"Steelcast Limited
Q1 FY2023 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY2023 Earnings Conference Call of Steelcast Limited. As a reminder all participant lines will be in listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Faraz Ahmed from Orient Capital, Investor Relation Partner. Thank you and over to you Sir!

Faraz Ahmed: Thank you Michelle. Thank you and welcome to the Q1 FY23 Earnings Conference Call of Steelcast Limited. Today on this call we have Mr. Chetan Tamboli – Chairman and Managing Director; Mr. Subhash Sharma - Senior VP (Finance); and Mr. Umesh Bhatt – Company Secretary. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions, and expectations as of today and actual results may defer materially. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. A detailed safe harbor statement was given on page #2 of the company's investor presentation which has been uploaded on the stock exchange and on the company's website as well. With this I hand over the call to Mr. Chetan Tamboli for his opening remarks. Over to you Sir!

Chetan Tamboli: Good afternoon everyone on this call, a very warm welcome from Steelcast Limited. It gives me a great pleasure that the company has reported strong financial performance even during the challenging times. Despite the global issues, the inflationary conditions, we are able to grow in terms of volumes, revenues, revenues growth was around 120% year-on-year and PAT growth was about 167% over the same period last year.

Just to give you all a brief: 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 then a public limited company in 1994. The Company enjoys a premier position in the steel casting industry and manufactures wide range of steel and alloy steel castings catering to diverse industrial sectors like cement, mining, earth moving, construction industry, industrial machinery, railroads, locomotives and the company enjoys longstanding relationship with the globally renowned marquee clients exporting now to close to 15 countries. Original equipment sale are more than 99% and being a preferred steel casting player the company enjoys long-term spending relationship with globally well reputed clients. The Company is now 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 the global standards and certifications speak volume of its capabilities.

The key developments for the first quarter FY2023, the revenue and profitability continue to get better and it has been even further as the focus is very clear to reduce dependence on the base industries we have been catering all these years and focus is on diversification of the end user industries. We plan to focus aggressively on the North American Rail-Road industries to increase customer base, increase number of parts, going ahead strong traction could be witnessed for the products with a healthy order book for the next few quarters. The company has signed a long-term supply agreement with the large Railroad OEM in USA to supply steel castings for the North American Rail-Road industry as announced earlier. This new agreement will help us to derisk the business by reducing industry concentration and further concentrate this position in the overseas market. The steel castings which are being supplied in this agreement are in advanced stage of development and will generate additional revenues for the year around 75 to 80 Crores in the coming one-and-a-half to two years' time starting from FY23 third quarter onwards. Thereafter annually we plan to do sales of around 80 Crores year-on-year. The company has obtained required approvals and also applied for recertification which will be completed within the next three months' time. This new agreement will help us to derisk the business by reducing industry concentration and further consolidate position in the overseas market. Considering company's high-quality standards and on-time deliveries, we are confident to have a long-term association with this customer.

Further more to support our plans to derisk the business to reduce dependency on one or two sectors we envisage the foray into new business segments like defence, ground engaging tools in addition to railroad, locomotives as I explained before. In the past few quarters dependence on earth moving/mining sector reduced and revenue from other sectors has increased. The company has also obtained Aerospace Certification from a German agency which will help in exploiting German markets. With this development we anticipate share of revenue from mining, earth moving to decline in the coming 2, 3 years time. The long term supply agreement with large OEM in North America will help us to establish its position in the Railroad industry. We currently have exposure to core industrial sectors like earth moving, mining, mineral processing, locomotives, cement, transportation, steel, etc., and are positioned to benefit from capex/infra spend in India and other countries going forward.

We also planned install another 5 megawatt power plant. We have entered into a 25-year power purchase agreement through wind & solar hybrid power project to be set up in Gujarat region in captive consumption mode. We expect to receive power from this hybrid plant on or before March 31, 2023. There are about six other companies which will be drawing power from the same hybrid power plant. The company has also planned to put up another exclusive 5 megawatt solar power plant with an investment of about Rs.22 Crores which would result in an additional saving of Rs.4.25 Crores per year and we expect to gain from this plant also by on or before March 31, 2023. Both these plants will meet around 80%-90% of the total power requirement and the balance 20% requirement will be met through the state electricity board.

On the volume front we will continue to increase as we add new clients and aim to increase orders from existing clients also. The capacity utilization in the first quarter of this year stood around 53% compared to 29% in the corresponding quarter Q1 of FY22.

Some of the key financial updates: Our revenue grew about 120% on year-on-year basis to about 116 Crores on the back of strong order book and the customers across all industries. Domestic revenues stood at 43 Crores a growth of about 105% on year-on-year basis. Export revenue stood at 73 Crores with a growth of 128% on a year-on-year basis. EBITDA grew by 108% on a year-on-year basis to Rs.24.1 Crores for Q1 FY23. Our PAT has also grown by 167% to Rs.14.1 Crores compared to 5.3 Crores during the corresponding period of Q1 FY22. Volume growth, operational efficiencies, cost rationalization efforts led to an increase in overall profitability and also softening of input prices in the first quarter of the current financial year. Thank you very much and we look forward for any questions any one of you have. Thank you again.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Ritesh Chedda from Lucky Investment Managers. Please go ahead.

Ritesh Chedda: Thank you for the opportunity. Sir based on your Q1 performance and the visibility of the order backlog that you have in hand what kind of capacity utilization do you foresee for full year FY2023, we have done about a shade less than 4000 tons in volume in Q1 can we annualize this number based on visibility that you have or we should look at it otherwise considering the lumpiness that is there in your business actually?

Chetan Tamboli: Yes, the plan is that for the full year we should have about 57% utilization, on shipment basis we have done about 53% in the current quarter, but as we move out it should increase and we should end up the year with about 57%.

Ritesh Chedda: On the steel price side after the rise in Q4 and then the softness which we see so what kind of steel realization drop should we see in your revenue line or you would largely be flat on a Y-o-Y basis considering the current steel price?

Chetan Tamboli: As I said in the first quarter April, May, June gradually the input cost whether it is steel, metallics, ferroalloys, and binders, etc., they have softened. So effective July 1, 2022 we may have some base price drop because of the benefit we would have from the lower input prices and as we have base price variation formula across all customers and all industries, so these things will move now with a lag of a quarter. Have I answered your question?

Ritesh Chedda: No, I was actually looking at based on the price rise that we saw in the steel and the fall that we saw now between your 2022 revenues and 2023 revenues will it be a largely flattish steel price for your realization or a drop in steel price?

Chetan Tamboli: Our prices may drop 3%- 4% on a year-on-year basis because of the softening of input prices but as these are very volatile so we are not able to have visibility beyond the quarter but by and large this is what I personally feel with all the geopolitical situation what we have we would have a maybe drop of 3%- 4%.

Ritesh Chedda: Lastly on this railroad and locomotive side the two new customers when should it start contributing to revenue, does it mean that your FY2024 you will have this additional 75 Crores business flowing through?

Chetan Tamboli: We expect to recertify ourselves towards end of October from the American Rail Road Association which is a premier body who certifies company who can supply railroad products. So thereafter we will see some small volumes happening right up to FY2023. The peak of 75- 80 Crores, I expect this to happen in FY24 for the year 2024-2025 and together with one or two more customers where we are developing this railroad part, so we should see this keeping in 2024-2025 so about one year nine months from now.

Ritesh Chedda: So do you have the visibility for this 57% utilization which you mentioned for 2023 do you have the orders in hand or the supply schedules in hand?

Chetan Tamboli: We have enough supply schedules on hand to claim that we will do 57% and we do have a very, very strong visibility. Customers may place orders for about 2.5-3 months at the time, but they keep asking us to keep capacity on reserve. On that basis we are pretty confident to have about 57% utilization for the whole year.

Ritesh Chedda: Lastly this 11 Crores power saving will be additional over and above the 21%, 22% margin that we already making right this power saving will come next year just to clarify?

Chetan Tamboli: Absolutely both these plants should be commissioned on or before March 31, 2023 so theoretically we should start getting the savings effective April 2023.

Ritesh Chedda: Perfect Sir thank you very much and all the best to you.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Sir you talked about utilization what sort of number would you have for FY24 and your visibility, or confidence regarding this?

Chetan Tamboli: As of now we have indication from all the customers for FY23-24 barring unforeseen circumstances and the new geopolitical situation emerging between China and Taiwan barring all that we should do anyway from 70% to 75% in the next financial year.

Prateek Chaudhary: Thank you Sir.

Moderator: Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: Sir with the steel prices softening our EBITDA currently is Rs.45, Rs.46 per kg do you see it going down in case the steel prices correct?

Chetan Tamboli: I think this number should be transferred either way with whether the prices go up or go down or steel prices go up and down we should be around this level.

Ronak Vora: So in case saying the current steel price goes down by say 20% to 30% we will still make Rs.45 EBITDA per kg is my understanding correct?

Chetan Tamboli: Yes. Theoretically yes, we should be able to do the same.

Ronak Vora: On my second question currently what is our inventory days as of June on the raw material end?

Chetan Tamboli: Our raw material inventories will be close to about 40 days and if you see overall inventories in FY22 all types of inventory it was about 143 days or so.

Ronak Vora: How much of this inventory would be at high cost and we do have to take an inventory write down going ahead in case prices soften?

Chetan Tamboli: A very negligible part because see 44 days would also have all the core spares and two-three items also for the top class items the inventory would be much lower than 30 days time so we should be in line with the current prices.

Ronak Vora: My third question was on the order book in the last quarter you said it was around 200 odd Crores where are we in terms of order book as of the June quarter?

Chetan Tamboli: We should be in excess of 300 Crores as of now but this number keeps fluctuating month-on-month basis but if we have to do sales on an annualized number of Q1 is about 460, 465 Crores, so at any point of time we would have about 300 Crores of order book.

Ronak Vora: This year are we sure that we will be able to surpass the 400 Crores of topline in this quarter in this year?

Chetan Tamboli: Sir if we have done 115 Crores in the first quarter theoretically that number should be 460.

Ronak Vora: No what I mean to say is because in Q2 and Q3 is generally a soft quarter for us and then everything gets picked up in Q4 again for us so that is why I just want to understand?

Chetan Tamboli: We have a very strong visibility for Q2, Q3 so I would say that we should surely cross the annual rate of 115 Crores for FY23.

Ronak Vora: I had one last question. We are setting up the 5 megawatt power plant and you said there will be a savings of around 11 Crores so can you just help me understand how?

Chetan Tamboli: Our power cost is around Rs.8 a kg we would be buying this at a substantially lower price so whatever generation happens in both types of our power plant the hybrid as well as exclusive solar and whatever generation happen we buy it at a substantially lower price so the generation into the savings which will make it to about 10.5-11 Crores.

Ronak Vora: So will it happen in FY23 itself or in 2024?

Chetan Tamboli: I just said a little while back that both these plants we expect to commission this on or before March 31, 2023 so we should start getting savings from April 2023.

Ronak Vora: Okay thanks Sir.

Moderator: Thank you. The next question is from the line of Ishika from Niveshaay. Please go ahead.

Ishika: My first question is since we are diversifying into other industries as well like locomotives and railroads I wanted to understand what is actually helping us to get those orders and who can be our direct competitors into this industry as well as in locomotives, railroads or even in mining who can be our direct competitors?

Chetan Tamboli: For each of these end user industries and within the end user industry there are a lot of players so in terms of competition we would be competing with different companies whether it is located in Brazil or United States, maybe China or some East European companies so it will be really difficult to really find out exactly and even within customers in terms of number of parts we will be competing with many players so very difficult to answer this question who is the competition and how are we compared to them because most of these players are closely held.

Ishika: What is actually helping us in getting the orders of locomotives like the order we have received from US so what actually helped us getting that order?

Chetan Tamboli: See one is the kind of facilities we have there may not be many players like us. I would imagine not more than 6-7 players who would have complete integrated facilities like we have a), b) we have been supplying to this host of OEMs across the world so there is a good reference for the company in terms of qualities and deliveries and if anybody looks at India, and wants to source from India then within India we would be the top one, two, three players and plus our sales team also is very aggressive in finding customers and trying to see what their needs are and what our capabilities are, so all these sectors put together, we are able to penetrate in this advanced market.

Ishika: Our current order book execution cycle Sir, these 300 Crores right now on basis of whenever we compute it must be around one year?

Chetan Tamboli: No, as I said if we have to do sales of the annualized number of first quarter and if you have 300 Crores so it would be five, six months. I also want to add that other than the facilities and the quality I think in India there will be only two players who have certification from the US railroad who can supply castings to US for North American railroad. So there is one player and we might be the second one in India, so that is another factor why these customers come all the way to India.

Ishika: Sir, can we know that other player as well the name of that player?

Chetan Tamboli: I am not very sure but could be Texmaco.

Ishika: Okay. Thank you Sir.

Moderator: Thank you. The next question is from the line of Rajesh Jain from NB Investments. Please go ahead.

Rajesh Jain: Good afternoon Sir. Congratulations on a very good set of numbers. I have two questions; the first one is regarding the margins for the current financial year. Since you have mentioned most of the input prices are either remain stable or softening down and there is a lag in passing on the prices this drop in prices to the customers and in addition to that higher capacity utilization is it fair to assume that the margins for FY23 would be better than FY22?

Chetan Tamboli: It would be better because with this utilization of 49% in FY22 and we will do 57 now in FY23 so with increase in the operating leverage we should do better.

Rajesh Jain: Sir now that you have given for 57% utilization we now reach about 460 so with the current capacity we can go up to 800 plus Crores topline from the existing facilities?

Chetan Tamboli: Yes, on the current sales prices and the input prices the full capacity we should be able to do 800 Crores plus.

Rajesh Jain: My last question is in the recent quarter concall from Caterpillar, due to lockdown in China and some other factors they have given -5% drop in their locomotive sales throughout the year so since we are one of the major supply to them have they indicated any drop in their requirement for the remaining three quarters?

Chetan Tamboli: Yes their order book is slightly softening but in our case we should be able to perform on the Q1 numbers.

Rajesh Jain: So you mean to say their downward projections not going to affect us for the current financial year?

Chetan Tamboli: I would put it in other way that had their volumes not gone down we would have done much better than the first quarter annualized number it is because of their softening order book we are at the current level.

Rajesh Jain: But for FY2024 you have already given something around 70% to 75% capacity utilization is it based on a better order from them or it is still under slightly lesser than what you had planned in mind?

Chetan Tamboli: It is a combination of several factors a) these are indications from our existing customer b) we have an ongoing drive of developing new parts, which as and when they are developed it converts into additional sales, 3) approval from the US Rail Road Association for supplying to the US railroad 4) the new industries we are entering they would also get converted and those parts also would get converted into serial supply, so these are all combination of various factors and indication from all our customers on that basis this is the plan.

Rajesh Jain: Okay Sir thank you very much and wish you all the best.

Moderator: Thank you. The next question is from the line of Karthi from Suyash Advisors. Please go ahead.

Karthi: Sir very good afternoon. One question you referred to the defence and aerospace sector in the initial comments that you made what is the current state of readiness with regard to the defence sector any detail that you can share?

Chetan Tamboli: As we have said earlier we are developing some parts for defense, only thing is the progress is slow, but we should do more of defence maybe in the next financial year but we are not able to really predict what could be those volumes or with all the bureaucracy we see so the prediction is extremely difficult but we should do little more than what we will be doing.

Karthi: You referred to a German aerospace customer did I hear that correct Sir?

Chetan Tamboli: No, what we have said is because of this certification our access to the defence should be a lot easier compared to others and also the success of the prototype we will supply we will be hopefully towards the end of the year so we should be well placed compared to others and with this 57% what we are planning utilization in the current year is excluding the defence which we might do this year and next year.

Karthi: Thank you so much Sir.

Moderator: Thank you. The next question is from the line of Arjun Yadav from Amity Investment Solutions. Please go ahead.

Arjun Yadav: Thanks for this opportunity. In one of our previous calls you did mention that we are like 25%-30% lesser than our immediate competitor and today we see this whole China Plus One intensifying given the ecosystem around us, don’t you see that we could be reaching this 70%, 80% capacity utilization much sooner than what you think because we are the cheapest player in the arena?

Chetan Tamboli: There could be a possibility that we would reach 90% much earlier than what we are envisaging, but it is always good to not to over project ourselves and be conservative because the more aggressive you are in turn you would also hurt your margins so it is better to go step-by-step and then increase the capacity for example we can fill the capacity tomorrow but that may not be in the best interest of all the stakeholders.

Arjun Yadav: No, my question was not on building capacity I was just thinking allow me to understand this Sir if you are the cheapest player why is it tough to scale up the capacity in the next one or two quarters why do we have to wait for two years to get to the peak capacity I mean maybe I am missing some major part of your business model could you please explain why is it tougher to because we are the cheapest player making products what we are doing?

Chetan Tamboli: See we may not be the cheapest I would like you to correct there, but whatever I have said before is that - compared to Western Europe and North American companies our competition we maybe 20%-25%-30% lower (a), (b) this line the development and the lead times are very high for developing parts, from the request for quote to start supplying in a bulk form , it takes anywhere from 10 to 12 months time. So, it is an ongoing process now and these kind of companies really the growth is more stable than going leaps and bounds.

Arjun Yadav: One last question you did say that our competitors are from China and other parts of the world could you tell us who are like you said sometime back that we have 4 lakh, 5 lakh tons of market size and we are like 3%, 4% to it so your next capex would come after two years time is that what it is or you planning anything earlier?

Chetan Tamboli: See to put up our Greenfield facility we take about two years time so we would reach about 95% in 2025-2026 so maybe end of the current fiscal year we would start deciding on when to really kick start this plus there are also lot of uncertainties around the world one has to be very cautious one has to be very pragmatic in deciding this so we will take a call end of the financial year and see when we start this.

Arjun Yadav: Sir one last question your domestic side has it grown proportionately to the way we have grown internationally this quarter or has it been any less and how do you see it is growing in the next one year?

Chetan Tamboli: I think the growth is in proportion more or less same but I will give you the exact number. In the domestic market compared to Q1FY22 to Q1FY23 the exports were just 1% difference of 60 corresponding quarter is 61 now and the same way for domestic 40 and 39, so the growth is proportionate.

Arjun Yadav: Sequentially I mean from the last quarter?

Chetan Tamboli: Yes, more or less same.

Arjun Yadav: Okay thank you.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you very much for the opportunity. Sir congratulations you delivered exactly on your guidance probably slightly better than that so I must congratulate you on execution. Sir I had a question on the costing side so in terms of some of the costs that have been incurred by all the manufacturing companies for example freight and higher power cost how does pricing or costing in your particular case workout so the higher freight that you are probably paying for your exports are you able to recover everything as of now from your customers, have you build that entirely in your costing or is there a component of energy prices or higher freight wage you could not recover?

Chetan Tamboli: Yes one is for your information all our export sales are "Ex-Works"(EXW) basis, so it's the customer who come here and take their products so in spite of very high ocean freight in last two, two-and-a-half years we have not been impacted at all and as far as the input prices are concerned we have an ongoing base price variation formula so if the input prices go up we get a sales price increase it goes down we give price reduction, so we are pretty much insulated from the sudden cost increases and things like that. So to answer your question again all exports are Ex-Works so we do not factor in any…

Agastya Dave: Sir would that cover any fluctuations in the currency as well for example if you are supplying to any European countries or OEMs are you pricing the contract in dollars or euro, is there forex component where you are open and which is not covered under…

Chetan Tamboli: For example all our European sales are in Euros and the other countries are in US dollar. So whether the rupee appreciates or depreciates we will get compensated from the customers.

Agastya Dave: With the one quarter lag probably?

Chetan Tamboli: With the one quarter lag, yes.

Agastya Dave: Excellent. Sir second question was also on costing- as we ramp up now the ramp ups that we are going to see are going to be substantial and this is something that I have asked you before just for repetition sake as we go from early 50s to mid 70 levels what components of fixed cost would we need to increase to keep base with the production, is there any for example are you going to hire more people or is there any other thing that will ramp up proportionate to the sales which we are as of now not seeing because you have been operating on sub 50% utilization levels?

Chetan Tamboli: See one of the major cost is part of the fixed cost the people cost so there will be addition of people as we do move forward and rest of the fixed cost is pretty much would be fixed and out of the fixed cost there will be a marginal increase in people cost.

Agastya Dave: Sir one final clarification you mentioned in reply to one of the questions that some clients were seeing softer order book I missed which set of clients are seeing softer order book can you please repeat that?

Chetan Tamboli: I think somebody on the call asked that when they attended the call from Caterpillar, Caterpillar announced that they were softening their order books so obviously their supply chain will also see a lower number so this has been factored in the current financial year and so if after the softening we have performed this first quarter so we do not see any softening coming for at least the current financial year.

Agastya Dave: Thank you.

Moderator: Thank you. The next question is from the line of Priyank Parekh from Nrups Consultants LLP. Please go ahead.

Priyank Parekh: Hello Chetan Bhai good afternoon. Can you give insight on the customer concentration like how much contribution is coming from our top five or top ten customers?

Chetan Tamboli: The top 15 will be about 65% of the sales.

Priyank Parekh: So 15 and any impact on top five?

Chetan Tamboli: Top five maybe around 35%-40%.

Priyank Parekh: Okay good. That is it from my side.

Moderator: Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.

Ashok Shah: Thanks for taking my question. Sir up to many, many years we are on a growth footing and in a profitable way, so we had first time in history maybe in history declared our dividend in the first quarter so what is the plan for the distribution of dividend and profits, are there any changes here management is looking at?

Chetan Tamboli: From last 15 years if you see our numbers we have a policy of distributing 20% of profit after tax and we have been continuously giving that as I said over the last 15 years so that policy will surely continue, b) what we have talked in the Board meeting yesterday is that we have to give at the end of the year why do not we start giving every quarter because one reason is we are long-term debt free company, liquidity is pretty good, cash accruals are very good, receivables are under control so why do not we do this as a step towards making the company more investor friendly so with this background we have decided to do this on a quarterly basis barring unforeseen circumstances.

Ashok Shah: So we can expect a dividend every quarter?

Chetan Tamboli: I hope so and you should pray every morning that we do this every quarter.

Ashok Shah: So kind of you. The investors are waiting for the dividend over last time the pain we have faced over last ten years maybe it is very difficult space we had gone through. Sir second question is at present every time over last 20 years, 25 years whenever we have expanded and the market has gone in recession and we get to face some pain after expansion so currently with our capacity I think we can reach around 33000 tons approximately if I am correct so at 33000 capacity what could be your net turnover when we reach in future?

Chetan Tamboli: To answer your questions I think you are right that whenever in the past we have expanded capacities there has been a downturn so we are extremely cautious in deciding increase in capacities, whatever we are investing now is mainly for balancing and debottlenecking the operations that is the reason when people keep asking questions when do we want to expand so we are very cautious on this so we would decide somewhere around March 2023 whether we should start capacity expansion (a), (b) I did say on this call that on the current input price and sales prices at full capacity we should be 800 Crores plus.

Ashok Shah: Okay Sir thank you that is all from my end and best of wishes for the next year and the future year. Thank you.

Moderator: Thank you. The next question is from the line of Ronak Vora from AUM Advisors. Please go ahead.

Ronak Vora: Hi! Sir, are we still in partnership with AIA or the manufacturing?

Chetan Tamboli: No, we had this AIA contract in 2014 or 2015 for a very short while we do not do any work for them as of now.

Ronak Vora: Okay no problem.

Moderator: Thank you. The next question is from the line of Ishika from Niveshaay. Please go ahead.

Ishika: Sir just one question what are we targeting the revenue mix, right now we have 52%-53% of revenue from mining so what is our target revenue mix in terms of mining, earthmoving and locomotives and railroads?

Chetan Tamboli: We have a very strong plan on how we derisk ourselves from mining or moving in construction equipment industry. Just to give you one perspective in 2013 our mining was 84% currently it is 25% and likely to go to 23% in FY26. So in all the industries wherever we work 10 years ago there has been a gradual shift and we are working very, very aggressively on reducing dependence on the base industries. So with addition of new industries like railways, ground engaging tools, locomotives, so derisking is an ongoing process and we are substantially better than what we were a few years ago.

Ishika: With decrease in mining our earthmoving segment has increased so I guess that has actually been set off with mining and earth moving both are cyclical right so it has actually not in a way derisk ourselves so just wanted to understand this both together like mining and earthmoving how much the revenue mix we can have in FY25 or FY26 also?

Chetan Tamboli: From 84%-85% the combinations between mining and earthmoving about 60% and other industries like construction, railroad will be about 15% each and then the other five, six industries will be the balance number.

Ishika: Thank you so much this will be by the end of?

Chetan Tamboli: FY26.

Ishika: Thank you so much.

Moderator: Thank you. The next question is from the line of Yogesh Bhatia from Sequent Investment. Please go ahead.

Yogesh Bhatia: Sir congratulations on a very good quarter. I just have one question, basically if given the power plant starting and assuming other things like freight and metal prices and all remaining constant what kind of margins are we targeting for the current year and maybe next year with better utilization?

Chetan Tamboli: See our first goal is we should be consistent with the present margins in all the four quarters, for the next year we have had this additional savings from power and plus with the improved increase output though the operating leverage to kick in so we should do better than this year.

Yogesh Bhatia: Any thought process maybe 200-300 basis points or something like that?

Chetan Tamboli: I think for the present it is just the beginning of the year I can only say now that we will do better now in terms of quantitative details is extremely difficult to really predict with various uncertainties around the world what we are seeing but it should be better than this year.

Yogesh Bhatia: Thank you Sir and all the best.

Moderator: Thank you. The next question is from the line of Sarvesh Bodani an individual investor. Please go ahead.

Sarvesh Bodani: Hi! Sir, congrats on the great set of results in Q1. In the last call you had mentioned that while there is no clarity in the business on a quarterly basis you see an uprising trend so like Q2 is better than Q1 and Q3 is better than Q2 and so on, so do you see that in this financial year as well?

Chetan Tamboli: We have been surely hope to do better than the Q1 number because generally as the year moves the numbers tend to improve, but then there are some years where the second and third quarter are slightly dampened, but in the current scenario we should be consistent in line with the first quarter and maybe slightly better in the second, third, fourth quarter.

Sarvesh Bodani: On the EBITDA margins again so if I look at your numbers for FY21 when you were doing only 25% capacity utilization you are doing around 20% EBITDA margins and now that you are at 50% plus like we have doubled our capacity utilization we are still around 21% so why are we not able to see the big benefit of operating leverage or is it because of so if you could explain this?

Chetan Tamboli: Yes, first of all FY22 was not 25% utilization of 49%.

Sarvesh Bodani: No 2021?

Chetan Tamboli: Yes, FY21 was 24%.

Sarvesh Bodani: Still we are doing around 20% EBITDA margin for the full financial year and now you are around 53% capacity utilization and we are still around 21% EBITDA so don't you think that the operating leverage would have pushed it a bit further or if you could explain why we have not been able to get a larger advantage?

Chetan Tamboli: Really I do not have an answer as of now why the EBITDA margins are not improving but I think compared to past we are doing far better.

Moderator: Thank you. The next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Namaste Sir and thank you for the opportunity. As mentioned our current utilization levels is 57% so on a progressing basis what are we looking at depending on the deliverable from the OEMs what should be the average utilization level for the year as a whole can you give a statistics?

Chetan Tamboli: In the first quarter of FY23 we did about 53%, but for the whole year FY23 we plan to do about 57%-58%?

Saket Kapoor: When we look at players like Gainwell who are generally operating as dealers to Caterpillar they are themselves having order book of about 3000 Crores mainly in the underground mining business segment so what portion of the business are we catering to Caterpillar and there must be a visibility for at least three to four years since they are having order book of in excess of 3000 Crores?

Chetan Tamboli: Which company you said I did not get it?

Saket Kapoor: Sir I am talking about I was reading a report from India rating on Gainwell Cosmosales they are one of the dealers to Caterpillar they operate the dealership business of Caterpillar construction and earthmoving equipment and in this report I read about Gainwell having an order book of in excess of 3000 Crores catering to the underground mining segment so that will be routed through the Caterpillar only so they must be having visibility of at least two to three years down the line so I was just trying to get the sense from you what kind of business the percentage of business we are doing through Caterpillar and what is the business from them going ahead?

Chetan Tamboli: First of all I had no idea about this 3000 Crores order book and even if it is true these are for equipments now these equipments will cost Rs.1.5-Rs.2 Crores and what we do is the small part of this equipment (a), so they would have firm orders on us for three, four months time but they do share the visibility of forward 15-18 months so we do not have these kind of firm orders for three, four years and now the 3000 Crores would be we need to really go and deep dive into this that what is this company annual sales and 3000 Crores will work out to, how many years of order book but even from my knowledge of our customer sales no dealer would have any firm visibility beyond four, five months which is my knowledge.

Saket Kapoor: I stand corrected there Sir, I will also read it.

Chetan Tamboli: Please enlighten also if there is anything for us to learn from you, please let us know.

Saket Kapoor: Sir I can share that report to the IR team and that will be sent to you as well.

Chetan Tamboli: Sure, thank you.

Saket Kapoor: If we look at the casting part it appears and it is that you are in the these segment whereas other players catering to the MHCVs and the tractors and all what is the key differentiator we chose the these segment, so having capacity utilization levels of 57% can we also look to cater the other segment of MHCVs, tractors, off-road vehicles and railways so if you could throw some more light why specifically in these earthmoving equipment only?

Chetan Tamboli: That I will explain you. Now the movement you shift your focus to tractor industry or light commercial vehicle they have castings but they are all high end casting, it is not wise to manufacture iron and steel in the same manufacturing facilities (a), (b) the tractor industry and the light commercial vehicle I am talking about auto company, it is highly competitive and I do not think any supplier who would be having EBITDA beyond 13%, 14% so with this reason we have never ventured out in making iron casting we would stick to steel castings and among all these type of castings we believe that we know steel casting well compared to other types of casting.

Saket Kapoor: So there is a huge differentiation in both?

Chetan Tamboli: Yes, please.

Saket Kapoor: Thank you Sir and I will share this report.

Chetan Tamboli: Please get in touch with the IR team.

Saket Kapoor: Thank you for answering.

Moderator: Thank you. Ladies and gentlemen that was the last question for today. I would now like to hand the conference over to Mr. Chetan Tamboli for closing comments.

Chetan Tamboli: First of all on behalf of Steelcast thank you very much for spending your valuable time attending this call. It really helps the management in learning more when you ask different type of questions and you may not know but we learned a lot from the questions being asked by all the stakeholders, so please continue doing this we will be very happy to be as transparent as possible and I want to add one more point which I missed in the initial period that our company has gone one notch up financial rating from CARE from BBB stable to BBB plus positive so happy to share this and look forward connecting with everyone again. Thank you.

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