"Steelcast Limited Q1 FY-25 Earnings Conference Call"

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MODERATOR: **MR. RONAK JAIN – INVESTOR RELATION PARTNER, ORIENT CAPITAL.**

Moderator: Ladies and gentlemen, good day and welcome to the Steelcast Limited Q1 FY25 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 "*" then "0" 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 Advisors. Thank you and over to you, sir.

Ronak Jain: Good afternoon, everyone. Welcome to the Q1 FY25 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, opinions and expectations as of today, actual results may differ materially. These statements are not guarantees of future performance and involve unforeseen risk and uncertainty 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: Good afternoon everyone, a very warm welcome to the Investor Call for the Results of Q1 FY25.

We find ourselves navigating a landscape profoundly shaped by global geopolitical shifts, the ongoing conflicts and escalating tensions in the Middle East, upcoming elections in the US, and evolving political scenarios in the US and UK are all poised to influence the global economic trajectory. Major central banks have hinted at potential rate cuts throughout the year, yet the persistent challenge of inflation remains.

During our Q4 FY24 call, we anticipated subdued growth of Q1 FY25 and also Q2 FY25. While we did experience a revenue de-growth on a year-on-year basis, primarily due to liquidation of inventory in North America and Europe. However, we remain steadfast in our optimism for a performance turnaround starting from Q3 FY25. We very strongly believe that Q2 FY25 in all probabilities, will be the bottom for the year FY25 and we should be on upward trajectory starting from Q3 FY25 onwards.

In Q1 FY25 we reported a revenue of approximately Rs 78 crores. Despite this slowdown, our commitment to managing operating expenses allowed us to maintain a good EBITDA margin of 26%, exceeding our guided margin of 21%-22%. The strong performance is a testament to our continuous efforts to optimize costs during challenging times. Our EBITDA for the quarter stood at approximately Rs 20 crores with a margin of around 26%. Our PAT for the quarter was Rs 13 crores with a PAT margin of 16.3%. Our revenue split between exports and domestic sales was 51% and 49% respectively. We experienced volatility in both markets due to global inventory liquidation and a slightly slowdown in the mining construction equipment sector. The domestic mining and construction equipment industry reported a 5% growth in the April and June quarter, hindered by a slowdown in new project award due to general elections in the country. However, we are very optimistic about the government sustained focus on infrastructure development, which is expected to ramp up new project awards and faster volumes increases than anticipated in H2 FY2025. Amid this challenging macro environment, we have remained focused on our strategic initiatives to cultivate new customer relationship and expand our export markets from 15 to 18 countries over the next two years. We have diversified from mining focus and construction sectors, including the railroad business, which we aim to grow from 3% in FY24 to 20% in the next three years. Additionally, our focus on ground engaging tools is set to show improvement, and our venture into the defense sector has seen us complete deliveries of critical components, making us the first company to develop such components for defense. Over the years, we have repaid all our short-term and long-term debts and are now focusing on using internal accruals to fuel over CAPEX starting from FY26. The increasing induction of China Plus One strategy by customers, is also positive development, with companies like American railroad seeking to supplement their supply chains from non-China countries, bolstering our entry into the railroad sector.

Despite the current global economic headwinds including war, inflation and significant elections, Steelcast has successfully implemented strategies for cost optimization, exploring new sectors, advancing technology and focusing on new export markets. Our resilience, aided by Indian government support for CAPEX positions us well for the future. We believe that the measures we have taken over the years will prove instrumental are driving our success in the coming two to three years.

On behalf of Steelcast and behalf of our finance team, I want to thank you all for joining this call. However, if you have any questions, feel free to ask them. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line of Sahil Sanghvi from Monarch Network Capital. Please go ahead.

Sahil Sanghvi: Now my first question is, can you give me the volume for this quarter?

Chetan Tamboli: In the 1st Quarter, April - June FY25 we have done 2,635 tonnes.

Sahil Sanghvi: So, sir, that should imply some bit of correction on the pricing also, the realization?

Chetan Tamboli: In the last two quarters, there have been some reduction in the input cost. So, the price reduction is to the extent of 1.5% to 1.75%.

Sahil Sanghvi: That's quarter-on-quarter or Y-o-Y?

Chetan Tamboli: Quarter-on-quarter.

Sahil Sanghvi: Got it sir. And what was the contribution from American Railroads in this quarter?

Chetan Tamboli: In terms of percentage of the total sales will be about 2%-2.5%.

Sahil Sanghvi: Got it. And just wanted to understand the further trajectory when it comes to the realizations, because we are seeing steel prices will correct in the last few weeks also. So, are you expecting some bit more pricing correction?

Chetan Tamboli: No, we believe the input prices are somewhere near the bottom, is unlikely to go down now, and if at all, they might be on an increasing trend from the third quarter onwards.

Sahil Sanghvi: Right. And the margin correction was largely because of the pricing pressure and fixed cost, because of the lower utilization?

Chetan Tamboli: The main significant reason is the lower utilization, otherwise in terms of gross profit margins, PAT margin, we are on track, and we should perform once the volume increases.

Sahil Sanghvi: Got is sir. And just wanted to confirm one thing, you did speak about some kind of product you developed for defense, is there some meaningful development on that front over and above what we discussed in the last concall?

Chetan Tamboli: We are waiting from Ministry of Defence to float out new tender. So, as and when the new tender we will be bidding for it, and as of now, we are the only ones who have developed this part. So, we will be competing with some foreign companies for this part. So, this parts are being imported now. So, we are hoping that the tenders come up as soon as possible, so we get some advantage of those volumes in the current FY25.

Moderator: Thank you. The next question is from the line of Harshil Solanki from Equitree Capital. Please go ahead.

Harshil Solanki: Sir, just continuing from last question, can you specify the part which you have developed for the defence, we were supplying track and what new part are you talking about?

Chetan Tamboli: I am extremely, sorry. These are confidential things, if at all, when we meet personally we can further interact on it. We can show you also those parts, but because of confidentiality, we can't talk about the exact, specific part. Please excuse us.

Harshil Solanki: No, worry sir. Sir, we are saying that Q3 there would be an improvement. So, do we have any order book or production schedule in our hands which gives us the comfort that Q3 will be better for us?

Chetan Tamboli: a) Yes, our order books have gone up in the past one to two weeks, , b), after interaction with practically all our customers we have got forward indications for the month of October, November, December. So, putting all these things together, we believe that we will be on an uptrend from Q3 onwards, and which we will see when we have an Investor Call after the Q3 Results.

Harshil Solanki: Okay, got it. And sir I had two questions on the annual report. So, you have mentioned that we are looking to do CAPEX to make larger weight items, and then we are looking to make parts which our customers do and enter into next stage of products which are addressed by only few global foundry. So, basically, we are looking to move up the value chain. So, can you please highlight what all we are doing in those lines?

Chetan Tamboli: So, I think, two quarters back we had also reported on the company's website as well as on the stock exchange also. There are four projects we have been working on, the soft work has already been over, and one of those projects is to make heavier piece weight. The other is to, for additional capacity of 10,000 tonnes. Third thing is to go into ground engaging tools. Now all these projects, actually the soft work is already ready, so once we see some visibility from different customers, we will trigger these investments one-by-one, which one will fructify first at the moment we have no idea, but the efforts are on for all the four projects which we have been working on. And we also expect the utilization to go to above 75% in FY26 so additional expansion will trigger there.

Harshil Solanki: Okay, got it. And on the productivity part, we have said that we target to improve it by 25% so, what are the further levers that we have. We have said automation, but can highlight a more on what are you planning to do to improve the productivity?

Chetan Tamboli: In terms of automation by and large we have finished doing whatever is possible in terms of automation. There is a constant drive towards improvement of productivity, better layouts, the lean manufacturing setup. So, year-on-year, we will definitely see an increase in productivity levels, only thing is for the year FY24, when the volumes were lower. In fact, productivity went down lower because we have not retrenched any people. We have retained all our people.

So, I don't remember about this 25% increase in productivity level when did we speak. But we will see year-on-year, definitely 7% to 8% increase in productivity level.

Moderator: Thank you. The next question is from the line of Bharath Sheth from Quest Investment. Please go ahead.

Bharath Sheth: Chetan, just want to get sense is that I don't want any much detail on this defense part, but if you can give some color , what is the kind of a potential that we see in this business. What you spoke that you are expecting some kind of a tender and will it be a regular business or one kind of, one business and again you have to wait for so if you can give little more color, the total potential of this business?

Chetan Tamboli: See the potential of the parts which we have developed might be in the region of 60 to 65 crores and these are parts of combat vehicle which have been imported now. Now the question is, we have no idea on what inventory the army has, but we have been told that there will be a new tender coming up and we can participate in this. The question is now time, when will it come out and when we will bid for it, so let's hope for the best that this is done as soon as possible. So, we get some volumes out of this business.

Moderator: The next question is from the line of Bharath Sheth from Quest Investment. Please go ahead.

Bharath Sheth: Yes, sorry you said that it is a 60, 65 crore, and then my line got disconnected. So, if you can?

Chetan Tamboli: So, the potential for this part is maybe around 60, 65 crores, but we will have to see we don't know what inventories the army will have. We have no idea on it so, we will have to wait till we see the tender document, and then we will be bidding for it. And we are hoping that this tender is out immediately, then followed by opening immediately and getting an order thereafter. So, let's hope for the best that we get to deliver some part of that in the current financial year.

Bharath Sheth: Okay. And second you said, expanding country from say 15 to three more countries. So, what is the status of that and again, for those countries, we are working for the same component currently mining, or it will be a different industry we are targeting?

Chetan Tamboli: For these three countries from 15 going up to 18. We already have trial orders for new parts development, and these are from the construction industry, not from mining or earth moving, but these are from construction industry. So, hopefully we develop those parts in the current financial year, so we do some volumes in the next financial year. But we want to at least cater to about 25 countries in the world. This is my smart goal Bharath. So, we should reach 18, hopefully in the early part of next year. And our drive to increase this foot print of Steelcast to 25 is an ongoing and continuous process. And also, our focus on railroad is pretty much on track. And as I said earlier on this call, from 3% sales to the railroad industry in FY24 we want to get to about 20% in the coming two to three years' time. So, I can say our direction is clear, the path is clear, the question is now the time and the execution.

Bharath Sheth: Great sir. Second, if one has to look at these are good diversification, but realization wise and profitability wise is the same at par with the mining equipment or it is little lower?

Chetan Tamboli: No, as we have been, Bharath as we have been saying on conference calls, and also investors whenever they visit, that we are aiming at 21%-22% EBITDA across all parts. We may get sometimes more, we may get sometimes less, but our aim is 21%-22% and then we manage 3%, 4% by way of different cost reductions, exchange benefits and things like that, but so the direction is also clear, and we are quite focused on this.

Moderator: Thank you. The next question is from the line of Deepak Saha from Diya Chokshi Finserv Private Limited. Please go ahead.

Deepak Saha: Chetan, sir first of all, thanks and congratulations to you for showing such resilience in this quarter, despite such challenging times, the kind of resilience you have shown is really commendable. Just one thought process I am trying to understand, if we see Steelcast comparing where it was, the mining focused company now diversified into mining construction, earth moving, defense, railway. So, that particular thing has taken place over the years, and there is a very good diversification that you have done. Now, going ahead if you further enter and diversify into other segments, you constantly do R&D, and spend some amount of money on research. What is your thought process whenever you are thinking about getting into a particular industry, and how do you as in, how the organization thinks before entering into any particular vertical or a particular sector, because definitely you have your capabilities focused in a particular industry. Now, when you move to another one, how do you think about it before making that decisive call? This is my first question, sir.

Chetan Tamboli: So, Deepak so far was focused on mining or earth moving, and then to some extent construction. We have added four or five different industries. So, the industries we cater to are now close to about nine. We don't plan to add any more industry at this point of time. Our focus is the other than the three major we focus on before where the volumes have to go up from 1%, 2% to anywhere from 10% to 20% with railroad we want to hit 20%. So, there are industries like locomotives, ground engaging tools. So, within this five, six industries we want to grow more compared to the base industries what we have been doing. So, to answer your question, we don't plan anything at this point of time to add another industry.

Deepak Saha: That's really fair. The kind of trajectory you have taken and more continuous focus to grow the muscle in the existing segments you have entered would be more prudent, and this is a prudent strategy cheers to that. So, another thing now we being also a material player in the export segment. What kind of movement you are seeing on the freight side, what are those challenges within the geopolitical cluster that is there. And I know it's difficult to call out whether it is going to be structural shift or transitory, but just trying to understand sir, how is your thought there, because we have been seeing this for quite a sometime, though you are expecting, not Steelcast as a company but the industry all around. What is your sense sir, how this things are turning around?

Chetan Tamboli: Are you talking about the geopolitical situation or some other thing?

Deepak Saha: The freight part, the challenges you are facing on the freight side, because you are exposing on the export, so you have to do that transport part. So, how, how challenging those things have become compared to and then how quick you expect certain turnaround or is this at all expected or going to be the new normal probably?

Chetan Tamboli: Okay, I think, you may not be aware, but there are many investors who are aware that since 2019, onwards we changed our policy that we will sell on ex-works basis only, so any increase in freight cost, that happens directly to our customers, we are not being affected. But that doesn't mean we are happy about it, because at some point if the freight cost goes very high, then it may not become viable to buy from India. So, as such this is not affecting us yes, but what is affecting us is the voyage time between India and the countries we export that has increased significantly. So, with that result, there are shipments getting delayed. Customers are also worried about on time still getting it, but by the end of the calendar year, whether it's Russia Ukraine war, or the Middle East tensions, or things like that, they should all subside, and the world should be more peaceful effective January 25, this is my personal intuition you call or my personal what I think might happen.

Deepak Saha: Got it, and that's really helpful sir. Thank you. One last thing before I wrap up from my end, probably railway side initially there is a guidance of, if I am not mistaken around 5% fall by 25 and keep on increasing it on the subsequent years. So, are we still sticking to those kind of numbers for the full year?

Chetan Tamboli: Absolutely, I just said that we want to get to 20% so that's the goal for FY28. So, you should keep seeing improvements, year-on-year when we move forward, and maybe at some point of time we will also report on the stock exchanges and also in the annual reports of our industry wise sales year-on-year we will give the past data and also the likely future projections also.

Moderator: Thank you. The next question is from the line of Praneeth from Samatva Investments. Please go ahead.

Praneeth: So, one thing I was curious about, you are interested about adding more customers across different industries other than mining itself. But the thing is that, at the end of the we are still very mining concentrated, earth moving and all of that. So, are you not planning onboarding customers a little away from the mining industry itself. Like right now, we ventured into construction and locomotives. So, are we on the same tangent we are going to onboard more other industries or like are we planning on changing the mix to take the risk away from mining industry on itself?

Chetan Tamboli: No, as I said the major concentration within three industries, but we have added six more a few years ago. So, the focus is, how do we increase customers in those six and that's a continuous and ongoing process. We will keep adding more customers in the six different industries than we have did before. And the efforts are also on that even in the existing industries where we are catering, we will keep adding customers in those industries also. The idea is to become more and more broad based and make the company significantly risk free. So, like in the past, needs to have uptrend and downtrend 30%-40% that has been reduced to 10%-15%. In next one or two years, we want the variation just to be 4%-5% and that happens only when the company is broad based with new customers or more customers in every industry, so that the process is on, the path is clear, the direction is clear, so we will get there hopefully in the next couple of years.

Praneeth: Understood. So, I had one more question around similar lines, in a previous earnings call you mentioned that our products are 25% cheaper than the European products that are made. Does that, thing still remain to this date, and does this 25% price parity include the freight and transmission cost, the landing cost of the consumer at the particular location, or is just before all of that?

Chetan Tamboli: No, for sure our costs are definitely 25%-28% lower and these are all comparisons based on landed cost at the customer end, which includes all the inward cost in that respective countries, the freight cost, or any other logistic cost, is all put together. We were lower, and we are continuing to be lower.

Praneeth: Understood. One more question on the broad base of the company. So, basically, in 2013 we had 287 crores worth of sales. And it took almost nine years for us to reach back to a similar level of 302 crores in 2022. Like in between, we reached in 2019 but that was an again spike. So, what, like you told you have been onboarding customers throughout this time. So, why haven't we seen the changes like the revenue growth before this?

Chetan Tamboli: A very good question, if you see 2013 we did the number what you just said, but we also had a huge debt, so we were financially in great difficulties. We almost became an NPA company, but just managed to survive before getting that black spot on the company. So, when the company struggles for all kinds of funds, and when there are survival issues, the focus is more on survival than growth. Now, this is bound to happen for any company in any field. So, a few years went away in trying to survive. Having survived, we are on the path of we made company debt free, embedded more customers, so those things will accelerate now.

Praneeth: Understood. That's a great job you all are doing for that. So, the sudden drop was the reason, because you intentionally avoided a few orders to improve the balance sheet, or that customers left us, or that to refrain from giving further orders. What was the situation?

Chetan Tamboli: See, several things happened together. One was huge investments of about 130 -140 crores done at the time in FY11, 12, 13. Two, server recession in the end user industries we were catering then. So, with that, it resulted into lower orders. So, lower orders, a very high break even points, huge liability of people, huge debt, huge interest payment, and the company wasn't broad based like what we are today. So, all this affected us, but we got out of it, and the past is left behind and we will strive to perform what we are envisaging further making the company risk free, broad-based the company, keep doing it more and more. So, that's the plan.

Praneeth: Okay, understood. So, one more question along those lines, over time you told you have improved your quality practices and improved all those factors, our rejection rate, you mentioned in one of the annual report in 2017 was around 10%, does the same level remain now or with the efforts we put into improving the production has it reduced further?

Chetan Tamboli: Sir, we were never at 10% I don't think I would have ever said 10% rejection, no company will survive.

Praneeth: It is mentioned in your 2017 annual report.

Chetan Tamboli: So, 2017 you said?

Praneeth: Yes, 2017.

Chetan Tamboli: So, we will check on that, it's about seven years I don't remember now. But anyway, our customer rejects are less than 0.25%, internal rejections are anywhere from 3% to 3.5%, and these are the levels one has to maintain to be globally competitive. And we will check on this 2017 annual report. And if you can give your email ID and your name to Orient Capital we will also respond to you.

Praneeth: Thank you very much about that. If you don't mind, I have one more question. In your annual report, you mentioned that for replacement parts, you wanted to put another green field facility. So, what is the reason for having a new facility then, like expanding the existing ones to serve the replacement market. And one more along the lines of replacement market like, have we not been putting efforts into finding products for replacement market, or like if we are not serving them, who are serving them at the moment, and how is the competition from that side?

Chetan Tamboli: See, the parts for the replacement market can be made in the existing facility. But the replacement market is very competitive. The layout and the facilities have to be slightly different if you want to be globally competitive for replacement part. So, we are talking to few big companies for a long-term contract, and if that fructifies, we will put up a dedicated facility for this replacement part. Though, as I said we can make in the existing company, but once you want to be globally competitive, you might need to have a dedicated facility.

Praneeth: Got it, but we had a 1% replacement revenue contribution, like four, five years ago, 1%, it has remained for 1% and it dropped down to zero at the moment. So, at the moment did we stop completely focusing on it till we put up the new facility or what has happened for that?

Chetan Tamboli: No, at the moment we do cater to replacement market, but through our existing OEM customers. In the past we used to do that 1% directly. So, in fact we may be doing close to 10% of the sales in the replacement market, but it goes through our OEM customers. But what we intend to do is, significant increase in what we are doing now. The intention is to make the company further de-risk the company.

Praneeth: Got it. But the thing is so, who are the primary competitors, is it China or is it Europe for replacement market, or is it India itself?

Chetan Tamboli: The industry where we are focusing now for the replacement market, China is the dominant supplier but once again, we have selected a product mix where competition to an extent, is little less so in general, China is a dominant supplier, but we have our own space. We have targeted certain products, and we intend to and we are working on that.

Praneeth: Okay, got it. So, I was curious, like you mentioned that in replacement market the competitive forces are much higher than the OEM direct the first time OEM market. So, I am curious, with the higher competition, the margin will obviously reduce. You have been guiding to us that the margins are going to remain at 20%, 22% which is very high to begin with, agreed in casting it's very high. The thing is, with as a product mix, the skills towards replacement as we keep putting more efforts, are we expecting a drop in EBITDA margin, the guidance from 22% to a little lower, or how is it going to be?

Chetan Tamboli: No sir, our focus will be always whether it is X products, Y products or Z products it will be 21%, 22% we do not want to do business below that.

Moderator: Thank you. The next question is from the line of Shikha Mehta from Time and Tied Advisors. Please go ahead.

Shikha Mehta: I just have a few questions. I am not aware if someone already asked this, what is our capacity utilization?

Chetan Tamboli: The capacity utilization for the current year FY25 will be about 43%- 44%.

Shikha Mehta: And if I am not wrong, you are targeting next year to be closer to 75%?

Chetan Tamboli: There is guidance given in the company's website also, a macro plan what we plan to do, and if I remember correctly we will reach 75% somewhere in the middle of FY27.

Shikha Mehta: FY27 okay, so post that we will be looking to add a new capacity?

Chetan Tamboli: Yes, somewhere around that area, once we see a clear visibility that we are getting to 75% we may do it beforehand also, but as a policy, we really don't trigger this high CAPEX in anticipation of something good likely to happen. Once we see this visibility, we will trigger this.

Shikha Mehta: Understood. And sir again, since a lot of our revenues are currently dependent on the mining industry, I just wanted to pick your brains a bit to understand what you think about the industry as a whole, because over the last few months and almost year actually no mines are been being awarded domestically. So, are we seeing any pickup in the industry as a whole, or not yet?

Chetan Tamboli: See these industries once the mines are awarded, these are industries which have very long gestation period. Our customers are also quite upbeat on allotment of mines, not only in India, but across the world. But from this to change into a good business situation, it takes anywhere from one to two years' time. So, we see maybe from third quarter onwards, mining and earth moving industry also likely to do well, and also the other industries also.

Shikha Mehta: And sir again to understand this a bit better, one would assume that if mining picks up as an industry, our company should do substantially better than what we are guiding. So, would that be a fair judgment to make, or do you think that's not how it works?

Chetan Tamboli: See why we are saying that the third quarter onward, we should start seeing an uptrend, for a couple of reasons one is the excess inventory in the supply chain right from our customers, their dealers everywhere that is almost towards at the end of liquidation. There was a little slowdown from last quarter onwards, which is also likely to end, hopefully, at the end of second quarter, and as per the information from our customers, they see an uptrend happening from the third quarter. So, there are every positive factor, and we believe that our second quarter might be the lowest in the coming times.

Shikha Mehta: Sure, sir I completely agree with what you are saying. I just believe that maybe our guidance given how the industry is going to pick up, might be a little on the more conservative side. Is that correct to assume?

Chetan Tamboli: I would not say it's a conservative side, because these are all predictions are based on information from customers, information from the world market and so, I wouldn't say either it is optimistic or pessimistic or conservative something like that. I would say these are fair judgments.

Shikha Mehta: Understood. Sir, we spoke about our new defence part, which we are currently developing. And apart from this, we also have the Arjun tank trackpads which we have developed historically, is anything else in the pipeline currently, from the defense point of view?

Chetan Tamboli: No, madam there is nothing else in the pipeline we are just hoping to get this hopefully to a bit on the new tender, which is likely to come, but there are no other parts which we can say that it's in pipeline or so.

Moderator: Thank you. The next question is from the line now Nishid Jain from SNJ Investments. Please go ahead.

Nishid Jain: May I know the current order book for FY25?

Chetan Tamboli: About 65 crores.

Nishid Jain: Okay, and out of this, how much can we expect from exports?

Chetan Tamboli: Roughly, maybe 50% to 53% maybe exports balance will be India.

Moderator: Thank you. The next question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Sir, you have mentioned that for the last few quarters, your demand has been depressed because of destocking at your customers end. So, just wanted more understanding on that. So, are our products make to order, or are they make to stock because destocking generally happens when the product is standardized. I thought in heavy industrial castings you would be making more make to order kind of product. So, just wanted some clarity, where did we see the destocking?

Chetan Tamboli: a) See our products 100% are made to order. b), the same products these are used in new equipment bills also, and these products are used for maintenance also. So, they were excess inventories built in FY24 at the customer end and also at dealer’s end. So, at some point probably when people realize that they have excess inventories, they will start destocking. So, the destocking happens at the customer end also and at the dealers end also whatever is going for maintenance purposes it goes to dealer, they also started destocking. So, though we have special made to order products, destocking happens there also.

Nirvana Laha: Okay, so which industry did you see the destocking happening, the earth moving industry, or across industry?

Chetan Tamboli: Of course, a significant portion happened from mining, earth moving and construction, but also others also. We kept hearing on this for about three, four quarters that this is what is happening. So, which we now get an indication that this is almost over now, and that is a reason we are predicting improved results from Q3 onwards.

Nirvana Laha: Got it. Sir, if I look at your past history, you explain very nicely like in 2013 what the issue was for the next four, five years. But there was another phase from 2020 onwards where our revenues dipped quite a lot. So, what happened in that case and was that a result of cyclicity in our demand and as you have said that you have diversified now so are we unlikely to see that kind of a dip going forward in our journey?

Chetan Tamboli: See if you see FY20 and FY21 these were COVID years. If you delete these two years from the excel sheet, you will see a steady and moderate growth from FY17 onward till today. So, those dips were because of COVID.

Nirvana Laha: Okay, sir. Final question sir from my side, so you said that you are at around 40% to 43% utilization now and FY26 or mid of FY27 you hope to be at 75%. So, that looks like a 30% kind of annual growth on volume. So, my question is, historically we have not seen such strong growth so, is this something that we have strong visibility on. And second is, along with volume, do we expect that realizations will also continue at the same kind of level over the next two, three years for this growth?

Chetan Tamboli: See, when I say middle of FY27 means we are talking about almost two and a half years. So, that 30% growth you need to distribute between two years. Once you do that, it becomes 15%, which is a normal growth. So, there's every possibility that this can happen. b), your question on the margins as I said, we have a policy that we will work and aim at 21%, 22% margin. We don't want to work below this, we will not be in a hurry to fill the capacities. And so, we will do, we will work on top line, but will equally give a lot of importance to bottom line also.

Moderator: Thank you. In the interest of time, this was the last question for today's conference call. I would now like to hand the conference over to Mr. Chetan Tamboli sir for closing comments.

Chetan Tamboli: Thank you all for joining this 1st Quarter investors call. We deeply appreciate your participation. Thank you for asking very, very good and relevant questions. Feel free to reach out to us directly or through Orient Capital, who are our advisor, and we look forward connecting with you again in the next quarter. Thank you, thank you very much.

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