"Steelcast Limited

Q1 FY27 Earnings Conference Call"

July 30, 2026

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

MODERATOR: **MR. ARPIT MUNDRA – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day, and welcome to Steelcast Limited Q1 FY27 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 ends. 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. Arpit Mundra from EY team. Thank you, and over to you, Mr. Mundra.

Arpit Mundra: Thank you, Renju. Good morning, everyone. We welcome you all to Steelcast Limited earnings call to discuss the Q1 FY27 financial results. Today from the management side, we have with us Mr. Chetan Tamboli, Chairman and Managing Director; Mr. Rushil Tamboli, Whole-Time Director; Mr. Subhash Sharma, Executive Director and CFO; and Mr. Umesh Bhatt, Company Secretary.

Please note a copy of all the disclosures is available in the Investors section of the website as well as on the stock exchanges. Further, a detailed Safe Harbor statement is given on Page number 27 of the investor presentation of the company. Please note that anything said on this call, which reflects the outlook for the future or which could be construed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces.

Now I shall hand over the call to Mr. Chetan Tamboli for his opening remarks. Over to you, sir. Thank you.

Chetan Tamboli: Thank you, Arpit bhai, and a very good morning to everyone. We welcome you to Steelcast's earnings conference call to discuss the company's performance for the first quarter ended 30th June '26. Our Board meeting concluded yesterday and the financial results, along with the investor presentation have been uploaded on the stock exchange and the company's website. We trust you have had an opportunity to review the same.

Now let me begin by sharing an overview of the global and Indian economic environment. The global economy remained resilient despite geopolitical tensions, trade policy shifts and supply chain realignments. Global GDP growth was estimated at 3.3% for the calendar year 2026. India continued to be the fastest-growing major economy supported by robust domestic consumption, sustained government-led infrastructure spending and strong policy focus on manufacturing and localization.

GDP growth is estimated at 6.5% to 7% for the calendar year 2026. Industrial activity remains strong across manufacturing, infrastructure and mining, creating a favorable demand environment for key industrial sectors. Government initiatives such as Make in India, PLI schemes and infrastructure investments continue to support India's long-term manufacturing and industrial growth story.

Let me now briefly touch upon industry trends before moving on to our financial performance. The casting and forging industry continues to benefit from strong demand across mining, earthmoving, construction, railways, defense and other industrial sectors, supported by increased infrastructure investments, manufacturing localization and global supply chain diversification. Demand fundamentals remain robust, driven by strong equipment utilization in the mining and construction sectors, continued expansion in infrastructure projects and growing requirements for ground engaging tools, wear parts and high-performance steel castings used in excavators, loaders and heavy earthmoving machinery.

The Indian foundry industry is projected to grow at a healthy pace, supported by investments in transportation, energy, mining, industrial development, while the forging industry continues to benefit from opportunities across automotive, defense, railways and heavy engineering sectors.

Let me now briefly highlight our quarterly financial performance for Q1 FY27. During Q1 FY27, the revenue from operation was at INR124.82 crores, a growth of 17% from INR106.69 crores in Q1 FY26. EBITDA during the quarter was at INR35.24 crores, a growth of 17.37% from INR30.02 crores in Q1 FY26. EBITDA margin was at 28.23% from 28.14% in Q1 FY26. PAT during the quarter was at INR23.71 crores, a growth of 19.26% from INR19.88 crores in Q1 FY26. PAT margin was at 19% from 18.64% in Q1 FY26.

Ladies and gentlemen, as we look ahead, the company remains firmly committed to sustainable capacity-led growth. In line with our increasing production requirements and our focus on reducing carbon emissions, we are significantly strengthening our renewable energy footprint. Currently, two renewable power projects are under implementation, a 2.4-megawatt hybrid power plant comprising of wind and solar and 1.4 megawatt solar power plant. Both projects are progressing and are expected to be commissioned before 31st December '26.

Simultaneously to cater to growing market demand and enhance our manufacturing capabilities, the Board has approved the establishment of Greenfield Foundry with a capacity of 8,500 tons. This facility will manufacture steel castings across a wide range of applications from 5 kg to 1,000 kg and involve a planned investment of approximately INR120 crores over the next 2 years.

While energy costs have remained elevated due to the impact of global geopolitical developments and sustained pressure on fuel prices, we have successfully ensured adequate fuel availability to support uninterrupted production. Backed by these strategic investments and operational preparedness, the company is fully geared to meet the growing demand of the market and capitalize on emerging growth opportunities in the years ahead. With increase in the input cost of various raw materials and natural gas, we would be having price correction on upward basis, and this will be effective 1st July '27.

In the end, I would like to state that as communicated to you in the previous quarter, we remain confident in our ability to sustain growth momentum, maintain healthy profitability and deliver long-term value creation, targeting a growth trajectory of approximately 20% CAGR over the coming years. And for FY27, we expect a growth of 25% compared to last financial year.

There will be a sequential improvement in top line from here on for several quarters. Margins will remain in guided range and focus is to drive top line. Operating leverage benefit should kick in with scale increasing. Increasing capex should give you a sense of how the demand scenario is playing out and how our existing clients are looking at increasing sourcing from us.

With these remarks, I would like to thank all our stakeholders for their continued trust and support. I now invite your questions and look forward to an engaging discussion. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Shubhi Gupta with Trinetra Asset Managers.

Shubhi Gupta: Sir, my first question is that we are seeing -- as you mentioned that we are seeing hike in fuel prices and other raw materials. So how much do we plan to pass on of that to the customers? And I think will be started from July. So how much has already been done and how much will be done in the coming quarters?

Chetan Tamboli: As we all know that we have the sales price variation formula with all of our customers. The input prices have increased from March onwards. So the price correction effective 1st April was very minimal. And most of it will come from effective of 1st July. And all the major raw materials are part of the formula, and we will be able to pass on everything, all increases.

Shubhi Gupta: Okay. And sir, this ground engaging tools, how much of the revenue contribution is coming from that segment?

Chetan Tamboli: As of now, it's less than 1%. But by FY29, we expect this to reach 4.5% to 5%.

Shubhi Gupta: And sir, how much was it last year for FY26?

Chetan Tamboli: I think more or less same as the current year, but we are in the midst of developing new parts. So once they are approved, we will go into serial supplies. And gradually, year-on-year, we will see an increase with FY29 numbers at maybe about 4.5% to 5%.

Moderator: Next question comes from the line of Ankur Kumar with Alpha Capital.

Ankur Kumar: Sir, you said this year, there will be a 25% growth. So that will be like volume or volume plus this price increase that you are talking about?

Chetan Tamboli: It will be -- see, in fact the price increase, it will happen whatever it has to happen, but we will have a volume growth of 25%.

Ankur Kumar: And sir, as in even in this quarter, our margins are quite good and this 22%, 20%, 26%, 27% types, and we have not got any price increase. So do you think margins will also go up in the coming quarters?

Chetan Tamboli: Yes. Margins are likely to go up because of increased input costs, which will be compensated to us. And the operating leverage will also kick in as volumes increase.

Ankur Kumar: So this increasing pricing, what is the rough number, sir?

Chetan Tamboli: See, it varies from component to component. It varies from customer to customer. But whatever increase we may have in all the input prices, we will be able to pass on everything.

Ankur Kumar: Sir, would you like to comment any rough range, sir, 5%, 10% range? How much...

Chetan Tamboli: I think it will be difficult to project, but one can assume that all the increases in all major raw materials will be passed on, and this is part of the standard formula with our customer for many, many years.

Ankur Kumar: Got it, sir. And sir, on the U.S. railroad side, we were expecting things to start flowing. When can we expect that?

Chetan Tamboli: Lately, last several months, we have changed our track. We have changed our strategy. We are not pursuing the U.S. railroad for the time being because there are many opportunities in better markets, better products, better pricing. So we will address this railroad maybe a little later and encash on the opportunities available for the other industrial sectors.

Ankur Kumar: Got it. And sir, on this capex -- new capex, when can we expect things to start in terms of capacity expansion? And when can we expect revenues to start flowing?

Chetan Tamboli: Our internal target date to commission the plant is -- 31st March FY28. And as of -- as we speak, we are quite confident of achieving this. So we'll have some additional volumes for FY29 also.

Ankur Kumar: So, this current utilization will go to around 100% by FY28 is our expectation?

Chetan Tamboli: I think we already uploaded on the stock exchange. We plan to reach 90% by FY29. So -- and planning above 90% is not advisable because you'll have many, many bottlenecks when the utilization goes above 90%. So, when we have this 90% utilization, the additional -- the new projects will also start kicking in and giving us higher volumes.

Moderator: Next question comes from the line of Harshil Solanki with Equitree Capital.

Harshil Solanki: Sir, I had two questions. I'll list them altogether. Sir, in the annual report, our number of employees have gone up by 32 employees, which is only 3% increase. So I wanted to understand whether this strength will be able to help us achieve a 25% volume growth? Or do we need more employees to train them and then get ready? This is my first question.

The second is, as you mentioned, you have not got any price hikes. But if you see our gross margins have improved in this quarter. So, I wanted to understand what has driven this improvement in the gross margins, whether this is due to the lower cost inventory which we had? Or is there a product mix change which has helped us achieve this? And one is what could be the peak revenue potential that is possible from the new capex of INR120 crores that we are doing? These are my three questions.

Chetan Tamboli: So as far as people are concerned, we are adequately staffed from -- for all levels. For the current year targets and our budgeted production, we have people available. Going forward, somewhere towards the middle of this year, we'll start recruiting people train them and so they are ready for FY28. And then there's any more requirements, we will again recruit sometime in FY28 or FY29. Now -- so that takes care of your question on the people requirement.

On the margins, there's a very minimal increase we have got effective 1st April. The major will come now effective 1st of July. But probably the improvement in margins is because of scale, which was higher volumes. So, as I said earlier, the operating leverage will kick in once volumes grow. And to answer your -- this peak question of the revenue potential from the new facility, it will be about INR300 crores.

Moderator: The next question comes from the line of Dhiral Shah with Phillip PCG.

Dhiral Shah: Sir, I wanted to understand your order book as on current date.

Chetan Tamboli: INR140 crores.

Dhiral Shah: And if you compare it with, let's say, last year same time, what kind of growth it is there on the order book side?

Chetan Tamboli: We have generally booked for about forward 4 months and every month, the orders are replenished. But there -- I don't have the numbers now, but there will be increase this year compared to last year.

Dhiral Shah: Okay. Okay. And sir, when you are guiding for planning to incur a capex of INR120 crores in next 2 years, so which segment you are seeing an incremental growth or which customers is giving you confidence to put up a new plant?

Chetan Tamboli: So as you know, we cater to 9 different sectors, which is, of course, part of the investor presentation. And so this will be coming from these 9 sectors only. I'm sorry, we will not be able to give names of the customers, but it will be from this end user industries, which we are catering now.

Dhiral Shah: Okay. And sir, as you mentioned about the ground engagement tool that will contribute almost 5% of the revenue. How about in case of defense since you are also actively engaged in focusing on the defense side also?

Chetan Tamboli: Defense side, we are pursuing, but we are giving that lately past 1 year a low priority because the opportunities, the pricing is far better than defense in what we are doing. So the -- we have shifted the focus to sector other than defense.

Moderator: Next question comes from the line of Krishna with Electrum PMS.

Krishna: A couple of questions. So first, if you could elaborate more on the growth drivers in terms of segment that we are focusing on in order to drive this 25% growth in FY27 and 20% CAGR growth over the next 3 years? And secondly, some more color on the new parts that we're developing, maybe in which segment? Or is it more export focused or domestic?

Thirdly, the new capex that we're doing, so are we focusing more on exports? Because what I see that in Q1 '27, although the tariffs and everything was there in the last 1 year, 1, 1.5 years, we are seen to increase our export mix year-on-year. So what are the reasons for the same? And if our exports is more focused towards Europe and other regions rather than U.S., so export mix also will help?

Chetan Tamboli: See, historically, if you see our exports have been anywhere from 45% to 50%. In the current year, we'll do exports of about, say, 49%, 50%. Next year, the domestic should be slightly better, maybe 53% and export 47%. So this has been the range several years. And the demand is coming from all the sectors which we are catering now and from customers from each of these sectors. Sometimes the export mix increases, it goes as high as 60%, 62% also here. But if you see over a longer term, it's 45% to 50% exports and balance is domestic.

Krishna: In terms of new parts, any color on what we're developing for this segment?

Chetan Tamboli: See, I think if you've been attending our Investor calls before, there is a continuous drive for new parts development. In last about 18 to 24 months, we would have developed more than 100 parts. So, all these parts, they will now be going into serial supply. Plus, in addition to that, the overall demand is also on an increasing trend here. So, the higher -- the increase in volumes will be coming from new parts as well as increase in the demand from the customer. It's a composite effect.

Moderator: Next question comes from the line of Mosam Shah with Wealth Guardian.

Mosam Shah: Congratulations on the consistent margin generation. And I have a few questions. So basically, just wanted to know this 90% capacity utilization for FY29 that we are targeting, is it post commissioning of the new capacity that we are building? Or is it fully on the existing 29,000 tons?

Chetan Tamboli: No, no. This 90%, what we plan to achieve by FY29 is on the existing capacities.

Mosam Shah: Because as you said, this would be commissioned in FY -- 31st March of FY28. So for FY29, this would be already...

Chetan Tamboli: See being the first year of operations, we are not yet fully adding that capacity. But somewhere along the line, we will start seeing revenues from that facility also. So the reason of doing this is because we are reaching 90%. So we need to create additional capacities.

Mosam Shah: Okay. And just wanted to confirm this FY26 capacity utilization was 48% and this quarter 1 capacity utilization is 63%?

Chetan Tamboli: Yes, but for the whole year, we plan to do about 63%.

Mosam Shah: Okay. And also wanted to confirm on the order book number, it's INR140 crores, right?

Chetan Tamboli: Yes, INR140 crores.

Mosam Shah: Okay. And any update on the Israel defense component that we had supplied?

Chetan Tamboli: I think the trials are going on. We should hear something in the coming few months.

Moderator: Next question comes from the line of Aman Srivastav with Bellwether Capital Private Limited.

Aman Srivastav: Sir, just wanted to know over next 12 to 18 months, what would be our new part contribution to business from existing customers, which is currently not in the existing business. So yes, just wanted to -- just want to feel in next 2, 3 years, how big it can be?

Chetan Tamboli: Roughly, we can assume about 20% of revenues coming from the new parts. This is a very ballpark number, but we'll have to really deep dive and go and see component-wise. But over the next 2, 3 years, 20% of the business will come from new parts and 80% should come from the existing parts because of increase in demand.

Aman Srivastav: Okay. Okay, sir. So sir, we have guided like 25% growth for FY27 and 20% over the next few years. So qualitatively, can you tell us, sir, what is driving this demand?

Chetan Tamboli: So as I said earlier, this is a combination of the new parts into serial supplies and also increase in the demand from customers. It's a composite effect. And all our 9 sectors have been requesting us for improvement in supplies, increase in orders. So overall, the engineering industry in general is doing good in India.

Moderator: Next question comes from the line of Amitabh Vatsya with Sadhan Ventures LLP.

Amitabh Vatsya: I have a question with respect to the new capex, whether the land is available for the new one and whether the raw material sourcing would differ from this greenfield expansion or we are tapping to the Alang ecosystem again?

Chetan Tamboli: See, government of Gujarat has given this 100,000 square meters of land some months back. So we already had this land parcel available. Secondly, the new facility is exactly 12 kilometers from the existing facility. So the raw material procurement we will have the same strategy as what we are doing now for our existing facility. Have I answered your question -- 2 questions? Or was there a third one?

Amitabh Vatsya: The third one is just on -- if you can throw some light on the development in the ship breaking industry and whether the outlook looks positive from a raw material sourcing perspective for you because lots of buzz is going in the market.

Chetan Tamboli: Steelcast does not use any raw material from the ship breaking because what we need is we make high strength, low-alloy steels, carbon steels, and we need a much cleaner scrap with a very low sulfur, phosphorus and carbon. So we source our raw materials from elsewhere.

Amitabh Vatsya: Okay. But your investor presentation has been mentioning Alang ecosystem, the supplier.

Chetan Tamboli: So, there are a lot of -- see, downstream industries which have come up because of this. And we do buy from those downstream industries, not from Alang, but Rolling mills and some other industries which are downstream to ship breaking. So, it's from the locational advantage point of view.

Amitabh Vatsya: Okay. So, you are using this ecosystem as a supplier base, but not strictly from ship breaking...

Chetan Tamboli: Yes. Absolutely. Yes, please.

Moderator: Next question comes from the line of Saket Saurabh with Sagari Capital.

Saket Saurabh: Am I audible?

Chetan Tamboli: Yes, please.

Saket Saurabh: Sir, you have talked about 9 segments that you cater to, which is 6 plus, 6 existing and new 3. So what would be, say, contribution of, say, different segments, like how much earthmoving segment would contribute and so on, sir? Just wanted to get a sense of segmental contribution. And how has it trended, say, over last 5 years, if there is a data around that?

Just to get a sense how we have -- because one of the major, I think, the turnaround thing that you have managed this is reduced dependence on specific sectors and specific clients. So can you just help me with this data, sir?

Chetan Tamboli: See, the major contributing industry sectors are mining, earthmoving and construction. All these three account for around 70%. And for the other 6, it's about 30%. But over the last several years, we have added this new industry sectors to derisk ourselves. So, say, 10 years back, our sales to mining equipment industry was about 84%, which has dropped to about 54% now. Earthmoving was near zero, which is now about 36%. Construction, we were at 15%, 16%. We are now at about 20%, 21% and other sectors, as I said.

So, we have broadened ourselves by adding customers or addition of new parts. And even the export geographies are earlier, there were 2 which are now -- we are now going with about 16 countries. So, net-net, we have substantially derisked ourselves. Of course this is not the end of the story. We'll continue working on this for the next several years. So this is what it is.

Saket Saurabh: I think this is fantastic. Just underpins the long-term mindset that the management has not just displayed, but executed upon as well. Now the second question would be, sir, how the geographical split look like currently? So, when I'm looking at geographical splits, North America, Europe or say, Japan or how do you segregate and what would be the specific contribution within exports?

Chetan Tamboli: So, the major exports, of course, they are U.S. and Germany, I think both constituting about 70%. And in the balance 30%, we have other 14 countries. So, the idea is to keep driving this and make sure that the dependence on U.S. and Germany reduces over time.

Saket Saurabh: Got it, sir. And how -- what was their share, say, 5 to 10 years ago, U.S. and Germany, were they still 70-odd percent or much higher?

Chetan Tamboli: I think 10 years ago, we used to sell only to U.S. and Germany.

Moderator: Next question comes from the line of Manish Goyal with ThinQwise Wealth Managers LLP.

Manish Goyal: Sir, first question, sir, you said in FY27, we expect 63% capacity utilization. So that actually implies more than 18,000 tons sales and which would lead to a 30% volume growth, whereas you sir guided for 25% volume growth. So if you can clarify on that, number one. Number two, on exports, sir, this 49% share, what we said in FY27, that also is referred to volume, sir, if you can clarify?

Chetan Tamboli: Yes, you are right. I did say 25%, I should have said 30% because indications from most of our customers are very strong. So just -- I was just trying to be conservative and saying a number of 25%. But yes, 30% is also a distinct possibility. And as I said earlier, the export and domestic mix will be -- one can assume 50-50 basis.

Manish Goyal: Okay. So in volume terms, sir?

Chetan Tamboli: Yes, please.

Manish Goyal: Okay. Okay. And what was the volume in quarter 1 for export, sir, in tonnage, sir, export tonnage?

Chetan Tamboli: I think about 51% was...

Umesh Bhatt: 62% was export...

Manish Goyal: That is value wise. That value-wise, I was just asking for the tonnage, sorry.

Chetan Tamboli: Yes, the total tons we produced was...

Umesh Bhatt: 4,700...

Chetan Tamboli: 4,700 tons and 60% was exports.

Manish Goyal: Okay. Okay. And sir, on margin front, the presentation says we'll maintain margins. But as you were mentioning in your opening remarks that margins would see benefit of operating leverage and also now with price hike. So last -- for the full year, EBITDA margin was 27%. So can we expect at least 150 to 200 bps higher margin around 28.5%, 29% margin for FY27?

Chetan Tamboli: Yes, theoretically, that should happen, and this is what we are going to strive to achieve.

Manish Goyal: Okay. Okay. And sir, one clarification -- just -- sorry, sir, last question. The revenue share, what you mentioned for, say, mining was 54%, earthmoving 36%. Can you please clarify that again? Last question, sir.

Chetan Tamboli: I'll just repeat those numbers. For the current year, our sales to mining will be about 27%, earthmoving will be 43%, construction will be 15%.

Manish Goyal: Okay. And defense, sir, how do you see that revenue share?

Chetan Tamboli: Defense will be about 1%. As I said, we have shifted our focus from defense to other sectors because in terms of demand, in terms of pricing, in my all respect, the opportunities are better. So the focus is less for defense...

Manish Goyal: But overseas custom, can it become a meaningful volumes in probably next 2, 3 years, sir?

Chetan Tamboli: We don't have any firm plan. Maybe currently, we are doing about 1% that might go up to maybe 1% to 2%. But we don't have that focus over the 3-year period more than this.

Manish Goyal: Okay. And GET now from current year because presentation also says that FY27 we'll see growth. So now have we started getting traction and approvals for our products for the customers?

Chetan Tamboli: Yes. That's a continuous process. Just to give you an example, in FY26, we did about 1% GETs. In the current year, we'll do about 3.5% of the sales. And gradually, it will go up to about 6% in FY29.

Moderator: The next question comes from the line of Shubham Tamrakar, CFA from Alturas Investment Management Private Limited.

Shubham Tamrakar: Am I audible?

Chetan Tamboli: Yes, please.

Shubham Tamrakar: Sir, I have one question with respect to inventory. So I was looking at your financials and it seems like there's a rise in inventory and which has not converted in sales. So is there any specific reason for the dispatches not happening?

Chetan Tamboli: See, for our kind of industries, first, when the increase in production happens, there is a pile up of inventory. And with time lag of 1 to 2 months, you'll see again inventories going down. So -- and then month-on-month, we then work on elevated levels. But when the ramp starts for short term, maybe 1 to 2 months, we will have additional WIP, which has not been converted to sale.

Shubham Tamrakar: Okay. Got it. And with respect to our capacity utilization, what's the capacity utilization of this quarter and what we are expecting by the end of this year?

Chetan Tamboli: By the end of this year, we'll do about 63%. And for the quarter, April, May, June, we did 66%.

Moderator: Next question comes from the line of Harshil Solanki with Equitree Capital.

Harshil Solanki: Sir, I have only one question. So in the annual report, you have mentioned that you are transitioning some manufacturing process to electricity-based systems because there is a shortage of natural gas, LPG, etcetera. So, I wanted to understand whether you will be looking to add more of solar and whether in the longer run, this will lead to more savings for us. Have you thought of anything on this?

Chetan Tamboli: On which page are you referring to?

Harshil Solanki: I'll have to go back, but I have noted down in the notes. Maybe if you want, we can take it offline.

Chetan Tamboli: Yes, I just want to read that statement again, just trying to understand. So if you got the page number, we can refer and respond to you.

Harshil Solanki: One second, just let me pull it out. So, Page 30 of the annual report heading is proactive energy transition.

Chetan Tamboli: See, one is, of course, as you know, we have got 2 power plants under commissioning now. One is hybrid, which is solar and wind, which is 2.4 megawatt and 1.4 megawatt exclusively solar. Second is we are considering to transition ourselves from -- instead of using natural gas, we use electricity here. So this is a thought process, which is an ongoing thing. So maybe over time, over 2, 3 years, instead of using natural gas as fuel, we use electricity.

Harshil Solanki: Okay. So I was just trying to understand whether this will lead to further cost savings for us and that is our idea in the next 2, 3 years.

Chetan Tamboli: Yes. The only thing is we are not able to predict the natural gas prices, whether they go up, whether they go down because compared to February end prices, natural gas is about 50%, 55% expensive. At the current gas prices, there will be saving when you use electricity. But over a longer term, we don't know what would be the natural gas pricing.

Harshil Solanki: Okay. Okay. Got it. And one more question that what are we planning to do with the incremental cash that we generate over the current year and the next few years? Because INR120 crores capex is done, but we'll generate significant cash also. So any thoughts on this...

Chetan Tamboli: Yes. So as we have said, we are a debt-free company. We want to continue to maintain this debt-free status. So whatever cash accruals we will have, we'll generate from now onwards in the coming 2 years, we will use to increase this capacity.

Moderator: Next question comes from the line of Ankur Kumar with Alpha Capital.

Ankur Kumar: Sir, I wanted to understand for this 18,000 tons of guidance, we have done about 4,000 in Q1. So -- and you said that we are seeing very good demand from all our customers. So can you comment what -- which all are going to contribute much? And when -- is it like linearly growth over the next 3 quarters? Or how should we think about it?

Chetan Tamboli: See, as I said in my welcome remarks that sequentially for coming few quarters, there will be increasing top line growth quarter-on-quarter, A. B- the demand is from all the 9 sectors we have been catering to. So have I answered your question?

Ankur Kumar: Sorry, sir, I think I couldn't understand -- couldn't hear fully, sir. Can you please repeat?

Chetan Tamboli: See, as I said earlier in my welcome speech, that there will be increase in top line, and that's the drive we are having to drive towards increasing top line. So automatically, the bottom line is taken care of. So quarter-on-quarter, you will see improved sales.

Ankur Kumar: Improved volume as well as improving realization?

Chetan Tamboli: Absolutely. And the composite effect of that will be -- we will expect minimum 25% growth over the last financial year.

Ankur Kumar: And to a previous participant, you also said margin can also go to 28.5%, 29% types?

Chetan Tamboli: Yes. The question was, can we get additional 1% to 2%, which I said, yes, it's a distinct possibility. And with the operating leverage kicking in, this should happen.

Moderator: Next question comes from the line of K Manunath, an Individual Investor.

K Manunath: Chetan bhai, congratulations on the consistent goodness of the numbers. My question is now you're planning an expansion and you want to finance it by internal accruals only. My suggestion is, why don't you go for a right issue for about 60% of the project cost so that the efficiency and economics will work out substantially.

Because, for example, if you price the issue at around INR200 -- INR300, the bulk of the project cost can be financed by premium itself, which may not be serviced. And it will give more flexibility and it will be less vulnerable. The reserves can be used elsewhere also.

My second question is, now you have been earning more than double the equity every quarter by your consistent hard work, perseverance, foresight. Why don't we consider a bonus issue? It gives more visibility. It will improve our brand equity and it will improve the shareholding count also. And the third is with the consistent improvement in quality, why are we not focusing on certain specific defense components so that we can improve our sales productivity in the long run?

Chetan Tamboli: So, thank you. So, your first question was about the rights issue. Now company already has INR120 crores of reserve. if you see March '26 balance sheet money is there. Now we are investing INR120 crores over the next 2 years. So that we will be giving -- using the internal cash accrual to fund this investment. So with funds -- with enough of funds already with the company, would it be prudent to do a right issue and take more money from shareholders. So this is something...

K Manunath: But you will be taking at a substantial premium.

Chetan Tamboli: True, true, but at this point of time -- wait a minute let me finish.

K Manunath: My only submission is, if the project cost is say INR100 crores. If you take a premium of even INR200, the project cost for the company will come to just INR10 crores.

Chetan Tamboli: See I will take your suggestion to our Board of Directors, but please understand the company does not need any more resources from the shareholders. In fact, if the equity goes up, then the earnings per share will go down. So these are some factors...

K Manunath: It's only marginally...

Chetan Tamboli: Yes, marginally, but it will go down. Second, on your suggestion on bonus issue, yes, surely, I will take this up in the forthcoming Board meeting. And your third question is about defense.

Now at this point of time, we have a lot of opportunities from other areas other than defense. And according to us, these are better than defense supplies. And I always tell people that one of the most riskiest business is defense business because you're selling only to one customer.

So the risk in defense is very, very high. Of course, it's lately in India and the stock markets, defense is a big fancy word. But I see a lot of risk in the defense business. However, your suggestion is well taken. And if there are any opportunities which comes along the way, we will surely cater this. Thank you. Thank you, and thank you for your compliment.

Moderator: Next question comes from the line of Saket Saurabh from Sagari Capital.

Saket Saurabh: I have two quick questions. One, so is our exports, sir, slightly underreported when I say that maybe the domestic -- we might be a Tier 2 supplier and then domestic supplies can further be used by, say, a Tier 1 supplier or the OEM to use that export location. So that is one point. Second question is, sir, usually, it happens is that the pass-through -- cost pass-through varies from export clients to domestic clients for other auto ancillaries.

So usually for domestic players, the pass-through could be on a monthly basis, but for exports, it could be even quarterly. In our case, it seems the major pass-through has happened almost with a quarter lag. So any specific input from that? And how does our lag between cost pass-through? So these are the 2 questions, sir.

Chetan Tamboli: So generally, when there is an increase, we get an increase with a lag of 1 quarter. And whenever there are reduction in input cost, the pricing is dropped with a lag of 1 quarter. So this time, the costs are increasing. So we will get compensation at the effective 1st of July, as I said earlier. What was the other question? I'm sorry, I forgot.

Saket Saurabh: So first question was regarding exports. So right now, say, if our exports revenue is 50-50, but is there a -- say exports is 50% and domestic is 50%. So is there a possibility then that we supply to, say, we are Tier 2 suppliers to some of our accounts and they further export our component later on. So which might mean that -- yes.

Chetan Tamboli: Yes, I can answer your question. First of all, Steelcast is Tier 1 supplier everywhere. I think more than 98% or 99% of sales are as Tier 1 supplier, we give directly to the OEMs. Now the OEMs in India might be exporting some portion of what we supply. So if you consider that, then the export numbers with direct exports and indirect exports will be slightly higher. But we really don't know which customer exports, how much.

Saket Saurabh: Okay, sir. Okay. Got it. And sir, is the currency fluctuation also a pass-through or some companies have contracted it in a similar manner that any currency dip or upside is also pass-through. What is in our case, do we hedge or do we retain?

Chetan Tamboli: In our case, we share the rupee depreciation or we share the rupee appreciation. We share with the customer.

Moderator: The next question comes from the line of Manish Goyal with ThinQwise Wealth Managers LLP.

Manish Goyal: Just on the order book, sir, you mentioned it is INR140 crores, sir, which is probably the next quarter revenue. So like on visibility side, sir, what is driving the confidence for such strong volume growth in such a challenging geopolitical situation, sir?

Chetan Tamboli: See, there are several factors. One is, of course, indications from our domestic and export customers of increased volumes. The commodity prices are at elevated levels. Infrastructure spending in India as well as abroad is on an increasing trend. And other sectors like railways, there's a lot of investments happening. So, across all industry sectors, there is an increase in demand.

And industries like casting and forging will do well. If you see, say, automobile, that too is growing at 10%, 15%. So, in spite of all the geopolitical issues, India is slightly insulated. We have a large domestic consumption. However, there will be some cost pressure here and there. But overall, India as a country and the engineering industry in general should do well.

Manish Goyal: Okay. So ideally, this INR140 crores execution would be like 3 to 4 months? Or how should we understand, sir?

Chetan Tamboli: See, this is the value of orders. Now as I've said before, we have this firm business for 3 months and every month, an additional month is added. So at any point of time, we generally have 3, 4 months of order booking.

Moderator: Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I now hand the conference over to the management for closing comments.

Chetan Tamboli: Thank you to each one of you for being part of our earnings call and participating in this call. We appreciate your support and trust in us. We hope we've been able to address most of your queries. In case of further queries, you may reach out to our Investor Relations adviser, Ernst & Young, and they will help you to connect with us. And once again, thank you very much for being part of -- on this call. And also thank you to Ernst & Young team for organizing this call, and thank you again to everybody. 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.