



“Steelcast Limited Q4 FY-22 Earnings Conference
Call”

May 19, 2022



MANAGEMENT: 1. **MR. CHETAN TAMBOLI – CHAIRMAN & MD,
STEELCAST LIMITED**
2. **MR. SUBHASH SHARMA – SENIOR VICE PRESIDENT,
(FINANCE), STEELCAST LIMITED**
3. **MR. UMESH BHATT – COMPANY SECRETARY,
STEELCAST LIMITED**
MODERATOR: **MS. JINAL FOFALIA – ORIENT CAPITAL**



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Moderator: Good afternoon, ladies and gentlemen and welcome to Q4 and year ended 31st March 2022 Earnings Conference Call of Steelcast Limited hosted by Orient Capital.

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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 touch tone phone. Please note that this conference is being recorded.

We have with us on the call today Mr. Chetan Tamboli – Chairman and Managing Director of Steelcast Limited along with Mr. Subash Sharma - Senior Vice President (Finance) and Mr. Umesh Bhatt – Company Secretary.

I now hand the conference over to Mr. Chetan Tamboli – Chairman and Managing Director. Thank you and over to you sir.

Chetan Tamboli: Good afternoon and a very warm welcome on behalf of Steelcast Limited to all the participants. Thank you very much for joining us today to discuss the Steelcast Q4 and FY22 Results.

With me are Mr. Sharma, our Chief Financial Officer and Mr. Umesh Bhatt, our Company Secretary and also our Investor Relations partner Orient Capital. I hope everyone got an opportunity to go through our financial results and investor presentation which has been uploaded on the stock exchange as well as on the Company's website.

Just to give you all a brief history of Steelcast:

We are in business of steel castings since 1960. We started off as a partnership firm and then got converted into a private limited Company in 1972 and later became a public limited Company in 1994. The Company enjoys a premium position in the steel casting industry and manufacturers wide range of casting products including manganese steel high chrome ferro alloys catering to diverse industrial sectors like cement, mining, earth moving equipment, industrial machinery, construction machinery and railways.

Since 1976 our Company's in-house R&D is recognized by Department of Science and Technology. The Company's involved in manufacturing high quality products through R&D activities across product development, technology application and process improvements. The R&D team at Steelcast has hands-on foundry experience that combined with in-depth



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knowledge of latest metallurgy and foundry quality technology. The department is equipped with state of art equipment, digital calculations to monitor mechanical and chemical testing results, having NABL accreditation. A modern version software to simulate solidification behavior of casting and role of process parameters in heat treatment is being utilized for new product development. Dedicated sets of equipments are installed to carry out testing of different sands including resin coated and no-bake sands and test critical parameters of quenching media (water & polymer). A strong subsection in R&D allows us to do conduct complete failure analysis and give latest technical inputs based Fractography and SEM/EDS reports.

For Steelcast safety comes first; in this pandemic situation the health, safety and wellbeing of people has continued to be at the heart of our COVID-19 response. Being a preferred steel casting player, the Company enjoys long-term standing relationship with globally renowned marquee clients and export into more than (+15) countries. The Company is a two-star export house successfully competing with other international players across the globe. The Company's product processes, safety standards and environment friendly mechanism meets with global standards and different certifications speaking volume of our capabilities. The Company continues catering to main sectors like earth moving, mining, mineral processing, construction, railway, steel plants. The Company is looking for further opportunities in other industrial segments and products. Going ahead we are witnessing strong traction for our products with an order book for the next few quarters. The Company has developed new products to cater to new segments and create a wide product portfolio for the existing customers. The Company's constant endeavor is to contribute to Defence of the nation by partnering with Indian Defence units. This exercise is continuing and we expect improvement in the sector considering the government push through schemes like Atmanirbhar Bharat, Make in India etc. The management is continuously working towards the business plan to not only come out of the dependency on mining, earth moving and construction equipment industry but also to scale up the turnover in next 5 years through product development and business development.

In order to achieve the business plan, the Company has already initiated several rationalization plans since past 2 years.

The highlights of these measures are:

Reduced manpower by increasing productivity, periodical evaluation of power demand, to ensure saving in fixed costs, purchase of power through open access, reduce consumption norms of few key material, reduction in internal rejections, reduction in throughput time for processing castings.

The Company is entering into an agreement for setting up during the year FY23 a renewable power plant which would be hybrid of wind and solar of 4.5 megawatts capacity. The investment for this project will be through a special purpose vehicle created specifically for it.



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The Company expects to have considerable long-term savings in power costs arising from this project. In addition to this, the Company is also planning to set up a 5 megawatts solar power plant in Gujarat region for captive consumption.

We are also planning to introduce new products with existing customers, also entering into newer sectors, developing new products for new customers. For each of the new segments to develop the Company has already identified potential clients and potential parts to be sold to them. In its continuous efforts to reduce concentration and dependency on mining, earthmoving and construction industry, the Company has signed a long-term supply agreement with a large OEM in USA to supply steel castings for the North American Railroad industry. This new agreement will help Steelcast to further consolidate the position in overseas market amidst challenging environments. The entry to North American Railroad industry will help us to de-risk the business and will generate additional revenues for the Company. The outreach to North American Railroad industry signifies the capabilities and technological expertise in steel casting business. The steel castings covered in the agreement are in advanced stage of development, undergoing testing in North America and we will have a potential of about roughly Rs. 75 crores of volumes per year in the coming 1 to 2 years' time. Considering the Company's high-quality standard with on-time deliveries the management is confident to have a long-term association with this customer.

It feels great pleasure that the Company is able to report such a strong performance even during the challenging times. Despite COVID related challenges we were able to grow in terms of volumes and revenues. Revenue growth for Q4 FY22 stood at 68% and PAT growth of 117% over the same period last year. We further envisage an uptick in volumes and are optimistic of volume and realization growth for the coming FY23. Total revenue in FY22 grew by 91.5% on a year-on-year basis to 302 crores for FY22 as against 158 crores. In Q4 we reported revenue of 93 crores, a growth of 68% year-on-year basis. Revenue as per geography; domestic revenue grew by 63% year-on-year basis and growth in exports of 121% on a year-on-year basis. EBITDA grew by 103% on a year-on-year basis with the margin expansion of 120 basis points. In Q4 we reported EBITDA of 17.6 crores as against 11.1 crores with the growth of 58.6%. PAT stood at 33.3 crores in FY22, a growth of 179% on a year-on-year basis. In Q4 reported PAT of 9.6 crores versus Rs. 4.4 crores in same period last year with a year-on-year growth of 116.9%. Volume growth, operational efficiencies, cost rationalization efforts led to increase in overall profitability and margin expansion.

Working capital days reduced marginally to 143 days from 147 days. Return on ROE for FY22 increased 23.3% versus 9.8% in FY21. ROCE for '22 also increased to 28.4% versus 13.2% in FY21. Our Company incurred CAPEX of about 29 crores in FY22 without any additional term loan. For everyone's information we are also long-term debt free as we repaid all our loans totaling to 22 crores in FY22. The increase in business activities has led to increase in short-term borrowings to Rs 63 crores.



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With this I would request the moderator to open the floor for question and answer. Thank you very much once again for having all of you with us. Thank you again.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. First question is from the line of Pritesh Chheda from Lucky Investments.

Pritesh Chheda: The 300 crores of revenue which we see in the current year and there was 318 crores revenue also which was there 4 years back. So, on the 30,000 tons of capacity what kind of volumes do they reflect or what kind of capacity utilization do they reflect?

Chetan Tamboli: On the current product mix, the full capacity will be around 28,500. Of course, as the product mix changes this 28,500 can go to 30,000 tons also.

Pritesh Chheda: What is the capacity utilization of volumes, the 300 crores of revenue reflect like in FY22?

Chetan Tamboli: About 49%.

Pritesh Chheda: So, theoretically you can double your revenue on the current capacity.

Chetan Tamboli: Yes, little more than double if you see. As part of our business plan for the year FY26, we are targeting 96% with a volume of 27,500 tons.

Pritesh Chheda: My second and last question is, in your last year's annual report you had categorically given a growth outlook across segments and it totaled to about 260 to 270 crores of revenue. Obviously, there were few domestic line items where you had not mentioned the revenues. So, what would be your guess for FY23 in terms of volume and value growth because you initially mentioned you have order backlog which is giving you a 3-4 quarters visibility, so it would be very helpful if you could give us a revenue outlook for '23 and when you double or when you increase your capacity utilization will your margins improve or you will stay at the 19%-20% range?

Chetan Tamboli: To answer your first question, we expect substantial better performance in FY23 compared to FY22 because of robust order booking. Obviously when the volumes grow, the operating leverage kicks in with economies of scale, so margins would definitely have an expansion.

Pritesh Chheda: Do you see more than 20% volume growth in '23?

Chetan Tamboli: I really don't know whether we are allowed to give exact numbers or forward-looking statements but I can really tell you with the order book we have the FY23 will be substantially better than a FY22.



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- Pritesh Chheda:** Lastly then if you could share the order book number at the beginning this year and what was the order backlog number at the beginning last year? We will make our own calculations based on that.
- Chetan Tamboli:** As of now in terms of value, we have orders in excess of 200 crores as of now and the beginning of last year we would have probably maybe 90 or 95 crores, beginning of the last financial year which would be FY20-21.
- Pritesh Chheda:** '21 end, '22 beginning was 95 crores, '22 end and '23 beginning is 200 crores.
- Moderator:** The next question is from the line of Anupama Bothra from Arihant Capital.
- Anupama Bothra:** I just wanted to know this 18 crores CAPEX, can you give us some idea about what is the purpose and in which all products the Company is planning this CAPEX?
- Chetan Tamboli:** Are you talking about the current year's CAPEX?
- Anupama Bothra:** Yes, 18 crores.
- Chetan Tamboli:** FY23, a Company like ours they make more than 225-250 products. The product mix keeps changing in terms of volumes also. We would always have some areas which will have bottlenecks. This investment is purely for debottlenecking across the value stream of the Company. Out of 18, the substantial part is to add certain machining capacities to further enhance the value addition.
- Moderator:** Our next question is on the line of Priyank Parekh from Nrups Consultant.
- Priyank Parekh:** My first question is on the raw material costs. If I compare the raw material cost with the previous quarter, it has increased substantially. So, wanted to understand why it has increased much. On related to that how we are seeing this to passing on to the customer?
- Chetan Tamboli:** To answer your question since middle of 2020, the input cost has been rising continuously and that too steeply. I have not seen in my career input cost rising by 101% with the base of June '20 compared to 31st March '22. If you see our last eight quarters performance, we have been managing reasonably well and attempting to pass on most of the increase to our customers. The reason is that with the relationship we have of over 25-30 years, we have pre decided sales price variation clause where if the input price increase, we get a price increase. If there is a reduction in input price, we pass on the price reduction and this happens on quarter-on-quarter basis. So, we have been by and large able to pass on most of the increases. There are costs which are not part of the pre decided formula where we go and request them at the end of every 6 months to correct the base prices. That is also has been happening quarter-on-quarter basis whenever required. We might be one of those few companies who are able to pass on. As you said, the March quarter compared to the preceding quarter, there has been a substantial



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increase. But we get covered with a lag of a quarter. Whatever increase happened in January-February-March '22, we would get same effective 1st April and then effective 1st July.

Priyank Parekh: Second question is on the power plants that we are planning through LP, so specifically on that how much CAPEX we are planning for that and how we are going to fund that CAPEX? How much saving we are expecting if you can quantify on that? And why we are doing it through SPV, is there any tax planning or any other considerations for doing it through SPV?

Chetan Tamboli: The 4.5 megawatts hybrid power plant which is a combination of wind and solar, there is this hybrid park where the SPV is created and there are about six companies will be drawing power from this hybrid power parks. Our investment there is about Rs. 4 crores with the annual guaranteed savings of about 6 crores. So, we are as an equity investor Company and we undertake to draw the power from this hybrid solar power plant. We are part of this SPV with the others. What we are thinking now is to put up exclusive 5 megawatts power park with an investment of about 18 crores which will be in Steelcast name. We would have all the benefits of the taxation and things like that. There the saving would be another 7.5 crores. Both this we plan to execute this before FY23.

Priyank Parekh: On the first power plant of 4.5 megawatt, you said the saving would be 4 crores?

Chetan Tamboli: No, the investment would be 4 crores, the guaranteed savings is 6 crores. This is guaranteed by the supplier but actual expected saving will be an excess of 7 crores.

Priyank Parekh: 7 crores for all six companies?

Chetan Tamboli: 7 crores for the 4.5 megawatts hybrid power.

Priyank Parekh: No, I got that but 7 crores would that whole 7 crores will be attributed to our Company only or would that be going to all the six companies which are doing....?

Chetan Tamboli: No, this is exclusively for Steelcast Limited.

Priyank Parekh: So, you mean to say that on 4 crores of investment we are going to have the saving of 7 Cr?

Chetan Tamboli: Yes please.

Priyank Parekh: It's amazing. So, 7 Cr per annum?

Chetan Tamboli: Exactly and this under captive mode like everybody may not have this opportunity of investing 4 crores and getting benefit of 6 crores. It is because we are going to use that power, so we have this benefit.

Moderator: Our next question is from the line of Hitesh from AKSA Capital Advisors.



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Hitesh: Could you just explain the entire value chain or the process chain that we have in our plants. Is it a continuous casting because looking at the industries that you cater to does not look like these are high volume casting that you make? So, just wanted to understand is it the continuous line casting that you have or is it more like customized castings where you cater to a specific application, you do the designing and then do the casting?

Chetan Tamboli: I think the later part of your statement is correct. These are all tailor-made castings made to customers engineering drawings with their specifications. You cannot call this as a continuous casting process.

Hitesh: In that case is there too much of a manual intervention in the sense is it too labor-intensive?

Chetan Tamboli: Yes, this is a labor-intensive plant. We are now close to 1,450 people and this kind of industry does need a lot of human involvement. Unlike you have like forgings or you have aluminum die-casting where it is more or less automated.

Hitesh: In that case how easy or difficult it is to really have a scale because in that case even the capacity that you just spoke about 30,000 or 28,500, that capacity is not really, you cannot look at on a linear basis because depending on the number of products that we have or the kind of switch-overs that we have from one product to another, the capacity may not really translate into the numbers during a particular year, is this understanding right?

Chetan Tamboli: Absolutely, this is a steel foundry. We are making lot of niche products with the niche markets. It is not like forgings or iron castings where the numbers run into thousands, its completely automated. These are all specially tailored made products and facilities like us are only 5-6 in the world now. That is why we have preference over other smaller players.

Hitesh: And what is driving this demand? The orderbook that you had mentioned is really much significantly higher than what it was in the preceding year. What is driving this demand or which are these markets where you are seeing higher level of enquiries for you?

Chetan Tamboli: We are focusing on mining equipment, earth moving equipment, construction, railways locomotives. All these industries are on uptrend. One of the reasons is the commodity prices like iron, copper, aluminum, iron-ore, coal the prices are lifetime highs. The demand of these commodities is driving the OEMs to make more equipments and in turn people like us have an uptrend. Also, during the pandemic and I would say post pandemic now, lot of countries have given out stimulus like US, China, to some extent in India. A lot of investment infrastructure is also happening across the world. All these reasons put together; all our end user segments are doing extremely well. In turn we also benefit with the uptrend.

Hitesh: Just one last thing, how much time does it really take from the time you win an order or rather from the time you make a quotation for the order and the time you deliver the goods?



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- Chetan Tamboli:** Most of our customers, the relationships are as I said 25-30 years or above. So, it is really not quotation based, we have long-term contracts with them. To answer your question, if it is a new customer, we quote and then negotiation takes place, we develop a part and supply. This whole process may take anywhere from 9 to 12 months.
- Hitesh:** In that case the 200 crores order that we are currently sitting on, this will at best get executed in about 9 months' time in that case and you would also have some regular flow of orders where the execution time may be shorter than the 9-12 months that you win?
- Chetan Tamboli:** At least for this year I know for sure, we would be sitting on this 200 crores number at any point of time because customers keep adding to the ordering, so we would have at any point of time (+200) crores orders.
- Moderator:** The next question is from the line of Dhaval Shah from Swan Investments.
- Dhaval Shah:** I just need some data points. Could you share last three financial years volumes, what volumes did we sell in tonnage terms?
- Chetan Tamboli:** In terms of quantities about 13,823 tons and value wise we did about 302 crores of sale.
- Dhaval Shah:** This 13,000 is for which year?
- Chetan Tamboli:** FY22.
- Dhaval Shah:** '21?
- Chetan Tamboli:** '21 we did 7,155 tons. The capacity utilization of 24%.
- Dhaval Shah:** And a year before that '19?
- Chetan Tamboli:** We did 8,613 tons with 29% capacity utilization.
- Dhaval Shah:** We mentioned about the vision of having 27,500 tons of capacity. So, what sort of EBITDA per ton improvement are you visualizing over the next 4-5 years period?
- Chetan Tamboli:** Dhaval bhai it will be extremely difficult to pinpoint a number but for FY26 on the current input cost and pricing we will do sales of 800 crores and above?
- Dhaval Shah:** I want to understand that we are around....
- Chetan Tamboli:** So, you know the current EBITDA for FY22.
- Dhaval Shah:** We are at around Rs. 45-46 a kilo is what the profit we make. Going forward we are adding machining capacities plus product mix, you are going to have better product mix as well. So,

should we see another 20%-30% jump or 20% jump in our per kilo realization over next 4 year period or just want to understand?

Chetan Tamboli: As volume grows as I said earlier also, the operating leverage kicks in the benefits of economies of scale. Our EBITDA in terms of percentage wise will be surely better than now. FY26 volumes of 27,500 crores which is about 96% utilization and on current input prices and sales prices, the sales will be in excess of 800 crores. So, there will be benefit in upward, north way it will go.

Dhaval Shah: Over last 1 year which are the new products enquiries have you got, any new client addition we have had, if you could speak on that?

Chetan Tamboli: All the investment made in FY23 and what we will do in FY23 will be more or less balancing in equipments and investment in space to handle the current product mix. We do not have any plans to increase capacities immediately but we are watching things very closely. The geopolitics is also having speed breakers. So, we would decide somewhere to end of '22 on increasing further capacities.

Dhaval Shah: The last question this 18 crores CAPEX, so this 7.5 crores power plant is part of the 18 crores CAPEX? Sorry, what is the investment in power plant you mentioned?

Chetan Tamboli: The hybrid power plant where we will invest 4 crores with expected CVs, guaranteed CVs of 6 crores which is not part of 18 crores. 18 crores is investment in plant and equipment to handle the current product mix and the current volumes. If you add that two together it will be 22 crores.

Moderator: Our next question is in the line of Manav Vijay is from Deep Financial.

Manav Vijay: First question from my side, you have capacity of around 30,000 tons and you are at approximately 50% in this year. Unless currently you decide to do any CAPEX at the end of this year, at least for next couple of years the CAPEX in the plant and machinery should be minimal. Would that be a safe assumption to make?

Chetan Tamboli: Absolutely safe assumption and the right assumption, also I just shared these numbers with you. Like for FY23 we will do 18 crores, for FY24 the plan is to do 4.7 crores, FY25 we will do 1.25 crores and FY26 we will do 2.31 crores.

Manav Vijay: Basically, why I am asking this question is that, so for the last I would say upcycle is on '14 when we did that last CAPEX for one of the large customers. So, unfortunately, our CAPEX came right at the wrong moment. Then we got stuck with that capacity and then it has taken us almost 6-7 years for us to I would say pay-off that debt and now we are seeing good times. That is why I am just asking that since you are working at 50% utilization, for next couple of



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years there is no large CAPEX unless something of like what you mentioned of a power plant that is certainly possible.

Chetan Tamboli: Yes absolutely. The time required to put up a green field facility is about 2 years' time. So, with the uncertainties around the world, we think prudently to not to be in a hurry and go ahead and expand this. So, we are watching very closely. By end of '22 in case if required we decide so we'll have the capacity ready by end of '24 by which time we would have crossed 85% and more capacity utilization.

Manav Vijay: Like the way you mentioned you have mentioned in the PPT as well and also in your opening remarks about the North American Railroad opportunity and you are saying that around 75 crores per annum of potential in 1 to 2 years. So, at least for FY23 we should not factor in any kind of revenue, if at all anything will happen should come only from FY24. Again, would that be fair assumption to make?

Chetan Tamboli: No, there will be some part of the 75 crores will happen FY23 for sure. Maybe 10-15 crores but that peak of 75 will come in about 2 years' time.

Manav Vijay: FY25?

Chetan Tamboli: Yes, around that time.

Manav Vijay: As we are getting your annual report for last almost 10-12 years, you have talked about this opportunity multiple times in your annual report. I believe that multiple times you also went to the stage of even developing the product and then the opportunity never materialized. How confident you are this time that yes, this opportunity will convert into a business opportunity finally?

Chetan Tamboli: There is a difference between the past and now. Now we have firm purchase orders from the customers mainly from the North American Railroad industry. There are long-term agreements signed. The probability of this getting converted into real business I would put it as more than 90%.

Manav Vijay: This is very interesting to hear. My next question will be in the last downturn, in 2014 when we had done that large CAPEX, so suddenly all our orderbook vanished in a very short period of time. Now considering this geopolitical environment which is difficult for anybody to call out which way things will move. How confident are you of the current orderbook that you have where you will not face cancellation or deferment?

Chetan Tamboli: For FY23 as I said before, we will do substantially better than FY22. The commodity prices are all at elevated levels is likely to remain elevated for the coming 3-4 years' time. There may be corrections with commodity prices by 10%-15%-20% but they still be more or less double than what were in 2020. Considering these factors and lot of little stimuluses happening around



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the world, also keeping in mind the geopolitical issues what we see around, the industry should be good for the next 3-4 years.

Manav Vijay: In terms of working capital of 143 days coming down from 147 days in FY21, is there a chance to reduce this further or you believe that this is an optimal number where you would want to settle?

Chetan Tamboli: In our kind of line when we ramp up production, there is a time lag of producing and then finishing and shipments. We are on a continuous uptrend for past about 5-6 quarters. When we are into a continuous uptrend, we tend to carry a higher WIP but once we stabilize at some point, these 143 days what we achieved in FY22 will be better at least by 20% in FY23.

Manav Vijay: Close to maybe 110 days kind of a number?

Chetan Tamboli: Yes please.

Manav Vijay: My last question to you would be, so now total 9.5 megawatts is what you are putting up. So, 9.5 megawatts first of all, the benefit of this coming from both the hybrid power plant as well as the solar plant that you are putting up, power from this service plant would start to flow to you from when? That is the first question and second this kind of power 9.5 megawatts is sufficient for what kind of capacity?

Chetan Tamboli: See whatever we consume from hybrid which is 4.5 megawatts and from the 5 megawatts of solar which we are going to put. The hybrid we expect it to, we start getting savings or we start getting that power hopefully effective January '23 and for the 5 megawatts solar plant hopefully effective April '23.

Manav Vijay: That's means FY23 nothing is going to happen; it is only in FY24?

Chetan Tamboli: Yes please.

Manav Vijay: 9.5 megawatt is sufficient for what kind of capacity? 10,000 tons-50,000 tons, how much?

Chetan Tamboli: I would say about 40% of our requirements can come from this. The balance 60% will still take it from the State Electricity Board.

Manav Vijay: 40% on so 40% means what? Let us say 10,000 tons?

Chetan Tamboli: Let us assume if we do 18,000-19,000 tons in FY23 so out of that 40% we will use from the hybrid power and the solar power.

Moderator: The next question is from the line of Yash Mehta from Steinberg Asset Management.



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Yash Mehta: As far as the segments that we cater to are concerned; can you provide like a breakup of revenue and what would this look like? Let us say when some of the newer segments will start contributing?

Chetan Tamboli: Is it okay if we tell if you can write to Orient Capital or write to us and we will have a breakup of segment-wise or industry-wise which we will share with you.

Yash Mehta: The other thing that I wanted to ask is generally from a very top-down perspective, if you were to look at the overall market size of our products side and some of the clients that we have they are very large companies and our revenue relative to their requirements and their raw material procurement etc. I am sure that is just a fraction of it. The question is, there is an element of large market size and share of wallet. Can you reflect on these two as they are relevant to Steelcast, what is the overall size of our product and how relevant are we to some of the clients that we cater to and if we have an ability to increase the share of wallet?

Chetan Tamboli: The size of the markets for our kind of products in India and worldwide should be about maybe 4,00,000 tons. If you add the North American rail-road it should be about 5,00,000 tons. On the current product mix and our production of 14,000 tons if we have done it on 4,00,000 tons, the percentage is what about 3%-4% and whatever we plan to do for North American rail-road which will be also around 3%- 4%. Now so you ask about the wallet size. The wallet size, our market share would be 4%-5%.

Yash Mehta: The customers that we cater to are again like we would be a larger part of their procurement for these products, right? Over there do we have the ability to gain share or basically we won't be single source I believe?

Chetan Tamboli: No, we won't be single source but with the anti-China wave or you would call it a China Plus One strategy, we would definitely be though we will be the new entrant but we will definitely be a preferred supplier and whatever we do these will be all high-end products. To answer your question yes, there will be dual source most of the places but this is all happening because of the shift from China.

Yash Mehta: We are gaining market share within these customers?

Chetan Tamboli: Yes please.

Yash Mehta: In terms of new segments emerging for example if I were to look at the product, I would assume that something like Defence etc. would have an element of steel castings required because of made to order sort of material. Now that is not something that we cater to at least as far as the presentation mentioned. Are there new segments that could emerge for our product?

Chetan Tamboli: There is a huge opportunity in Defence in India but we are not factoring anything now because with the kind of bureaucracy involved and the time it is taking; we might be 1 or 2 years away



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from it. But there is a top-down push from the government, right from our Prime Minister to Defence Minister and so on. So, the entire ecosystem is being developed. Once we have another 1 to 2 years' time then there are enormous opportunities and we are developing some parts for Defence now but we don't have a good visibility with the kind of the bureaucracy and the time it takes now.

Yash Mehta: My last question is that you're talking about full utilization in FY26. Within next year you will have to start planning for the next round of CAPEX. Can you even share something on that CAPEX plans going forward?

Chetan Tamboli: I said sometime back that to put up a Greenfield facility is about 24 months back. If we decide by end of '22 we can have the facility ready by '24. By the time we would have crossed 85% capacity. Whatever we may need, we will have at the right time. So, did I answer your question?

Yash Mehta: You will start the new round of CAPEX at the end of this year. If I understood it correctly?

Chetan Tamboli: We will consider this on the macro situation worldwide, with all the geopolitical situation and how our industries would behave over the next 4-5 years. Keeping all this in mind we will take a call end of this year.

Moderator: The next question is from the line of Amar Maurya from AlfAccurate Advisors.

Amar Maurya: Number one is basically now this revenue of Rs. 93-94 crores whatever we had reported; is this a new run rate from here on? I mean is there a seasonality kind of thing involved into your business also now or should we see that this is a steady rate continuing in Q1-Q2-Q3?

Chetan Tamboli: Now there is some sort of a seasonality if you see our quarterly number over last 10 years. The numbers tend to increase quarter-on-quarter. And as I said sometimes that we are going to do substantially better in FY23 compared to FY22. We would see a better number in Q1 than what we have seen in Q4 FY22.

Amar Maurya: Secondly, what would be now the closing order book for us?

Chetan Tamboli: As of now as I said earlier, we are sitting on firm orders of more than Rs. 200 crores and this keeps getting replenished every month. We would have at least for the next 1 to 2 years anytime order book of excess of Rs. 200 crores.

Amar Maurya: Basically, you're saying the order intake would be around when you say Rs. 200 crores replenishment, you are saying the order intake would be around Rs. 15 crores to Rs. 18 crores every month?



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- Chetan Tamboli:** No. If I am shipping around Rs. 37-38-40 crores of sale so every month 40 would go out and another 40 should come no.
- Amar Maurya:** So, that way you are saying?
- Chetan Tamboli:** Yes, that way.
- Amar Maurya:** Rs. 30 crores a month which you are basically exporting or whatever delivering so you are saying that Rs. 40 crores is every month order intake for you now?
- Chetan Tamboli:** No, I'm just giving a number.
- Amar Maurya:** I'm just trying to understand that is what?
- Chetan Tamboli:** Sure. Yes, but the arithmetic will work out that way.
- Amar Maurya:** And any guidance for the '23 overall?
- Chetan Tamboli:** As I said we will do substantially better than FY22. I'm sure when you all attend the call, end of FY23 financials, you guys should be happy.
- Amar Maurya:** If I see in this particular FY22 your operating cash flow because of the huge spike in the working capital has reduced or literally nil. How should we see this operating cashflow panning out over a period of time and because you have a bit of CAPEX also lined up so in that regard I am trying to understand. So, how the debt to equity and other things would look?
- Chetan Tamboli:** See debt to equity compared to FY22, what we do in FY23 will be substantial better because we don't have any long-term debt now. But working capital debt of Rs. 63 crores; either it would remain same or it might go down. Overall debt to equity short-term, long-term should be better than what you're seeing in FY22. And then with improved performance, with better internal cash accrual we should have more money in our hands in FY23.
- Moderator:** The next question is from the line of Akash Vora from Praj Financials.
- Akash Vora:** Just wanted to know which other key raw materials of the Company which we use and are we only making steel cast or any other casting say ferrous casting or and the products that we deliver to customers?
- Chetan Tamboli:** Yes, the major raw materials are steel scrap and different ferro alloys. Now when you say different ferro alloys will be nickel, ferro moly and other metallics we use for our melting purposes. And other materials which doesn't go inside the product which are different kinds of sand and different kinds of binder. There are all-natural gas we usually use for our heat treatments. These are raw materials which do not go inside the product. To answer your



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questions, we make steel castings. The other castings are iron castings, aluminum castings, bronze castings but what we do is highly specialized, high strength steel casting for end user industries like mining equipment, earth moving equipment, constructions, locomotives, railways and things like that.

Akash Vora: Who are the competitors and the same area as we serve?

Chetan Tamboli: In the listed space, the steel foundries which are there, one would be Simplex Castings, Gujarat Intrux, PTC Industries and Magna Electro Castings, Bhilai Engineering Corporation etc. There are lot of other smaller players who are less than one-tenth of our size and which are not significant for us.

Akash Vora: And the entire basket of steel castings per se; where do we stand in the category?

Chetan Tamboli: Please repeat your question.

Akash Vora: I wanted to know in the entire basket of steel casting, the players who are just specific to steel cast, where do we stand in the category?

Chetan Tamboli: I mean these are all our peer companies and we often do some comparison of the financials. I think we either might be equal or I don't remember the numbers but either we might be equal to all or maybe better.

Moderator: We take the next question from the line of Dhaval Shah from Svan Investments.

Dhaval Shah: Now in January we had a press release stating Mr. Rushil Tamboli has resigned from the post of Whole-Time Director due to his other preoccupations. Why, when we are in such a great time and we see such a large opportunity size going forward and China Plus One being the big thing, just want to understand the reasons for his resignation? Which are the other preoccupations which are more important than the current, the opportunity in our business?

Chetan Tamboli: Rushil Tamboli, he's my son and he joined the Company in 2011 after doing his Industrial Engineering from US. He has been thinking to pursue his own startup things. This thought was on for about 2 years and then it is difficult to work on his own endeavor and to also look after the operations here in Steelcast. So, he had to decide so he has resigned as a Whole-Time Director but he will be still on the board as part of representing the promoter family.

Dhaval Shah: From the family yourself and who else, I believe you have one more son or how many of them from?

Chetan Tamboli: From the family I'm the only one handling the day-to-day operations of the Company. My daughter is also on the board but again she is part of the representing the promoter family.



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Dhaval Shah: In terms of the seniority, you are the key person right now?

Chetan Tamboli: Yes, as of now, yes.

Moderator: Thank you. Ladies and gentlemen due to paucity of time that would be our last question for today. I now hand the conference over to Mr. Chetan Tamboli for closing comments. Thank you and over to you sir.

Chetan Tamboli: At the outset, on behalf of Steelcast I really want to thank all of you for attending this investor call. Thanks again and with the growth opportunities, what we foresee in all of our segments; we believe that we are ready for the next level of growth and well-positioned to capitalize on this and also de-risk the Company reducing our dependence from mining, construction, earth moving, equipment industry over the next 2 to 3 years' time. Once again thank you everyone for joining us today. In case you need any more information or any queries, you may contact Orient Capital our Investor Relations partner as well as our CFO or Company Secretary or myself. Feel free to ask us if you need any clarification and thank you once again for joining. Have a nice evening and look forward connecting with you again. Thank you.

Moderator: Thank you. Ladies and gentlemen in case of any queries you may contact jinal.fofalia@linkintime.co.in, on behalf of Steelcast Limited that concludes this conference. Thank you all for joining us and you may disconnect your lines.