



“Steelcast Limited
Q4 FY '25 Earnings Conference Call”
May 29, 2025



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
MR. KANAV KHANNA – E&Y INVESTOR RELATIONS

MODERATOR: **MR. RAUNAQ SABHARWAL – PHILLIPCAPITAL PRIVATE CLIENT GROUP**

Moderator: Ladies and gentlemen, good day and welcome to the Steelcast Limited Q4 and FY '25 Earnings Conference Call hosted by PhillipCapital Private Client Group. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raunaq from PhillipCapital PCG. Thank you and over to you, sir.

Raunaq Sabharwal: Thank you, Manav. Good afternoon, everyone. On behalf of PhillipCapital Private Client Group, I welcome all of you to the Q4 and FY '25 Earnings Conference Call of Steelcast Limited. Today, from the management: we have Mr. Chetan Tamboli, Chairman and Managing Director; Mr. Rushil Tamboli, Whole-Time Director; Mr. Subhash Sharma, Executive Director and CFO; Mr. Umesh Bhatt, Company Secretary.

I now hand over the conference to Mr. Kanav Khanna from EY Investor Relations. Over to you, Kanav.

Kanav Khanna: Thanks, Raunaq. Good evening, everyone. We welcome you all to Steelcast Limited's earning call to discuss Q4 and FY '25 results. Before we begin the call, let me make a note that a copy of disclosures are available in the Investor section of the website as well as the stock exchange. Further, a detailed safe harbour statement is given on Page number 30 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 viewed in conjunction with the risks that the company faces.

With that said, now I hand over the call to Mr. Chetan Tamboli for his opening remarks. Over to you, sir. Thank you.

Chetan Tamboli: Thank you, Kanav bhai. A very good afternoon to everyone on this call. We welcome you all to the earnings conference call of Steelcast Limited to discuss the company's performance during the quarter and year ended 31st March '25. We concluded our Board meeting yesterday and uploaded the financial results as well as investor presentation on the

stock exchanges. I believe you must have got a chance to go through the same.

We shall begin with an update about the global economic scenario followed by our company's performance.

Let me begin with a comprehensive overview of the global economic environment before we turn to our company's performance.

In 2024, the global economy expanded at a moderate pace of 3.3%. This growth while steady reflects the world still adjusting to multiple crosscurrents, including lagged effects of tight monetary policies, ongoing geopolitical tensions and persistent supply chain realignments. While the global economic landscape has stabilized compared to the volatility of recent years, the overall growth momentum remains relatively subdued.

Advanced economies, in particular, have seen a slower rebound weighed down by high interest rates and cautious consumer spending. At the same time, emerging markets and developing economies have shown more resilience supported by improving domestic demand and stronger trade flows.

One of the key themes continues to be inflation. After peaking in the aftermath of the pandemic and energy shock, global headline inflation is now on a downward trajectory albeit more gradually than previously expected. Revised projections indicate inflation will ease to 4.3% in '25 and decline further to 3.6% in '26. This adjustment is largely driven by higher than anticipated inflation in advanced economies partly offset by marginal downward revisions in emerging and developing markets.

Central banks across major economies have responded with a cautious pivot, initiating measured rate cuts as inflation expectations begin to anchor, but remaining vigilant against upside risk. This evolving backdrop is shaping global investment flows, consumer behaviour and trade dynamics and will continue to influence corporate strategy and performance in the quarters ahead.

The recent increase in tariffs by U.S. government has thrown a lot of uncertainties in the global economy. We are cautiously evaluating the after effects of additional tariffs and the corresponding demand scenario in North America.

Now let me highlight the financial performance of the current quarter vis-a-vis that of Q3 FY '25 and Q4 FY '24.

During Q4 FY '25, the revenue from operations was at INR120.8 crore, a 19% growth from INR101.8 crores in Q3 FY '25.

EBITDA during the quarter was at INR38.3 crore, a 35% growth from INR28.3 crore in Q3 FY '25. EBITDA margin was at 31.7%, an increase of 387 basis points from 27.8% in Q3 FY '25.

PBT during the quarter was at INR36.1 crore, a 40% growth from INR25.8 crore in Q3 FY '25. This translated to a PBT margin of 29.9%, an increase of 451 basis points vis-a-vis Q3 FY '25.

PAT during the quarter was at INR26.8 crore, a 39% growth from INR19.2 crore in Q3 FY '25. PAT margin remained at 22.2%, an increase of 329 basis points vis-a-vis Q3 FY '25.

During Q4 FY '25, the revenue from operations was at INR120.8 crore, a 23% growth from INR98.4 crore in Q4 FY '24.

EBITDA, excluding other income during the quarter, was at INR38.3 crore, a growth of 33% from INR28.8 crore in Q4 FY '24. EBITDA margin was at 31.7%, an increase of 240 basis points from 29.9% in Q4 FY '24.

PBT during the quarter was at INR36.1 crore, a 44% growth from INR25.1 crore in Q4 FY '24. PBT margin stood at 29.9%.

PAT during the quarter was at INR26.8 crore, a 43% growth from INR18.7 crore in Q4 FY '24. PAT margin remained at 22.2%.

At this juncture, let me share with you CAGR snapshot of last 4 years.

Revenue from operations, 24.27%;

EBITDA, excluding other income, at 35.41%;

EBIT, excluding other income, at 51.54%;

PAT 56.56%.

During Q4 FY '25 and for the full fiscal year, our revenue mix remained well balanced with domestic sales contributing 46% and exports accounting for 54% of total sales.

As anticipated earlier, the second half of FY '25 saw a strong recovery in revenue as customers resumed inventory replacement. This rebound not only reaffirmed underlying demand, but also underscored the strength and resilience of our business model driving profitable growth.

We have continued to deepen our engagement with key customers supported by long-standing relationships and proven track record of reliability. This is especially visible in newer model programs where demand for our components is gaining meaningful traction. Additionally, our collaboration with existing clients has expanded into new geographies. We are seeing strong momentum in Eastern Europe, particularly in Poland and Slovakia, and have recently established presence in Brazil and Canada too. The rollout of new components across our portfolio helps us diversify further and reduces our exposure to cyclical end user demand.

It may be noted that for FY '25, we have benefited by continuous reduction in input prices throughout the year amounting to INR4.36 crore. Steelcast's senior management team has brought in cost reduction programs to the tune of INR5.22 crore and exchange rate benefits of INR2.78 crore, all totalling to INR12.36 crore adding to the bottom line.

I'm also pleased to report that for the second consecutive year, we have maintained a debt free position reflecting our disciplined capital allocation and tight working capital management. This financial prudence enables us to maintain a lean cost structure while enhancing returns to stakeholders. In spite of company spending of INR86.5 crores on capex and quarterly dividends of INR43.7 crore totalling to INR130.2 crore in last 3 years, it continues to be totally debt free with INR75 crores in free reserve. This remains an exceptional occurrence despite our scale.

We believe that being debt free and deploying capital judiciously gives us the flexibility to navigate through economic uncertainties and industry shifts without pressure from interest or repayment obligations. This not only strengthens our profitability and credit profile, but also builds investor confidence.

Our focus on reinvesting in high return strategically aligned projects ensures that our capital works harder supporting growth, sustainability and long-term value creation.

We are also delighted to share that Steelcast Limited has been featured in Fortune India's Top 100 Emerging Stars, a recognition awarded to companies demonstrating exceptional performance. The selection criteria included a minimum 20% CAGR in net income over the past 3 years, an average return on net worth of at least 10%, ROCE of 15%, a 20% CAGR in share price and a debt-to-equity ratio below 2x.

None of this would have been possible without the unwavering dedication of our people. The success we have achieved this year is a reflection of the hard work, resilience and commitment. I would like to extend my heartfelt thanks to our entire team at Steelcast. They have been the true drivers of our progress.

With that, I would now like to open the floor for questions. Moderator, may I request you to please take it forward. Thank you.

Moderator: We have our first question from the line of Kaushal Sharma from Equinox Capital Ventures.

Kaushal Sharma: Congratulation for a good set of numbers. I have a few questions. First, that you have suggested in the last call that we have significantly improved our capacity utilization from 40% to 50%. So what is our current capacity utilization and how much capacity-optimum level are we expecting going forward and how long will it take to be at optimum level? And sir, we have achieved a very good margin in this quarter like 32.7%.

So will this margin be sustainable for the future and as we are moving towards improving our capacity utilization. So is there any scope in increasing the margin? And my last question is on your railroad component development issue that earlier you have said that you are facing some issues in developing the component. So what is the current status on that and how much revenue do we get from this segment?

Chetan Tamboli: Yes. Our capacity utilization for FY '25 is at 45%. As per the current year's production and financial plan, we will end with 62% and hopefully we should cross 90% over the next 2 to 3 years. In terms of EBITDA margins, yes, the margins have substantially improved. I just said in my

investor speech a few minutes back that we had an extra benefit of about INR12 crores, which was added to the bottom line because of lower input prices, benefits of exchange rate and cost reduction programs.

While we will keep on striving for enhanced bottom line, but obviously our 32% EBITDA margin is not sustainable. One can say that maybe we might be around 25%, 26% over a longer period of time for 2 to 3 years. Regards to we have some development issues in railroad components. The efforts are on and we are quite hopeful that we should be successful over the next 90 days' time.

Kaushal Sharma: Okay, sir. And could you please give me any guidance regarding our revenue for next 2 years down the line -- 2 to 3 years?

Chetan Tamboli: Please repeat your question.

Kaushal Sharma: Sir, could you please give me any revenue guidance for the future like 2 to 3 years down the line?

Chetan Tamboli: I think it's difficult to give in absolute numbers, but as I said, we will cross 90% over the next 2, 2.5 years' time. So you could extrapolate those numbers and see the possible revenues.

Moderator: We have our next question from the line of Harshil Solanki from Equitree Capital.

Harshil Solanki: I have two questions. Sir, firstly to the last participant, you told that we would be doing 62% utilizations this year. So in volume terms that comes to 18,000 and this year we have done 12,500. So that's a significant jump, 43%. So is my understanding right and what are the drivers for this? Because when I listen to the end customers, their commentary is muted both for domestic and export.

I understand we are adding new parts, new geographies, etcetera. So that is the main thing which is giving us the confidence for this growth. If you can share your thoughts on this point. The second one is you plan to give some update on the new industries you are planning to enter. So if you can throw some light if you have finalized something on the new segments.

Third point would be in the defence side. Have we started seeing any uptick given the recent conflict which happened? So any progress or things are still at the same stage, and we should not consider defence in our assumption?

Chetan Tamboli: Okay, I had said few minutes back that we are planning to have utilization of 62% for FY '26. I'm sorry, I want to stand corrected. We are planning to reach 59% and not 62%. Obviously from the FY '25 volumes to FY '26 volumes, there is a reasonable jump in volumes, and this is mainly happening from newer parts which we have been developing and getting approvals and then culminating in serial supplies.

And I agree with you that we also keep hearing on and off a muted commentary on the global economy and, as I said, we still have to wait for the after effects of the increased tariffs from United States. All this put together, yes, there is a certain amount of uncertainties, but we'll have to learn to navigate and keep working.

On the defence side, we don't have any encouraging news and generally in our kind of industries, there is no overnight spurt in demand because of Operation Sindoor like events happening in the country. So we are continuously working on the defence sector and obviously not very aggressively, but doing whatever comes on our way.

Moderator: Sir, we have the participant disconnected. The next question is from the line of Keshav Kumar from RakSan Investors.

Keshav Kumar: Firstly, congrats for a great quarter. And sir, this 59% utilization target for the year so is it the right math that the tonnage sales should move to near about 18,000 tons?

Chetan Tamboli: About 17,000 tons.

Keshav Kumar: Okay. So we should see a sharp jump year-on-year?

Chetan Tamboli: Hopefully yes.

Keshav Kumar: And so sir, I just wanted for the sake of repetition, you had said that there were some one-offs on the EBITDA So what is our per ton normalized EBITDA that we target?

- Chetan Tamboli:** See, our focus is not on per ton EBITDA. Our focus is on pricing levels and EBITDA percentage of sales. We really don't monitor EBITDA target per ton. But as I said, 25%, 26% EBITDA margin will be a sustainable number here. And for FY '25, we almost added INR12 crores in bottom line because of cost reductions, exchange rate benefits and lower input prices. So this was an extra benefit, which came and gave an impressive EBITDA margin, and this INR12 crores is roughly about 3.2%.
- Keshav Kumar:** Right. And sir, lastly. So again for the sake of repetition, this quarter we saw a sharp rebound in tonnages. So can you give the factors that played a part in that?
- Chetan Tamboli:** See, as we had said in the earlier calls that we see increase in demand, A; and also the inventories being exhausted in the supply chain and both put together, we will have higher volumes in Q3 and Q4 and this is exactly what has happened. So inventory in the system has been absorbed and together with higher demand and new requirements.
- Keshav Kumar:** Okay. And sir, we are seeing this demand continuity even in the current quarter.
- Chetan Tamboli:** Yes, we are targeting this 17,000 tons of output this year. And if we have to do 17,000 tons, then quarter-on-quarter there will be improved volumes going forward right up to FY '26.
- Moderator:** We have a follow-up question from the line of Harshil Solanki from Equitree Capital.
- Harshil Solanki:** Sir, last time you couldn't answer the new industries foray which we are planning. So any thoughts on this if you have finalized anything or are at a more concrete stage on this part?
- Chetan Tamboli:** See, the new industries we are focusing on, which is also part of the investor presentations; it is railroad, ground engaging tools and defence; and we are continuously focused in all these 3 areas. So all put together we will have 9 industries, which we will cater over time. And the reason of focusing on newer segments is to derisk ourselves as much as possible, reduce concentration also.

We also added additional countries where we are exporting. We are now exporting to about 18 countries. Hopefully in 1 or 2 quarters we'll add 1 more country, maybe 19 countries. So this will further derisk ourselves.

Harshil Solanki: Okay. And sir, one more question. Our inventories have increased so is it because our customers are asking us to delay shipments because of the tariff related uncertainties? If you can answer why these inventories have increased.

Chetan Tamboli: See, when the output goes up, for a quarter you will see inventory buildup which will be then converted to sale in the following quarter. So there is no delay of shipments from the customers. This is a normal phenomena.

Harshil Solanki: So this is not linked to the tariff, and everything is just the normal business activity.

Chetan Tamboli: Not at all. Not a single kg has been deferred for shipments by any of our customers because of tariffs.

Moderator: We have our next question from the line of Rushabh from RBSA Investment Managers.

Rushabh: I just had one question. You just mentioned about the 90% utilization in the next 2, 3 years. So you already have some sort of firm visibility from the customers?

Chetan Tamboli: So these are -- I cannot say it's a firm visibility, but we derive this from interaction with our customers, the new projects which are likely to come. So on all this basis, we are predicting that we will cross 90% into 2, 2.5 years' time.

Rushabh: And last time in discussions, you always said sort of indirectly that this customers are shifting their product supply from China to India. So we are seeing more inquiries from existing customers. Is that the reason the optimism?

Chetan Tamboli: See, these are some macro reasons why we are seeing that we will cross 90% over 2 and 3 years. So one is obviously China Plus One strategy. Second, our customers have their own newer design, so we need to develop parts, two. So these are basically reasons plus we are also factoring the new segments which we're going to focus going forward. So

all this put together, we do believe that we should cross 90% over 2, 2.5 years.

Rushabh: And just the last question, we were earlier targeting a new capacity and new plant so that is on track maybe in 1.5, 2 years from now?

Chetan Tamboli: So see we will be at 59% capacity utilization by FY '26. So maybe in the second half of the current year we will take a call depending upon the geopolitical situation, if there is any slowdown in world economy. So with all this, we will take a call in the second half of this year for additional capacities.

Moderator: We have our next question from the line of Raunaq Sabharwal from PhillipCapital.

Raunaq Sabharwal: I have a couple of questions. So as on the 1st April, what was our order book for the overall business? The second question would be what is the potential revenue we're seeing from the American railroads in FY '26 if our product gets approved? And my third question would be what are capex plans for FY '26?

Chetan Tamboli: Sir, the last question?

Raunaq Sabharwal: What are your capex plans for FY '26 and FY '27?

Chetan Tamboli: We have a firm plan for capex of about INR38 crores, about INR15 crores out of that will be for debottlenecking keeping in mind the change in product mix and then a land purchase of about INR20 crores. So a total capex of INR38 crores in the current financial year. The order book is at about INR95 crores as of now and the railroad sales in FY '26 will be roughly about INR25 crores.

Raunaq Sabharwal: One more question. What are the contribution from the American and German geographies in FY '25?

Chetan Tamboli: I think U.S. will be about 130 -- you said for FY '25 or FY '26?

Raunaq Sabharwal: '25 and if you can share your guidance for '26 also, that would be helpful.

Chetan Tamboli: So for FY '26, North American sales will be hopefully about INR130 crores, INR135 crores and Europe area will be another INR140 crores, INR145 crores.

- Moderator:** We have our next question from the line of Hemant Soni, an Individual Investor.
- Hemant Soni:** Sir, just wanted to ask you one thing. What is the capacity utilization in Q4?
- Umesh Bhatt:** It was 55% in Q4 '25.
- Hemant Soni:** And sir, overall in FY '25?
- Subhash Sharma:** Overall 45%.
- Moderator:** We have our next question from the line of Sanchit Narang from Narang Family Office.
- Sanchit Narang:** Sir, what I'm failing to understand is in FY '22 or '23, you check, your volumes went from like a lower level to a similar level, 30% increase. But that time your margins went up. But now you are guiding that you are seeing a 36% increase in your volume, but your margin would be stable.
- I understand the points that you got the one-time savings and everything. But is it something that we are guiding conservatively? I am failing to understand that. If it is just operating efficiency, operational efficiencies would increase as our capacity utilization would go up.
- Chetan Tamboli:** Yes, I fully agree with you. Operating leverage will also kick in. That should have increased margin. But you have to also factor in these one-time gains of about INR12 crores what we did in FY '25. So that's the reason we're seeing that the sustainable EBITDA number for a period of 2, 3, 4 years may be 25%, 26%.
- Sanchit Narang:** Got it. This 90% utilization guidance you are giving is like confirmed talks with your vendors and everything, the demand is there that you are certain of and regarding the margin, only time will tell. I can understand your point?
- Chetan Tamboli:** Yes. The volumes going forward are part of investor presentations may be uploaded a few months back. So if you can go through, you will have a fair idea of the capacity utilization volumes going forward.
- Moderator:** We have our next question from the line of Kaushal Sharma from Equinox Capital Ventures.

- Kaushal Sharma:** So my question is on your U.S. market. So like you said that we are generating around 30% to 35% revenue from U.S. So there is some tariff war going on and we are getting imposed to reciprocal tariff and also what is the impact of that in our business going forward we need to try to set our margin in.
- Chetan Tamboli:** See as of now, the additional tariff of 10% has already been kicked in from April 2. Our customers are absorbing this increase in cost because our sales are all on ex-works basis. So any increase in cost ex U.S. onwards is to customers account. I would say that the tariffs on India might be far better than few other countries in the world. So hopefully there should not be any adverse effect of the additional tariffs what we may have.
- Kaushal Sharma:** And our model is like cost plus model, right?
- Chetan Tamboli:** Yes, it's a cost plus model. We have a sales price variation formula with all of our customers. With input prices going up and down, the sales prices are corrected upwards or downwards as the case may be.
- Kaushal Sharma:** Okay. So sir, as you suggest that our margin is also improved just because our input price is down. So how can it possible like if we are at a cost plus margin so how are we getting benefit of low input cost?
- Chetan Tamboli:** See, what happens is when input prices go down, the price corrections happen with a 1 quarter time lag. So from Q1 to Q2, there were lower input prices so we gained for it. And Q2 to Q3, again input prices were down so we got a benefit for that. And again from Q3 to Q4, obviously subsequently with the lag of one quarter the prices would be corrected upwards or downwards.
- Moderator:** We have our next question from the line of Praneet, an individual investor.
- Praneet:** So I understand that we are geographically expanding our market in terms of gaining a product overall sales rate. What industry you see growing in these particular new locations that you're growing? I understand we are in multiple industries, right; earth moving or construction; all of that. So which industries do you see going forward in those locations?

And during the last few quarters, which industries affected us the most? Because in the North American market there was lot of slowdown and construction was one of the key factors. Were there any other industries that affected us?

And going forward how do we see them restocking their inventory or growth in terms of customer guidance? Because I understand to plan of production, we'll need some kind of guidance from them. So do we have any yet or how is it going?

Chetan Tamboli: See, basically we have been on a continuous drive of adding new parts. So once we have addition of new parts even if there is an overall slowdown in a particular industry, it may not be affecting us, A. B, the base industries which we have been doing; earth moving, mining, locomotive, construction; across all industries we are on a drive for new parts development. So even if there is a slight slowdown, it may not affect us.

Praneet: So you think at this point of time the slowdown is -- this is the worst. The slowdown has already reached and it's going to stabilize from here and the only way it might be is a little up, it's not going to fall further. That's what you hope, right?

Chetan Tamboli: Absolutely. I cannot say that the slowdown is already over. We have seen some signs of slowdown, but we are very confident of growth in volumes from FY '25 to FY '26. So with that, we will have improved volumes, improved sales top line.

Praneet: But do we expect these volumes to come from the new customers and new products, or do we expect them to come from the existing ones?

Chetan Tamboli: I think generally it's a combination of existing products with existing customers, new products from existing customers, new products from new customers. These are all bundled together.

Praneet: I understand that. I was just 1 question because I wanted to understand how is the adoption for new products. Because you had a legacy of excellent engineering, you were able to sell the old products. I was wondering about the new product development, how that is getting absorbed by the market. So I was wondering in that sense.

- Chetan Tamboli:** See, our development of newer products are based on customer specs and designs. We don't have our own proprietary products so we really don't have to worry about once the products are developed, will we be able to sell in the market? Because these are specific products for specific end user industries, end user customers and these are being developed on our customer requirement. So this is an ongoing drive. So whatever increased volumes we are anticipating is based on all this.
- Praneet:** So the new products that we are developing, are these likely to be a higher margin than what we already have or are going to be in similar lines?
- Chetan Tamboli:** It will be all similar lines. Whatever we talk about; EBITDA margins, sustainable levels; whatever we talk is all put together. There are no differences in margins.
- Praneet:** Got it. And in terms of -- I don't know much about this particular data;, but what percentage of our sales goes to OEMs and what percentage of it goes to aftermarket? I understand there's a split. In OEMs also they might use for aftermarket. But I was wondering do you have channels that we directly sell to only aftermarket use cases and is there channels apart from OEMs? That's what I was wondering.
- Chetan Tamboli:** So all our sales goes to only OEMs and not in any aftermarket, A. Some portion of the sale our customers may be selling in the aftermarket, but as far as we are concerned, it all goes to OEMs.
- Praneet:** Understood. But can you also explain how is the Europe looking? I understand we are expanding there specifically, right? Are we taking existing market share from the players and how are we able to do that? Apart from our moats in terms of engineering and relationship with customer, how are we able to acquire market from these particular customers? Because they must have already existing suppliers, right? How are we able to get into the market and grow our share there?
- Chetan Tamboli:** See, in terms of our manufacturing and quality control facilities, people see and once they know that we can make products matching any good companies in Europe or the U.S., customers are bound to come because for them it's a cost advantage to source from here.

- Praneet:** So the main difference, our moat will be cost advantage compared to the European suppliers at this point of time.
- Chetan Tamboli:** Yes, absolutely.
- Moderator:** We have our next question from the line of Pranjal Mukhija from GrowthSphere Ventures.
- Pranjal Mukhija:** First of all, I'd like to say congratulations on a very good set of numbers. So I have a couple of questions, sir. So you mentioned on this call repeatedly that like the volume growth that you're seeing visibility for in FY '26 is going to be led by new product development and new products at the end OEM is sort of going to make. So can you give some sort of qualitative insight and description of what kind of new designs, new products these are and what kind of industries these products will cater to?
- Chetan Tamboli:** Is this the only question you have?
- Pranjal Mukhija:** So the second question I wanted to understand a little bit on the market size opportunity of the ground engaging tools?
- Chetan Tamboli:** See, basically the increased sales which we are anticipating from FY '25 to FY '26 are all in our -- majority in our existing segments; earth moving, mining, locomotives, transportation, cement, machinery, constructions. And we are trying to focus on new segments like North American railroads, ground engage tools and defence. So the increased volume will come from the base industries, it may come from existing parts, it may come from newer parts. So this is all bundled together.
- Pranjal Mukhija:** But sir, could you provide some qualitative insights into what newest parts are we going to make?
- Chetan Tamboli:** So these are all parts. Let me explain you. These are all equipment parts for construction equipment, for mining equipment, for locomotives. So these are parts going into these different equipments for these different industries.
- Pranjal Mukhija:** Okay. And are we the only suppliers for these newer parts or like there are a couple of other suppliers for these parts?

- Chetan Tamboli:** There are suppliers all over the world. How can we have -- we could be the only one in this world. There are suppliers in North America, Europe, there are companies in India. So, there are plenty of people around the world.
- Pranjal Mukhija:** And sir, little bit on the market size of the ground engaging tools like what kind of opportunity do we see there?
- Chetan Tamboli:** So opportunities is vast. I think the overall worldwide ground engaging could be 200,000 tons because what we are looking is 2,000 tons, 3,000 tons of business.
- Moderator:** We have our next question from the line of Sanchit Narang from Narang Family Office.
- Sanchit Narang:** Sir, my question on the tariff has been answered.
- Moderator:** We have our next question from the line of Praneet, an individual investor.
- Praneet:** So in addition to the previous contestant, I was curious about the competitive landscape in terms of these international. So how is India faring in terms of the overall sourcing for European countries or North American countries or are we seeing competitive intensity from other Asian countries or who are on par with our cost advantage?
- How is China faring in terms of domestic entry? So in the domestic market also there's a percentage that is consumed by the Chinese imports, right? How are we faring in terms of that? Are Indian domestic manufacturers able to increase their contribution in the domestic market and abroad or are we seeing some other countries jumping in the race?
- Chetan Tamboli:** I think in the Indian market there are only Indian players. There are no Chinese players coming into India. That's A. B, the two emerging markets which are dominating our kind of industries is India and China. And obviously due to cost advantage with North American and European suppliers, we do have cost advantage and that is the reason of increased volumes or opportunities for newer developments, opportunity for new customers. All these are there.

- Praneet:** But we do not see any competitiveness from like Indonesia or Vietnam, these other Asian countries?
- Chetan Tamboli:** Not at this point of time.
- Praneet:** Okay. So far Indian players are able to gain the market taking advantage of the China Plus One. So in the international markets, let's say China was 80 and India was 20 or let's hypothetically India was 10 and this was 20. How is the contribution mix changing? Where do you think the Indian producers can grow in terms of international market share?
- Chetan Tamboli:** See, as a country India and I'm saying the entire engineering industry, India has a lot of potential to grow. People want to derisk themselves and reduce dependence on China. And after China, India is the best bet for the world. So any good company is good in manufacturing will do exceptionally well going forward.
- Moderator:** We have our next question from line office Raunaq Sabharwal from PhillipCapital.
- Raunaq Sabharwal:** Two more questions from my side. What was the contribution of new products in FY '25 and how do we see it panning out in the years to come? The second question would be what was the contribution of new geographies such as the one we had in Eastern Europe in FY '25 and how do we see the contribution of new geographies like Eastern Europe, Brazil, Canada etcetera in the coming years?
- Chetan Tamboli:** So on an average, each year the contribution of newer parts will be in the region of 5% to 7% every year and the sales for newer geographies year-on-year will be around 4%, 5%.
- Moderator:** We have our next question from the line of Sanyam Shah from Solidarity Advisors.
- Sanyam Shah:** On margins, I understand the one-off impact in FY '25, sir, because of which the margins look so high. But sir, in FY '24 as well we did 28% EBITDA margins. So was there any one-off impact in that year as well? Because we have been guiding for 25%, 26% normalized EBITDA margins.

- Chetan Tamboli:** Every year there will be extra benefits coming from cost reductions, exchange rates and lower prices. We thought to highlight this now because it turned out to be about INR12 crores in the year. But every year generally this extra benefits is always there. We are only highlighting it now. And that INR12 crores is roughly about 3.2% of the total EBITDA.
- Sanyam Shah:** Okay. Sir, then including this if the benefits are going to be coming in every year. So do you think actually this one-off should we included in our numbers? Like this should be included in our normalized EBITDA margin number, right?
- Chetan Tamboli:** I think it's not fair to add this because these are not designed by us. This comes subsequently. Like now if the exchange rates are stabilized, there may not be any gains in exchange rate in the current financial year. If the input prices stabilize, they don't go down then they may not be apparent any gains here. So these are always extras not designed by us in the pricing and all this so we should keep it out.
- Sanyam Shah:** Okay. Can you just give me the impact number for FY '24?
- Chetan Tamboli:** We don't have this number. You mean the additional benefits number?
- Sanyam Shah:** Yes. Like it was INR12 crores in FY '25?
- Chetan Tamboli:** I'm sorry we don't have FY '24 numbers offhand now. But you can give your contact details to E&Y and we will have it responded to you.
- Moderator:** We have our next question from the line of Rahul, an Individual Investor.
- Rahul:** Congrats for a great set of numbers. My question is regarding if you look at your power cost per ton so do we see a decrease over the years and if you can quantify how much that fall would be? Thank you.
- Chetan Tamboli:** What was your question? Your question is power cost per ton of production?
- Rahul:** Yes, sir.
- Chetan Tamboli:** I'm sorry we don't have this number offhand. But power cost is roughly 7%, 8% of the cost of production roughly.

- Rahul:** Okay. I'll frame it another way. For example we see that your power cost on percentage of sales is right now 11-odd percent. So you have been guiding that each year there will be an extra INR10 crore odd of saving in terms of power and fuel cost. So should we assume that over the years like in the next 3 years, your percentage cost of power and fuel would go below 10% or it would be steady at 10% on the percentage of...
- Chetan Tamboli:** See, what happens is with the increase in volumes, there will be additional cost. What we have now planned is a saving of INR13 crores, INR14 crores. We will have to 2.4 megawatt more which will be commissioned by FY '26. We will have saving of about additional INR3 crores. But if the volumes keep going up -- so the idea is that the power cost as a percentage of sale, which should remain stagnant, we are trying to mitigate the additional cost by way of cost reductions.
- Rahul:** Okay. And if I have a chance, I have one more question. Basically your gross margins are at around 81%. So is it that there's a mix change like you are doing 75% of finished product for your clients. So in this year has this percent increased to 80-odd percent? What is the expenditure for a significant jump in gross margin?
- Chetan Tamboli:** So you see, about 75% of our products go fully machined ready to use. And as I said, about INR12 crores came from additional benefits of exchange rate, input prices and cost reduction programs done by our people. And that INR12 crore comes to about 3.2%. So if our EBITDA margin is 32%, we need to knock that out by 3%. So the net EBITDA margin from overall operations is about 29%.
- Rahul:** Okay. And last question and I hand over here. You have been guiding a declining EBITDA margin. So is it that the newer parts would command a lower margin than the existing parts?
- Chetan Tamboli:** No. See, I am giving you realistic sustainable levels of EBITDA margins, right? For example if you reduce the extra benefits we got this year, then we are at 29%. Now 29% is obviously from increased volumes here, the operating leverage kicks in. But then going forward there would be a lot of uncertainties and maybe slowdown also. So it's good to have a conservative approach that 25%, 26% might be a sustainable level. I think Kanav bhai, we are almost nearing 4 p.m.

Moderator: Yes, sir. This was the last question. On behalf of PhillipCapital PCG, we thank all the participants for valuable time and especially the entire team of Steelcast Limited. I now hand the conference over to Mr. Chetan Tamboli for his closing remarks. Over to you, sir.

Chetan Tamboli: Thank you all and each and everyone who is part of this earnings call and we appreciate your support and trust in us. We hope we've been able to address most of your questions. In case of further queries, you may reach out to our Investor Relations Advisor Ernst & Young, and they will connect with you offline. Thank you very much and thank you to PhillipCapital also. Thank you. Thank you all.

Chetan Tamboli: Thank you, all.

Subhash Sharma: Thank you.

Moderator: Thank you. That concludes this conference. Thank you for joining us. And you may now disconnect your line.