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Faraz Ahmed from Orient Capital, their Investor Relations Partner. Thank you and over to you, sir.

**Faraz Ahmed:** Thank you. Welcome to the Q3 FY '23 Earnings Call of Steelcast Limited. Today, on this call, we have Mr. Chetan Tamboli, Chairman and Managing Director, along with Mr. Subhash Sharma, CFO, and Mr. Umesh Bhatt, Company Secretary.

This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations as of today, and actual results may differ materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on page two of the company's investor presentation, which has been uploaded on the stock exchange and the company's website as well.

With this, I now hand over the call to Mr. Chetan Tamboli for his opening remarks. Over to you sir.

**Chetan Tamboli:** Yes. Thank you, Faraz bhai. A very good afternoon to everyone and on behalf of Steelcast Limited, I welcome you all to Q3 FY '23 earnings call of our company. I hope everybody had an opportunity to go through the investor presentation, which has been uploaded on the stock exchanges.

As we reflect upon quarters gone by, 2022 was a year of de-rating and modest earnings growth with challenges like rising interest rates, inflation, to be watched out for in the coming quarters. The great news is that the Indian markets have outperformed the global markets by a steep margin. This speaks for volumes about the India story. With India outperforming, I'm honored that Steelcast Limited too has delivered a consistent significant growth on a year-on-year basis in terms of revenue, EBITDA, PAT and the margins, which have improved substantially.

Our team at Steelcast has worked tirelessly to achieve this success, and I'm incredibly proud of their efforts. I would like to take this opportunity to extend my gratitude to our dedicated employees, who have been instrumental in driving our success. Their hard work and commitment have been essential in achieving our goals. An assessment of relentless effort can be proven by our revenue from operations for this quarter. We showed a significant increase of 52% on year-on-year, and helped us to achieve INR 119.7 crores of turnover.

The company reported an EBITDA of INR 30.7 crores, an increase of 84% on a year-on-year basis with an increased EBITDA margin of 25.7% for the quarter. Our EBITDA margins have

increased 450 basis points on a yearly comparison to the corresponding quarter of the previous year. Our PBT has shown a strong increase of 124%, which translates into INR 25.8 crores with PBT margin of 21.5%. PAT for Q3 FY '23 stood at INR 19.3 crores, which was, again, an increase of 126% on a year-on-year basis with PAT margins of 16.1%. Our strong financial performance is the result of our continuous efforts in increasing operational efficiencies at all stages of our manufacturing process, and we keep a hold firm to perform better in the coming quarter.

During the quarter gone by, our revenue from exports has been 65% and 35% from domestic sales. We have strong order book, booking across all our serviceable segments. And to cater to the ongoing demand, our capacity utilization has reached to the level of 55% till Q3 FY '23, which is far better than 40% in Q3 FY '22. We expect full capacity utilization to be achieved somewhere between FY '26 and FY '27. Apart from this, as a result of our continuous efforts to be a one-stop shop solution for customers, 70% of our sales is in the form of machined castings.

Both hybrid and solar power plants are on track, and we expect them to be commissioned on or before 31 March, 2023. Savings in power costs arising out of commissioning of both these power plants will be realized effective April '23. And annual savings would be in excess of INR 10 crores. Both these plants will meet around 80% of our total power requirement at present capacity utilization and the balance 20% requirement will be met through the state electricity board.

With this, I would request to the moderator to open the floor for question-answer.

- Moderator:** The first question is from the line of Pritesh Chheda from Lucky Investments.
- Pritesh Chheda:** Congratulations for good numbers. Just wanted to check, are we running at around 4,000 tons on the quarterly volumes as of now?
- Chetan Tamboli:** Yes. We are averaging around 4,000-4,100.
- Pritesh Chheda:** What will be your outlook for volumes in the next year that is '24? Do you see any challenge? Or do you see growth?
- Chetan Tamboli:** As of now, our internal operating budget is still under preparation, which will be ready by March. But we expect to do about 5,000 tons per quarter.
- Pritesh Chheda:** So basically, you're looking at about a 20%-plus volume growth next year?
- Chetan Tamboli:** Yes. Likely to begin with.
- Pritesh Chheda:** Do you have the necessary order inflow inquiries or interest to support this 5,000 tons?
- Chetan Tamboli:** Yes. Most of our customers, they give us a clear visibility of forward 12 months. And within that 12 months, the first three months are of firm zone and the indications from all of them is

that all the infrastructure industries where we are present, the visibility is good. There is, I would say, very little effect for slowdown or things like that. So hopefully, whatever we are projecting for the quarter, we should be able to perform.

**Pritesh Chheda:** And my last question is, sir, there were company-level initiatives, which you had taken in terms of new segments and new customers. If you could you give some update on what's the status of the same?

**Chetan Tamboli:** Diversifying into new industries and within the new industries approaching different customers, it's an ongoing process. Whatever roadmap we have laid down, I think we are on track. Only thing is I would be hesitant to give names of customers on this call with the fear of information going to competition. But we are very much on track and the de-risking strategy what we have been working on over last few years is also on track as of this year, and we are hopeful of adding new industries in the coming one to two years.

**Pritesh Chheda:** Can you just share the progress on the railroad side if possible?

**Chetan Tamboli:** Yes. Our certification for supply to the American railroad industry, the inspection was over. We were to receive the final certification from April. But we have communication from them that still it has been moving through the internal approval process, and we should now receive by February end. So as soon as we receive the customers who need AAR approvals, we will start selling orders.

**Pritesh Chheda:** Is this built in the 5,000 tons, any railroad?

**Chetan Tamboli:** Yes. It's build into this.

**Moderator:** The next question is from the line of Keshav from RakSan investors.

**Keshav Kumar:** Congrats for a great quarter, sir. Sir, previously you had mentioned that we are probably one of the five, six niche casting players in the world for the kind of market we cater to. And in the Annual Report, there was a mention of the global market tonnage of about 4 lakh tons. So, we have a meaningful market share to tap. So could you help understand who are the rest of five, six players, where are these located and what percentage of tonnage overall comes from China?

**Chetan Tamboli:** Yes. This information we keep receiving from our customers, different customers in different countries. But we really can't say for sure whether we are five, six or seven. But within this niche market, yes, there are six, seven companies across the world.

**Keshav Kumar:** And sir, we have mentioned that most of our customers have been there with us for more than 25 years, 30 years. So is there any incremental growth expected only from new customers or there is also a scope to increase wallet share?

**Chetan Tamboli:** Whatever we are projecting for FY '24 is growth from the existing customers on existing parts. There is growth from existing customers and new parts and there is growth from new

industries. And within that new industries, new customer and new parts. It's all bundled together what we are forecasting for the next financial year.

**Keshav Kumar:** And sir, lastly, a bit of a long-shot. But you've reiterated that has slowed down isn't palpable in the segments we are serving and the forecast is a pretty strong. But if indeed a slowdown what will happen, like what happened around 2014-'15, would this time around we be more resilient because of maybe China Plus One demand coming to us and the domestic demand also is pretty good right now? So what do you think would like -- would be if indeed we have a slowdown?

**Chetan Tamboli:** See, as you rightly remembered this '14-'15, there was a very high industry concentration. There was a very high client concentration. And within client concentration, a very high concentration on fewer parts. For over five to six years with -- as part of our de-risking strategy, lot of new industries have been added. Within the industry, new customers, existing customers, newer parts. And also, we are long-term debt-free from September '21 and our de-risking strategy is an ongoing exercise. And so with all this, even if there is a slowdown, the effects maybe marginal. Something what happened in FY '14-'15 may not happen to us.

**Moderator:** The next question is from the line of Priyank Parekh from Nrups Consultants LLP.

**Priyank Parekh:** So, my question is on the gross profit margin. We have mentioned that we have gained due to the lower input prices. Now if I see, compared to the previous quarter, we have better gross profit margin. But compared to the previous year, the gross margin has come down significantly. So can you elaborate more on this?

**Chetan Tamboli:** See, there has been some benefits of foreign exchange and slightly lower input costs. But in terms of profits, PBT or PAT, compared to the corresponding quarter, I don't see any decline happening.

**Priyank Parekh:** So when we have raw material price increase passing on close with most of our customer, how this lower input prices are helping us?

**Chetan Tamboli:** See, all this works whether input prices go up or down, get compensated or we give reduction with a lag of a quarter. So, whatever input prices, which have gone down in the quarter October, November, December, there would be some price reduction effective 1st January. Same way when input prices go up, our pass-on is happening with a lag of a quarter. So, these things keep happening as input prices keep going up and down.

**Priyank Parekh:** So is the gross margin of 73% sustainable for upcoming quarters, in case the raw material price doesn't move much?

**Chetan Tamboli:** Yes. We really don't focus on the gross operating margins, but in terms of EBITDA. See, we are a B2B company. We supply to all the OEMs. In every industry sector, we do. So any number '23, '24 number is a good EBITDA. With that, we should be very-very happy. So the focus is on increasing volumes wherever opportunities arise. The focus is not on increasing

EBITDA. So, we would rather grow the company than make an attempt to increase 3%, 4%, 5% improvement in EBITDA.

**Priyank Parekh:** My last question is on our domestic sales. So, I guess compared to the last year as well as previous quarter, the domestic sales has been stagnant. So when we are seeing that we are not seeing much of the problem in Indian economy, why there is stagnancy?

**Chetan Tamboli:** See, when we work with so many different-different OEMs, the OEMs in India, their sales in the Indian market, their sales in the international market vis-a-vis our efforts of focusing on domestic and exports. So if you see over a 10, 15 year period, we have been trying to maintain around 55% exports and 45% domestic. And these things keep moving in 8% to 10% range. Like this quarter, we managed to do about 65% exports. Maybe the preceding quarter we did probably lower than 65%. But this is the band. This is the band we want to operate in this band.

**Priyank Parekh:** So for the next year, when the outlook is for 20% volume growth, would it be coming from both of the geographies, I mean, export as well as domestic or where we are seeing that growth?

**Management:** Absolutely. These growths are coming from domestic, from exports, from the new industries we have penetrated. Within the new industries, there are new customers we have done. We developed parts for them. So, these are all bundled together, as I said earlier and we should do 20%-plus growth next year. This is what it looks like as of now.

**Priyank Parekh:** And what is our current order book?

**Chetan Tamboli:** We have booked for about in terms of months, about three months. In terms of value, maybe about INR 125 crores, INR 130 crores.

**Moderator:** The next question is from the line of Abhisar Jain from Monarch AIF.

**Abhisar Jain:** Congratulations for the great performance. Sir, my question is that this year, we have seen a very substantial growth, notwithstanding the slowdown-related information and news that we keep hearing from the global markets. So, sir, in this year's volume growth, can you give some indication that what percentage would have come from the new parts given to existing customers? And approximately, what percentage of volume growth would have come from new customers itself?

**Chetan Tamboli:** Actually, we do have this MIS in the company. But it's not handy at the moment. What is the business from the base industry and what is the business from the new industries we have entered? But maybe if you can send us an email, we'll respond to you in the next 48 hours.

**Abhisar Jain:** And sir, just to get a little bit more idea on this point itself that in terms of the outlook that you are giving for another 20% volume growth and plus, minus, depending on the scenario, I'm just trying to understand that, is it the newer business that we are getting from our existing

clients, which is giving us more confidence? Or is it the ramp-up from some of the new clients that will drive this?

**Chetan Tamboli:** So, I see I answered this before one or two questions somebody else also asked. Whatever we are seeing, it's all bundled together, more business from existing customers, more business from the new parts we have developed for the new industries we are catering to. But it's all -- it's a combination of many things.

**Abhisar Jain:** And sir, second question is on the margins. So, we have actually been running at slightly higher margins than our guided range I suppose considering this quarter. On EBITDA level, we have even crossed 25% margin. But you would be maintaining the same margin in the range of 20% to 25%, or is there a case for being slightly higher for that range in terms of the outlook?

**Chetan Tamboli:** See, as I just said, we are a B2B company supplying to OEMs all across the world. '22-'23, '24-'25, we are very happy. In fact, we would rather focus on increasing volumes, increasing turnover than trying to get this extra 2%, 3%, 4%. So the focus is more on growth than on the EBITDA percentages.

**Abhisar Jain:** But sir, any lower range you want to indicate that below which you would not go over, at this scale, you will not be going?

**Chetan Tamboli:** I think the broad range comfortable and as we are in the niche market, we're in a niche segment, a broad range should be 20% to 25%. If we are able to operate within this range, we should be happy.

**Abhisar Jain:** And sir, just the last question that in the next year when we are targeting a quarterly run rate of 5,000 tons, I'm assuming that the American railroad related order will take its own sweet time still to build up. So can you give a guidance that even if we have very limited contribution from American railroad, what range we could still continue to be at?

**Chetan Tamboli:** So, as I said sometime back, this is a combination of many-many things where we are projecting volume growth of about 20% - existing parts, newer parts, existing customers, new customers, existing industries, new industries. But by and large, I would say the strategy what we have and what we've been following and what we have achieved over last eight, nine quarters, something similar should happen going forward.

**Moderator:** e'll move on to the next question that is from the line of Nidhi Babaria from Envision Capital.

**Nidhi Babaria:** Sir, can you help me understand what are these new products, industries and customers and who are your peers in these areas where we are planning to expand?

**Chetan Tamboli:** See, the newer industries, which we've been focusing over last two years, three years is locomotives, ground engaging tools, the railroad industry, to some extent, defense in India. The defense parts would be going into the defense equipments. In terms of ground engaging



tools, these are used for mining and earth-moving industries. In terms of locomotives now, General Motors makes locomotives, Caterpillar makes locomotives, General Electric makes locomotives. So these are locomotive components. And railroad -- for the railroad industry, these are bogie parts.

**Nidhi Babaria:** And sir, who would be our peers over here and what would be the tentative market share on some sort of industry numbers range, any rough idea on what would be our market share?

**Chetan Tamboli:** The market share in this newer industry because we are just beginning to sell, these are very miniscule numbers. These are big markets. So, I would say in short, there are lot of opportunities for us to encash and grow more in this industry.

**Nidhi Babaria:** And sir, who would be our peers?

**Chetan Tamboli:** In India, there would be four, five companies who are steel foundries in India. They are PTC industries, Gujarat Intrux, Magna Electrosteel, and there would be one more who are in the listed space.

**Nidhi Babaria:** And sir, when we bid for these orders, what would be our moat? Is it the overall industry, which is growing and where we are able to get these kind of orders with 12 months of visibility? Or is it some of the players who are closing down the division where we are getting the opportunity?

**Chetan Tamboli:** No. Any suppliers to OEMs, if they are strategic suppliers, they would be given this forward 12-months visibility. But it's not given to each and every one who are supplying. So whoever are strategic suppliers to OEMs, they do get forward 12-months visibility. Now whether they are auto or non-auto, it doesn't matter. And there is one more peer company which I forgot is also Simplex Castings in India.

**Nidhi Babaria:** So sir, I just wanted to understand like what would be our moat when we are -- the way we have just started -- started this division and we are getting the orders. So is it the locomotive industry where the new capex or new demand which is coming on? Or is it the existing business and existing demand which they've...

**Chetan Tamboli:** As I said, these are all initiatives on the newer industries, on the existing industries we are catering to. Within the existing industries, we have developed a lot of new parts. So, this is all bundled together and that's how we are projecting growth next year.

**Nidhi Babaria:** And sir, currently like in this quarter itself, we have achieved 25% of EBITDA margin with our volumes going up from 4,000 tons to 5,000 tons. Do we expect that these margins could even be higher, considering the operating leverage and overall raw material prices?

**Chetan Tamboli:** As I said earlier, we are a B2B company supplying to all OEMs across the world. 23, 24, '5 EBITDA margin, first is we should be happy. The focus should be more on growing the business rather than getting 1% or 2%, 3% more EBITDA margins.

**Moderator:** The next question is from the line of Suhridd Deorah from Paladin Capital.

**Suhridd Deorah:** I just wanted to clarify, in this quarter, you did 4,000 tons?

**Chetan Tamboli:** Right.

**Suhridd Deorah:** And for FY '23, is it likely to remain the same run rate about 4,000 tons for the next quarter also?

**Chetan Tamboli:** 4,100 tons, 4,200 tons.

**Suhridd Deorah:** And so 16,000 tons roughly for the year will go to about 20,000 tons, 21,000 tons in the following year.

**Chetan Tamboli:** Absolutely.

**Suhridd Deorah:** And you mentioned, one comment you made was that your three months order booking were about INR 130 crores. So, this is different from -- when you said three months order booking, but you have visibility for one or two years, could you just help us understand both these points together?

**Chetan Tamboli:** See, when you say what's your order book? That would mean, physical purchase orders in place. So that's the number, INR 135 crores and INR 130 crores. But we also have a forward visibility where there is a three months firm zone. When one says what is this three months firm zone means the customer would shortly place orders on the indicative volumes they have given for this firm zone.

**Suhridd Deorah:** So the customer will give you a one-year visibility of, 5,000 tons or 10,000 tons or whatever it is for a year and then in a three-month period, they will give you PO's.

**Chetan Tamboli:** Yes. They give visibility for year, but they also say that this is firm requirement for the next 90 days.

**Suhridd Deorah:** So on a rolling 90-day basis will keep issuing purchase orders to you?

**Chetan Tamboli:** Right. Yes. But when we say, when somebody asks what's your order book, we don't factor all those other things. We just say what's the number in hand.

**Suhridd Deorah:** I understand because you're only talking about the existing purchase orders, which you have received.

**Chetan Tamboli:** Right. And for example, if you factor on the indicative load in the firm zone for the next two months, three months, the number will increase.

**Suhridd Deorah:** And then the pricing is determined on a quarterly basis. So if the price of metal went down in the previous quarter, that would be an effect in quarter 4. So realization on quarter 4 could be a

little bit lower. And similarly, if the prices of steel are going up in quarter 4, it will start reflecting from quarter 1 of the next fiscal year.

**Chetan Tamboli:** Absolutely. The realization will be lower, but there will also be lower input costs. So it will get compensated.

**Suhrid Deorah:** Margin might stay the same or go up because it's your operating leverage and other reason. But yes, the selling price reset and your raw material reset will take place on a quarterly basis more or less.

**Chetan Tamboli:** Absolutely. And either we pass on or we get compensated. This all happens with a lag of a quarter.

**Suhrid Deorah:** And broadly between the last quarter and now, you're not seeing any concern or any slowdown or any macro concern in terms of fresh order booking or fresh enquiries?

**Chetan Tamboli:** No. See, the industries we are catering in are by and large directly, indirectly infrastructure industries. Now, most of the countries because of the slowdown, there is a focus on infrastructure in probably each and every country of the world, whatever they can afford. So that's the reason our customers feel that there is no effect for slowdown on these industries. And in turn, we keep saying that there is no effect of slowdown or anything.

**Suhrid Deorah:** And then, at this rate, you are already, I expect you will be at about 70%-odd utilization that is 70 plus. So how do you plan to further enhance production capacities? Is that something that you're looking at already?

**Chetan Tamboli:** Yes. We have been working on addition of capacities. It's work in progress. And maybe we will decide in the first quarter of the next financial year on what we intend to do going forward. And hopefully, by FY '27, we should reach full 100% or near 100% utilization. So, we will decide in the first quarter of FY '24.

**Suhrid Deorah:** Regarding your new capex?

**Chetan Tamboli:** Correct.

**Moderator:** The next question is from the line of Harshit Toshniwal from Bottoms Up Research.

**Harshit Toshniwal:** Sir, wanted to understand one thing on the pricing and our profitability part. So from my internal MIS perspective and from management perspective, do we track it more like an EBITDA per ton number because, so for example, we did around 4,000 ton of sales this quarter for INR 30 crores, INR 31 crores of EBITDA, roughly around 75,000 of EBITDA per ton. So is that a more appropriate number to look to remove the volatility of the pricing of metal?

**Chetan Tamboli:** Actually, we don't, on a day-to day basis, we really don't focus on EBITDA, rupees per ton or EBITDA margin. The focus is on to keep increasing the business, which is profitable. Some

may have a 21% EBITDA margin. Some may have 23%. Some may have 24%. But if you see, wherever it is profitable, it will keep growing and not to get stuck on a EBITDA percentage basis. But obviously, we do keep an eye on the EBITDA margins. But that's really not the focus. Focus is on growth, on improving top line wherever there is growth and wherever there is profitability.

**Harshit Toshniwal:**

And, sir, the second question is moat. When we look at this business, so you mentioned four, five players. Wanted to understand that how do we create moat? Is it that we tried to create new parts in that particular industry need and those parts might be unique to us or maybe you might have that first-mover advantage or the importance of mold which we developed, which gives us the advantage over the competition? So wanted to understand that across all players, there could be some other player who is strong in one particular aspect or one particular part. We might be there strong in one other part. But the business understanding part, what exactly differentiates between two players and how do we keep adding new parts? Is it more that we develop our molds or something like that?

**Chetan Tamboli:**

See, all the OEMs will keep working on their newer models, their modifications, designs and whoever are the strategic suppliers, whether it be Steelcast or ABC or XYZ, the strategic suppliers get the first advantage of -- to quote a part and to get the business and obviously, their track record of the past development, on time development, the current performance on steel supplies in terms of on time deliveries. And various other competitive advantage one would have. And obviously, in our case, we are strategic suppliers at most of the places. So, we would get an opportunity to quote and we would get preference over others. So, that's how this works.

**Harshit Toshniwal:**

The reason I asked that -- a follow-up on this question itself that for us a good part of the business comes from export. But when you look at India also, then there are many new capex investments in the infra part which is happening. Now, how do we get access or how do we try to grow to the new customer? Is it through a sales-driven approach? Or is the focus more to increase the domestic business to 50%, obviously, through growth of both export and domestic? But anyway we can -- do you think that we can capture the domestic growth in the infra part here?

**Chetan Tamboli:**

Yes. So just to answer, quickly answer what you're saying is the pricing in the domestic market is not as good as the export market. So the focus is obviously export. But wherever we are comfortable on pricing, we would cater to the domestic market also. But most of the large volume industries in India, the pricing is very poor. So though the volume requirements are very large, a company like Steelcast would not cater to those markets at all.

**Moderator:**

The next question is from the line of Alisha Mahawla from Envision Capital.

**Alisha Mahawla:**

Thank you for the opportunity. Just a quick clarification on the capex value. You said that you will decide in Q1 of '24. Is there scope to do any Brownfield expansion, or will this have to be a Greenfield?

- Chetan Tamboli:** There would be scopes in the Brownfield also, but we would prefer Greenfield, the facilities suiting our products and the manufacturing process what we intend to have for a typical part. And obviously, the layouts and the technology and things like that, we would rather pay for Greenfield than Brownfield.
- Alisha Mahawla:** You mentioned that we have enjoyed some benefit of forex gain in the current quarter, is it possible to quantify the same?
- Chetan Tamboli:** Yes. Maybe about INR 1 crores-plus.
- Alisha Mahawla:** And just wanted to understand, you mentioned that normally your customer will give you a three month or a 90-day visibility and that could be at an X rupees realization. So, we would normally be booking our inventory also back-to-back and hence, our margins should more or less at gross margin level or gross profit level be steady, because you mentioned that you pass it on with a one quarter lag?
- Chetan Tamboli:** Yes. But because we have a good visibility of four, five quarters, we don't carry that large inventory for four, five quarters. Our average inventories will be, I would say, a 30-day time.
- Alisha Mahawla:** Despite the fact that you have an order for 90 days and you know what volume you have to do, say, for the next quarter, you will still carry only 30 days inventory?
- Chetan Tamboli:** Absolutely. Once you start getting more, there is lot of blockage of funds and in terms of the storage facilities and things like that. So, we would work with 30 days to 40 days of inventory whether we have two months, three months visibility or six months, but we would not carry more inventories than this 30 to 40-day period.
- Alisha Mahawla:** And next, like you mentioned earlier, we will be at about closer to 70% utilization. What is the peak we can do with the current capacity? Can we go up to 90-95? Or what is the peak?
- Chetan Tamboli:** I just said a little while ago that FY '27 we should reach near 100%.
- Alisha Mahawla:** So, we can go up to 100%. We can do full 30,000.
- Chetan Tamboli:** Absolutely.
- Moderator:** The next question is from the line of Jatin from RTL Investments.
- Jatin:** My first question is on the -- couple of times in last 10 years, we have seen a very big pullback in revenue. One, which we discussed in '14 and '15. But even if I look at FY '20, there was a very sharp pullback. And even when I remove the quarter which was impacted by COVID, which was fourth quarter, there was like 40% decline in first nine months revenue. Now since this new industry, as you stated, are not really contributing meaningfully, how can we be confident about the fact that such a pullback cannot come and we may not see a very big drop in revenue?

- Chetan Tamboli:** See, some years back there was a lot of industry concentration. Within the industry, there was a substantial client concentration. And within the client concentration, there was substantial concentration on fewer parts. Over last four years, five years, we have added more industries, more customers in the existing industries and more customers in the newer industries. We've developed lot of parts. Maybe 250, 300 parts over last five years, six years. Plus number of countries we used to export some years back was just one or two. We are now doing, exporting in 15 different countries. And with addition of newer industries, so the cyclicity will reduce substantially. And this de-risking strategy is an ongoing process. We still have some more miles to cross. But hopefully within next couple of years, maybe three years, four years, we might be able to completely de-risk the companies.
- Jatin:** Sir, if you can give us some specific about what happened in 2020, was it that one big client who was contributing some 70% of our revenue, if you can give us some numbers and that will give us more confidence that how you've progressed on journey. I mean, right now, I understand that you have done lot of work, but still I'm unable to assess that how far we are in the journey?
- Chetan Tamboli:** Well, I appreciate your question. Only thing is on this investors call, we generally refrain from talking about customer -- specific customers and volumes and values and all.
- Jatin:** No worries. Sir, I understand completely.
- Chetan Tamboli:** So, I'm sorry for this but maybe if you happen to visit us, we can share some more details. But at this point, you have to take home that the company is far more of broad based than what it was some years ago.
- Jatin:** I would definitely love to talk more about this and we'll try and visit you. Second question is on capex. Now, you alluded to the fact that you might be looking at capex. And maybe there might be some more announcement around that in 1Q. Of course, I mean, things are work in progress. But could you just give us an idea that the new facility, which you would look for, would be like similarly like 30,000 tons or a smaller one? And what kind of capex number we should think about?
- Chetan Tamboli:** As I said earlier, this is work in progress at our end. We are working on this in terms of layout, in terms of the capacity numbers. But I can tell you for sure that we would straight away not jump to some 50% of existing capacity. We may have a macro plan of increasing by 50%, but we will do it on a modular basis in multiples of 5,000 tons year-on-year. This is to safeguard the company in case of a sudden slow down or a recession, which we are not foreseeing now, but it might happen in the future also. So, we would work in that line. We will have a macro plan of 50,000, but we will have another micro plan of increasing in multiple of 5,000 tons every year.
- Jatin:** And sir, any kind of capex we would be looking at?

- Chetan Tamboli:** Ideally, we are not yet ready to give you a number, but hopefully on the investors call of Q4, we should have something ready to share with.
- Moderator:** The next question is from the line of Aditya from Securities Investment Management.
- Aditya:** Sir, just wanted to understand, we being a casting company, it is remarkable that we make 20% to 25% EBITDA margins. So just wanted to understand what is leading to such high margins? Is it the technicality of our products? Or is it because of our manufacturing efficiency or the scheme that we have developed or any other reasons you can share?
- Chetan Tamboli:** This is once again the combination of various factors. Operational efficiency is one. Pricing is number two. Three, in terms of the product mix we select from the customers, of course, in consultation with them and, of course, very hard work by all our employees. All this put together is we would have numbers what you're seeing now.
- Aditya:** What kind of castings do we need? Would it be engine-based castings or transmission based? If you could just talk a little bit about it?
- Chetan Tamboli:** We don't have any differentiation between castings which are high margins and castings with low margins. We really don't have that. Our customers give business on what we're good at, and we accept also on what we are good and confident for manufacturing. And margins are by and large when you average it out, this is what you see on the quarterly results.
- Aditya:** So, I just wanted to understand there are aluminum and iron casting players as well, but they are not able to make the kind of margins that we make. So just wanted to understand what would be the reason for it?
- Chetan Tamboli:** See, the iron castings are not as complicated as steel castings. Iron castings are mostly used in the auto industry. One, two wheeler, three-wheeler, four-wheeler and things like that. The complexity is not as high as steel castings. The manufacturing resources required are not as high as steel castings. So, and of course, number of players in the iron castings are too large, too many, which makes margins rather thin. So, these are some factors, where steel casting have more margins than iron castings.
- Moderator:** Sorry to interrupt, Mr. Aditya. Sir, may we request that you return to the question queue. There are participants waiting for their turn. The next question is from the line of Vignesh Iyer from Sequent Investments.
- Vignesh Iyer:** Congratulations, sir, on good set of number. I just wanted to know about this hybrid power of 4.5 megawatt and solar plant of 5 megawatt, when is the plan to commence this? I guess you had given a timeline of around end of March or something. I just wanted to know is it on in progress to reach -- start commencing the power plant by then? Or what is the situation as of now?

- Chetan Tamboli:** I have said this on this call before and also it's part of the Investor Presentation, which has been uploaded on the website. Both these plants, the commissioning is on track and we hope to commission both these plants on or before 31<sup>st</sup> March, '23. And hopefully we should start realizing savings from April '23 onwards.
- Vignesh Iyer:** And my second question would be what -- we see some slowdown in Europe, right? And due to this, I just wanted to know, how is our business, I mean, in relation to the European operations if you could?
- Chetan Tamboli:** Yes. There is a talk of slowdown across Western Europe and North America and rest of the world, but the industries we're in probably don't see the recession coming in. And we have strong feedback from customers that there is no slowdown in the industry that we are catering. So, that's the reason. Then we keep saying that there is no effect on us. There will be effect on housing, consumer products, maybe high food inflation. But nothing to do with our industries and our parts and our business model as of now.
- Vignesh Iyer:** And just one last question. I just wanted to confirm, if I'm not wrong, savings from these plants would be around INR 10 crores, INR 12 crores, once this plant starts, I mean, for entire year, let's assume for FY '24 and savings on power costs?
- Chetan Tamboli:** In excess of INR 10 crores annually from both these plants.
- Moderator:** Thank you. Ladies and gentlemen, in the interest of time, that was our last question. I now hand the conference over to Mr. Chetan Tamboli for his closing comments.
- Chetan Tamboli:** Yes. First of all, thank you all for taking time out and joining this investor call. As most of us are seeing a lot of headwinds at the global level, but I would be happy to state that with a lot of headwinds, there are also significant tailwinds to the India story, both in the medium-term and long-term. The China Plus One strategy will also play a part in our company and also in rest of the good companies in India. We also anticipate a big spending on infrastructure in India, and hopefully hearing the announcement in the forthcoming budget.
- Raising of more than usual resources from this investment and asset monetization to back higher allocations. And I would like to end by saying that the world is undergoing lot of challenges. But there is lot of optimism also. The things after all may not be as bleak as it seems to be now and we all at Steelcast are quite optimistic about our future endeavors. So, thank you all for your time and all the best for the rest of the year. Thank you.
- Moderator:** Ladies and gentlemen, on behalf of Steelcast Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.