



“Steelcast Limited
Q4 & FY’24 Earnings Conference Call”
May 31, 2024



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MODERATOR: **MR. RONAK JAIN -- ORIENT CAPITAL**



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Moderator: Ladies and gentlemen, good day, and welcome to the Steelcast Limited Q4 and FY '24 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. Ronak Jain from Orient Capital, their Investor Relations. Thank you, and over to you, Mr. Ronak Jain.

Ronak Jain: Thank you. Good afternoon, everyone. Welcome to the Q4 and FY '24 Earnings Conference Call of Steelcast Limited. Today on this call, we have Mr. Chetan Tamboli, Chairman and Managing Director; Mr. Rushil Tamboli, Whole Time Director; Mr. Subhash Sharma, Executive Director and Chief Financial Officer; and Mr. Umesh Bhatt, Company Secretary.

Before we begin this call, I would like to give a short disclaimer. This call may contain forward-looking statements about the company, which are based on beliefs, opinion and expectations as of today. Actual results may differ materially. These statements are not guarantees of future performance and involve unforeseen risks and uncertainties that are difficult to predict. A detailed safe harbor statement is given on Page #2 of the investor presentation of the company, 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 sir for his opening remarks. Over to you, sir.

Chetan Tamboli: Yes. Thank you, Orient Capital. Good afternoon, and welcome to everyone for joining this Steelcast Limited investors call. As we step into FY '25, the global geopolitical landscape remains very challenging, marked by ongoing conflicts and significant elections worldwide. These events are poised to influence the direction of the global economy. While major central banks have hinted at potential rate cuts throughout the year, the persistent lack of progress on inflation remains a concern.

As we previously communicated upon entering FY '24, we anticipate flat growth due to unfavourable geopolitical conditions. However, we maintain cautious optimism regarding a turnaround in the global situation, particularly from Q3 FY '25 onwards.

Let's now look into our financial performance for Q4 FY '24, and the annual results of FY '24. The revenue for Q4 improved to INR 98.4 crores from INR 90.3 crores from the previous quarter, an improvement of 9%. However, revenue for Q4 FY '24 declined 18.2% compared to corresponding quarter of previous year from INR 120.3 crores to INR 98.4 crores due to adverse geopolitical and business situation. We've been able to maintain EBITDA margin of 29.3% during Q4 FY '24 against 30.3% during the previous quarter and 25.7% in the corresponding quarter of previous year. EBITDA in absolute value stood at INR 28.8 crores



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during Q4 FY '24 against INR 27.3 crores during the previous quarter, and INR 31.0 crores in corresponding quarter of previous year.

PAT margins for Q4 FY '24 maintained at 19%. Again, same margin during the previous quarter and improved against 16.2% of corresponding quarter of previous year. PAT in absolute value stood at INR 18.7 crores during Q4 FY '24 against INR 17.4 crores during previous quarter, and INR 19.5 crores in the corresponding quarter of previous year. As anticipated, the revenue for FY '24 is INR 409.8 crores against INR 476.8 crores in the previous year, showing a decrease of 14.1%. The decrease in revenue was primarily attributed to reduced economic activity in Western and North American countries, leading to an inventory buildup by OEMs.

We anticipate resurgence in demand starting from second half of FY '25. EBITDA margins of 28.6% during FY '24, substantially improved from 23.9% during the previous year. EBITDA for the year stood at INR 117.8 crores against INR 114 crores in the previous year. PAT margin of 18.3% during FY '24 shown a significant increase from that of 14.8% during previous year. PAT stood at INR 75 crores against INR 70.5 crores in the previous year.

To sum up, we say that despite a decline in revenue by 14.1%, we've been able to protect our margin profile, showing an increase of 6.4% in PAT terms. Furthermore, our strategic initiatives to cultivate new customer relationships, diversify into emerging sectors and explore untapped market has played a pivotal role in stabilizing our turnover, which has resulted in a less volatile revenues seen compared to earlier years.

The strong growth in our EBITDA and PAT in FY '24 can be attributed to reduced costs following the commissioning of our hybrid and solar power plants. These plants meeting 80% of our captive requirements have led to significant savings in power and fuel expenses. Our renewable energy plants, both solar and hybrid have operated efficiently and generated annual savings -- net savings in excess of INR 12 crores in FY '24. Further, we're planning to add one additional 1 megawatt of captive solar power plant to further reduce costs.

Over the past 3 years, we have maintained the debt-free status indicating our prudent financial management and ability to operate without relying on long-term borrowings. In terms of revenue contribution, exports in the domestic sales stood at 57.7% and 42.3%, respectively in FY '24. The domestic construction equipment industry has demonstrated robust growth, posting a 25% increase in FY '24.

We are very excited to announce the commencement of serial product supplies to the North American Rail Road industry from Q3 FY '25 onwards. This is expected to contribute significantly to our revenue. Looking ahead, we are well positioned to diversify our portfolio into newer sectors such as Rail Road, ground engaging tools and defense opportunities, anticipating substantial revenue growth in the coming 2 to 3 years.



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The new railroad sector is expected to gain momentum from Q3 FY '25 onwards, while discussions with customers in the ground- engaging tool segments are promising. Moreover, the Defense segment holds significant potential for the future. Furthermore, the customers increasingly adopting the China Plus One strategy is a growing trend towards sourcing from India and other regions, which we expect will enhance our market share. We remain committed to exploring further opportunities and are confident in our ability to deliver value to our stakeholders.

In the current financial year, we foresee a subdued Q1 and Q2 and we see an uptrend from Q3 onwards.

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

Moderator: Thank you very much Sir. The first question is from the line of Sahil Sanghvi from Monarch Network Capital.

Sahil Sanghvi: Many congratulations for getting a PAT growth even in such difficult times on a full year basis. To start with, sir, my first question is on the demand side. While you have given a lot of details on how you see the demand moving for the year, I just want to understand from the schedules that you're getting for production from your clients, are you getting a feel that the destocking is coming to an end? I mean can we get some understanding on that trend?

Chetan Tamboli: Yes, Sahil bhai, can you ask all your questions and I will respond together. So if you can ask your second question.

Sahil Sanghvi: My second question is what was the contribution from our American Rail Roads in FY '24, both absolute in rupees, million or rupees crores? And -- I mean, yes, in indian rupees crores? And how do you see this going ahead in FY '25, '26, how do you see this moving upwards?

And my third question is regarding the capex. So I understand that 1 megawatt power plant, I think you are at least spending some INR 5 crores, INR 6 crores on that. And any other capex plan? So the capex number also, if at all, you can give us FY '25?

Chetan Tamboli: Yes. Thank you, Sahil bhai. On the demand side, we have been hearing that destocking should be over by the end of the first quarter, means we're talking about June '24, but maybe, might be -- maybe this might be extended by 1 more quarter. So on the safer side, let's assume that destocking will be completely over by September '24.

And then on the demand side, we do see some slowdown, not a significant slowdown. But that, too, we keep hearing that this is also again temporary measures. Once there is some relief on the Russia-Ukraine war, and also the Israel and Hamas war, so hopefully, the expectation is all this too will end, hopefully, by June, July. So things should pick up surely from -- on a conservative basis from Q3 onwards, but we might see a turnaround earlier also.



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On the railroad side, for FY '24, we did about 2% of our total sales, which would result into about INR 8 crores of sales. And going forward, this number by '26, '27 should be around 14% to 15%.

Regarding capex, this additional 1 megawatt is -- as our output is likely to grow, so we would add this 1 megawatt on our existing facilities and -- which would, of course, result into some savings of INR 1.5 crores to INR 1.75 crores. And the other capex for debottlenecking and adding machining capacities, capex for the year will be about INR 22 crores, .

Sahil Sanghvi: When you expect this power plant to be commissioned?

Chetan Tamboli: We will start somewhere around July, August and hopefully, by December 31, '24, this should be commissioned.

Sahil Sanghvi: Lastly, have we seen some reduction in the raw material prices in Q4? And would this translate into some price correction for our end products in this year? I mean should we be expecting some kind of pricing correction?

Chetan Tamboli: See the input price has been reducing from around Q2, Q3, Q4 in FY '24. So there are marginal sales corrections -- sales price correction has been active. And so for the first quarter, we will have some sales price correction. But again, in the first quarter, the input price has started going up again. So there would be a sales price increase from say Q2 onwards. But overall, it will be a very marginal decrease.

Sahil Sanghvi: Sales volume number, the volume number in tons for Q4?

Chetan Tamboli: For Q4, you said? Can you repeat your question, please?

Sahil Sanghvi: For Q4, sir. The sales volume number for Q4, sir, Q4 FY '24?

Chetan Tamboli: Yes, Q4 is about 3,100 tons.

Moderator: The next question is from the line of Harshil Solanki from Equitree Capital Advisors Private Limited.

Harshil Solanki: I had a few questions. I'll ask them together. So we had to supply 5 tracks for Arjun tank by March '24. So is the supply over? And have we got any repeat orders for that? The second question is the emission norms are expected to change in January '25. So are we seeing any prebuying on account of that and -- which will help us increase our domestic sales at least for H1?

And in the PPT we are saying that the export, we are trying to reach 18 countries plus, and we are currently at 15. So which countries are you looking to enter and what could be the potential on that side? Yes. These are my questions.



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Chetan Tamboli: Yes. The recent supplies, what we had to do were shipped in the last quarter of FY '24. We now have to wait for the tenders to -- new tenders to open and then you have to again bid on it. But as far as we are concerned, we have done our job in supplying the balance supplies, which happened, as I said, in Q4 FY '24.

Regarding these emission norms now, we supply to all the manufacturers for off-highway trucks or heavy equipments. These emission norms doesn't apply to them, the emission norms are mainly for automobiles, MCVs and things like that. So any changes there will not affect our business scenario.

And regarding the additional focus on some countries, we have been trying on several countries, it will be difficult to name which ones we succeed and which ones we don't succeed. But from -- we expect to supply to 18 countries in the next 2, 3 years and present countries are what about, 12, 13 or so.

Harshil Solanki: Okay. Got it. Sir, that emission norm that I was referring to was for the off-highway vehicles only, but anyways. No issues.

Chetan Tamboli: No. Okay. Then -- we are not aware of this, nor our customers have told us this. So we have no idea. Plus moreover, these are more connected to engines, and we don't supply any engine components. So we supply all the other under carriage components. So any changes in emission norms will not affect our business, whether upwards or downwards.

Harshil Solanki: No, sir. What I was thinking was, there have prices increase of the final because the customers may prepone their buying decisions. And therefore, we may see an increase of supply of our components to that vehicle which the OEMs will increase because the demand may get preponed. So that was where I was coming from.

Chetan Tamboli: Okay. Look, I think that we don't see -- we are not seeing any upward change for that matter from our existing customers.

Harshil Solanki: Understood. Understood. And one last question on the working capital cycle. Our cycle has increased to 90 days from 64 days. So can you please explain why that increase has happened?

Chetan Tamboli: See we make a large variety of products and generally, the throughput times are different for different products. Every product has a different throughput time. So if our product mix has changed in the last quarter, that would be the reason for the increase in the cycle to 90 days. But I'm just verifying whether our -- what you are seeing is are we seeing.

Harshil Solanki: It is there in our PPT, I am referring to the PPT.

Chetan Tamboli: So our debtors have gone up but otherwise rest is all okay.

Harshil Solanki: And payables have also decreased?



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- Chetan Tamboli:** Sorry?
- Harshil Solanki:** Payables have decreased. Is it due to the MSME norms or some other reason?
- Chetan Tamboli:** Our creditors and inventories are decreased, debtors are increased.
- Harshil Solanki:** Okay. So -- but this is a temporary thing and it will revive or how do you think of it?
- Chetan Tamboli:** I think on a very macro level, we are on track. Only thing is these aberrations keep happening during the year, upwards or downwards. But our working capital cycle are intact, and we should do anywhere from 75 to 80 days on a sustainable basis.
- Moderator:** The next question is from the line of Anirudh Shetty from Solidarity Advisory Private Limited.
- Anirudh Shetty:** Just a few questions from my side. So we've demonstrated a lot of resilience in our EBITDA in a particular tough year. There's obviously some benefits on the power cost savings. But even if you adjust that, it's still quite strong. So is it fair to assume that our de-risking strategy that we've implemented over the years has kind of brought fruit for us and going forward, we should be able to navigate more tough environments with less cyclical in our earnings, is that fair assumption to make?
- Chetan Tamboli:** Okay. This is your first question. Can you ask another question, I'll respond together.
- Anirudh Shetty:** Okay. Okay. I had three questions, sir. My second question was more on just how does one -- maybe I will club question 2 and 3 in, but you've had a great year in terms of EBITDA margin and return on equity. So does one kind of assume that this could sustain going forward? Or there are some pressures that will come like as we've mentioned in the past, that the margin band could go back to where you used to guide?
- And on return on equity, does this number sustain? Or if we ever choose to do a greenfield project in the future, so ROEs could come down because the asset terms could be lowered?
- Chetan Tamboli:** Over the last few years, we have aggressively worked on derisking the whole company. We've added many end user industries, with the result that cyclical is surely reduced substantially. And this journey will continue over the next 3, 4 years also. So going forward, this will further reduce -- the volatility will surely reduce.
- And on the EBITDA margins, we've always said that we work on 22%, 23% EBITDA margin, and then try on our cost savings and improvement in operating efficiencies and get those extra few percentage points. But if one would ask on a sustainable basis, I think hopefully, 25%, 26% should be a good number, which can be sustained over a longer term.
- Anirudh Shetty:** Got it. And sir, on the return on equity, my question was more on the fixed asset turns in our business, which is a good margin and asset turns leading to good return on equity. So do you



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think that we would get this sort of return on equity, sort of payback we get on the future investments we make?

Chetan Tamboli: Return on equities are quite sustainable, but as long as the net profit increase, bottom, the denominator increases. So with the increase of profits, that will be effect on the ratio. But however, the range of between 30 to 35 is sustainable -- seems to be sustainable.

Anirudh Shetty: 30% to 35% return on capital employed or return on equity?

Chetan Tamboli: Return on equity.

Moderator: The next question is from the line of Bharat Sheth from Quest Investment.

Bharat Sheth: Congratulations to you and your team for a good set of numbers. In the domestic side, this year, our Q-o-Q volume as well as value has gone. Also how much of overall defense has contributed? And since you said that in '25, defense may not contribute. So how do we see domestic business export you have said largely it will bear growth in second half?

Chetan Tamboli: See, the supplies in the domestic -- in the defense industry is very insignificant if you really ask for in FY '24. And overall situation is a little complex with all the geopolitical issues and as I said earlier, we see a little slowdown also.

Now this could be a combination of factors. So first, Q1, Q2 will be softer and subdued and then we see an uptrend from Q3 onwards. So when we see an uptrend, the uptrend will come from domestic market as well as exports. It will happen in tandem.

Bharat Sheth: Okay. Sir -- and second, Chetan bhai, now you said that railway, which is around INR 8 crore, we want to be a 14%, 15% in FY '27. This year from INR 8 crores, do we see a good amount of growth because Railways, we started supplying from the second half onward, I mean, quantity ramp-up is happening. So how do we see ramp-up is happening on U.S. Rail Roads?

Chetan Tamboli: Bharat bhai, there has been a slight delay in the uptrend in the North American railroad segment happening, but we are quite confident here. We should reach 14%, 15% of our sales in FY '27. So we are at 2% now. The current year, we should do 5%. '25, '26 surely, we should do 9%, 9.5%, followed by the -- in '26, '27 of reaching 14%, 15%.

So our smart goal is we have to get to 19% -- 19% or 20%. So we are on that path with some delays happening because of external factors with 1 or 2 quarters here or there. But on a macro level, we are on track, and we will achieve this.

Bharat Sheth: Okay. Great. And are we working on something developing a new part or doing something?

Chetan Tamboli: Bharat bhai, this is an ongoing exercise. It's nothing that this developing new parts happen with a lag of 1 or 2 years. It goes on every year. So as we want to diversify the end user



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industries, we also -- we are also in constant effort to broad base the products also here. So more and more we do, this will derisk the company more and more.

Bharat Sheth: Okay. So I mean putting in different perspective, see whatever we introduce a new product developed in last 3, 4 years, how much the asset contributing currently? And how do we see because initially, it will be a low number, then it will start ramping up.

Chetan Tamboli: Yes. Bharat bhai, honestly, I don't have the breakup now that whatever the numbers from the base products, and what's the number from the new products that we don't have that as of now. But generally once we develop, the ramp-up happens in 2, 3 years' time gradually. But when the overall macro scenario is subdued or slow, we don't see the benefit of those developments. But we surely see Q3 onwards we should be on an uptrend.

Bharat Sheth: Okay. And on this broader perspective, so are we looking supplying, catering to Australia or say South America? Or are we looking for those kind of a market?

Chetan Tamboli: As I said earlier, we supply to about 12, 13 countries, and in the next 2, 3 years, we have to get to at least 18 countries. And Australia and Brazil is part of our radar. So -- but obviously, we do efforts in 7, 8 countries and maybe succeed in 2, 3 countries. So that is going to happen, but these countries are part of our radar and we are working on it.

Bharat Sheth: Okay. And any early -- I mean, success are we seeing, negotiation or it is at what level, I mean, in that journey?

Chetan Tamboli: I can only say now that our efforts are on and our direction is very clear. The strategy, what we have decided is also on track. Now it's a matter of time, 1 or 2 or 3 quarters here or there. But as far as the end user industries are concerned, the increasing number of countries) are concerned, increasing number of products are concerned, we are very, very conscious and our direction is clear, that you can be rest assured that our macro direction is sustainable and on track.

Bharat Sheth: And is it fair understanding since we are seeing the -- in existing, our customer base as well as some trouble and we have sufficient capacity. So at the moment, these greenfield plants that we were evaluating, we are not pursuing it?

Chetan Tamboli: We will pursue it, but we have put this on hold. It's on a pause now. Once we have some clear direction on utilization of existing capacities, then we can trigger the new capacity. So a lot of work has been done, as Bharat bhai you know, but the only thing is we'll trigger this at appropriate time.

Moderator: The next question is from the line of Ashwini Agarwal from Demeter Advisors LLP.

Ashwini Agarwal: **Chetan bhai**, Congratulations. Very good results given a very challenging environment, especially on the margin performance. So a couple of questions. I was thinking about -- you



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earlier mentioned in response to a question that our margins, hopefully, in the next 3, 4 years, will get to 25%, 26%. And I was just doing a quick calculation. Your margins have consistently increased on a per ton basis. Like 4, 5 years ago, we used to be in the handle of about INR 70,000 per ton. Now, it's about INR 90,000 a ton; INR 88,000, INR 90,000 a tons.

With the increase in the U.S. railway business, for example, and it depends, of course, we don't know whether it will come or not come, but ground engaging tools, something that we've been trying to break into, how do you think this number will move? So because the material prices are pass-through. So looking at revenue and percentage of revenue is a harder estimate to make. I was wondering if you can just look at EBITDA per ton and does that make any sense?

Chetan Tamboli: We really don't keep measuring EBITDA per ton or something. But we -- in our pricing strategy, we aim anywhere from 20-22%) and then end up getting -- sometimes we end up with 3%, 4%. Some quarters, we may get even more also. But it'd be safe to assume that 25-26% might be possible on a sustainable basis.

Ashwini Agarwal: Okay. And again, I don't want to -- Bharat bhai's question on the greenfield capacity. I know there are plans in place and everything is ready. How much will you need to spend on the greenfield? And from day 0, how long does it take to get the capacity operational in your opinion?

Chetan Tamboli: See for an increase, if we need to put up another 10,000 tons, it would cost us about INR 125 crores. And the throughput time to -- from the date of Go decision, one commissions in about 24 months' time. So generally, we are seeing industry people are putting capacities in anticipation of a pickup in demand after 2 years or so.

We are pretty conservative thinkers. And unless we get a very, very clear signal, we would not like to trigger this. So -- but as I said, there are a lot of people who do things in anticipation.

Ashwini Agarwal: No. I think what you're doing is fair because every company has its own priority. So I wouldn't comment on that. I think that's fine. But at the existing site, where you have roughly 30,000 capacity, is there any scope to do more than that should the demand suddenly come around and you find yourself short of capacity?

Chetan Tamboli: In our line of business like nothing happens overnight. We still be always on a learning curve. And we still have enough capacity to cater to even any sudden surge in demand. We are ready for it.

Now the smart way to do would be to see that any surge in demand that it is sustainable over a little longer time. You don't want to be in a situation you spend INR 125 crores and then wait for another few years until we get a penny out of it.



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So our approach, as I said, is slightly conservative, but in the larger interest of all stakeholders, it's good, it's better to do the way we can do rather than work on anticipation and do things on speculation.

Ashwini Agarwal: **That's fair.** I wish you the best. Thank you so much for being on the call and answering all our questions.

Moderator: **Thank you.** The next question is from the line of Meet Mehta from Bank of India Mutual Funds.

Meet Mehta: Congratulations for very resilient performance in difficult times. Most of my question have been answered. Just one question. Typically historically, I would like to understand your experience with commodity prices rising. How does it affect the demand of our products? Recently, you've seen that commodity prices have been inching up. So how does it impact our business?

Chetan Tamboli: There is definitely a correlation between commodity prices and demand of our products. More the increase in commodity prices, there will be more mining going on, more equipments are needed and more -- our products are needed more. So increase in commodity prices is a signal that with a lag of 1, 2 or 3 quarters, we'll see that the revival of demand. And this is one reason we've been saying that there will be an uptrend likely uptrend from Q3 onwards. So there is a definite correlation between commodity prices and the demand.

Meet Mehta: Very clear sir. Are we seeing that on the ground? Or are we getting that indication from our clients?

Chetan Tamboli: Yes, we have been getting the indications also. But as I said earlier, the destocking and the inventory clear up and all that is happening, we should -- it should have ended by June, but maybe, let's assume, it ends by September. So once that is over, then there will be a sudden increase in demand also which we will see from Q3 onwards.

Meet Mehta: Okay. And typically, let's say demand comes, how long does it take to ramp up our production and increase utilization?

Chetan Tamboli: Actually, we are ready -- we did about 13,000, 13,500, 14,000 tons of sales. But we are equipped with in terms of manpower and all the resources required, we are ready for 18,000 tons. So once demand picks up, by the time we reach 18,000, and if the requirement is more, we'll work on it and make sure that we cater to that demand. But -- so there is a definite capacity available to cater to that increased demand.

Moderator: The next question is from the line of Sahil Doshi from Thinkwise Wealth Managers LLP.



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Sahil Doshi: Just two questions. One is on the U.S. railroad. I think we had certain approvals, which were pending. So can you possibly illustrate what is the status? And how will the ramp-up plan be for the year?

And the second question relates to this recently announced certain duties on the U.S. against China on the steel products. So do you envisage that this could be a significant opportunity in the long term for Indian exporters like us?

Chetan Tamboli: Can you repeat your first question?

Sahil Doshi: My first question related to U.S. rail. I mean I understand that we had certain delays in terms of approvals for this thing. So could you possibly illustrate where we are and how do we say ramp up for U.S. Rail Road?

Chetan Tamboli: Yes. As far as the approvals are concerned, we have all the approvals in place to start the ramp-up. There are certain initial hiccups happening, which is -- so that's the reason the serial supplies haven't really started, which we expect to start from Q3 onwards. So these are some issues with our customers. They have, in turn, their external issues.

So as far as we are concerned, we are ready and things should start from Q3 onwards. And we've been also hearing that the U.S. has put additional duties on Chinese products similar to ours and we see some significant opportunities coming forward. We have not seen it, it has happened only a few weeks ago. But going forward, we have seen this, there will be a lot of opportunities coming for us.

Sahil Doshi: So what will be the duty structure today and from India versus China? And like-to-like possibly what would be the benefit in your opinion?

Chetan Tamboli: We don't have exact numbers because in the import duties in the U.S. it is too complex, is very strong part to part. But I can say the differential in duties will be now between India and China will be close to 30%, 35%.

Sahil Doshi: Understood. And just one last question. On the GET, we've been anticipating, that will be the next phase of growth, could you talk a little more on that in terms of which areas could it be and by then do we really see some positivity coming too?

Chetan Tamboli: We've been talking to some big companies for these products and substantial headway is also made. We are waiting for some indications from them, but the opportunities are large. And over time, we want the ground engaging tools to be at least 7%, 8% of our sales, which is now insignificant number of just 1%.

Moderator: The next question is from the line of Sahil Sanghvi: from Monarch Network Capital **Sahil Sanghvi:** So while you have been guiding on the margins that it's the 25%, 26% is a sustainable range. I just want to try and understand that what could bring us down? I mean



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what could be those factors which can bring us down from the current levels to 25%, 26% -- also keeping in mind that we are still at around less than 50% utilization, so there will be some operational efficiencies also that will come in. So if you can just help me with what are those factors that could bring us down on margins?

Chetan Tamboli: As we increase revenues and increase output, they will not be adding the same EBITDA margins. So if you do another 10,000 tons with let's assume we have 25% EBITDA. If you average this out 29% and 25%, we'll end up somewhere at 25%, 26%. So that's how it works.

Sahil Sanghvi: Okay. Okay. So are you saying that probably the incremental orders will come at a lower price? Or will the cost be higher?

Chetan Tamboli: It's not coming at price -- this extra EBITDA margins have come up from different-different, it is a combination of 7, 8 factors. Now it won't be prudent to believe that all the 7, 8 factors will keep happening every year.

Sahil Sanghvi: Right. Got it, sir.

Chetan Tamboli: So while you see on an average basis over a longer term, so this has to drop to maybe -- that's why I'm giving an indication 25%, 26%.

Sahil Sanghvi: Got it. And my second question would be you have answered on ground engaging tools, but last September when we met, you had two other projects under consideration, one on track systems for excavators and the heavyweight steel foundry. So any development on those fronts? Any trial?

Chetan Tamboli: No. There are no development on those two fronts. I think these uncertainties in the global scenario is making things little slower down. But we have been talking, and probably people are taking their own time to respond. So what has been identified is right for company. The question is when does it materializes. So the efforts are on, let's see, over the next 1 or 2 quarters.

Moderator: The next question is from the line of Harshil Solanki from Equitree Capital Advisors Private Limited.

Harshil Solanki: Thank you for the followup. Sir, I have question on capacity utilization only. So right now, it's at 40%, and we expect that maybe the margins can drop. So are we willing to take any order at lower margins and increase our capacity utilization because anyways, going forward, we expect it to drop. So any other alternatives at a lower margin, but higher utilization? Any thoughts on that?

Chetan Tamboli: Yes, our focus is not to increase utilization at the cost of margins. So if we do that, we'll fill the capacity in the next few months. But that is not what we intent doing it. So, see, the drop in



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margins, as I said, is because of the -- one may not get 28%, 29% on a sustainable basis. So if you average things out, it'd be about 25%, 26%.

Harshil Solanki: Understood. And just one last small question. Our power cost per ton has increased quarter-on-quarter basis. So what was the reason behind this? Because we have given so many actions to reduce our power costs. But if I see the numbers, it has increased on a quarter-on-quarter basis, per ton basis I'm looking at. So any reason for that?

Chetan Tamboli: I think our power cost has gone down. Where do you see increase in absolute?

Harshil Solanki: So absolute term is INR 7.68 crores has gone up to INR 9.56 crores. And if you look at per ton, because it's a variable cost, that has also gone up.

Chetan Tamboli: We haven't seen this on a per-ton basis, but if you see -- with respect to sales, our power, fuel and water was 9.63%. And the previous quarter 31/12 Q3 was 8.45%. Now the power has actually gone down, but there is an increase in the cost of natural gas. So these are all clubbed together.

Harshil Solanki: Okay. So per unit cost has gone up of the...

Chetan Tamboli: Yes. So power, fuel and water are all clubbed together, and that's why you see an increase. But if you split, 'power, this has gone down, the natural gas has gone up and net effect is increase.

Harshil Solanki: Okay. Okay. Understood. Directionally, our net power cost is lower.

Chetan Tamboli: Absolutely. Yes. On behalf of Steelcast and myself, thanks a lot for taking time out and joining this conference call. And I also want to thank Orient Capital for facilitating this call and helping us connect with all the investors. So thank you again and we look forward to connecting again in the future. Thank you.

Moderator: Thank you. On behalf of Steelcast Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.