Steel Strips Wheels

Operator: Ladies and gentlemen, good day, and welcome to Steel Strips Wheels Ltd. Q2 FY27 earnings conference call hosted by 361 Capital Markets Private 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Dinesh Kumar from 361 Capital Markets Private Limited. Thank you, and over to you, Mr. Kumar.

Dinesh Kumar – 361 Capital Markets: Good morning, everyone. On behalf of 361 Capital Markets, I would like to welcome you all to the Q2 FY27 earnings call of Steel Strips Wheels Ltd. Today, we have with us Mr. Dheeraj Garg, Managing Director; Mr. {? Nakul Kumar ?}, Chief Financial Officer; Mr. Aditya Dixit, Executive Director, International Marketing and Operations; and Mr. Pranav Jain, Vice President, Finance. We will start the call with brief opening remarks from the management team about the quarter gone by, and then we will proceed to the Q&A session. I will now hand the call over to the management team. Over to you, sir.

Management: Good morning, everyone. I hope you are all doing well and have had the opportunity to go through our financial results and the investor presentation, which have already been uploaded on the stock exchanges and the company's website.

I am pleased to share that the second quarter of financial year 2027 was the strongest quarter in the company's history, with the highest-ever quarterly revenue, EBITDA, and PAT. This reflects our continued focus on strengthening our market position and creating sustainable long-term value for all our stakeholders.

Before I walk you through our performance, I would like to highlight that the board has approved an interim dividend of Rs.1.50 per equity share.

Now, coming to our quarterly performance, revenue grew 61% year-over-year to 1,930 crores. Standalone EBITDA, including other income, stood at 237 crores, up 107% year-over-year. EBITDA margin improved to 12.3% from 9.6% in Q2 of last financial year. EBITDA per wheel rose to 404 from 242 in the same quarter last year. This improvement was driven by a richer product mix with a higher share of aluminum wheels, continued cost optimization across all our factories, and a higher contribution from exports. In addition, as mentioned on the last call, we have received price revisions from customers for increases in input costs other than raw material, which has further supported our margins. Profit after tax grew 209% year-over-year to 119 crores, with PAT margin improving to 6.2% from 3.2%.

Turning to our half-yearly performance, revenue for H1 stood at 3,440 crores compared with 2,387 crores in the same half of last year, a growth of about 44%. Standalone EBITDA, including other income, stood at 403 crores, up 68% year-over-year, and EBITDA margin expanded to 11.7% from 10.1%. EBITDA per wheel for H1 FY27 stood at 362 crores [laughs] sorry, EBITDA per wheel for the first half stood at 362 rupees per wheel. That was in the first six months of this financial year. Profit after tax for the half year was 190 crores, up 115% year-over-year.

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Now let me take you through our segment performance. The alloy wheel segment remained our key growth driver, contributing about 45% of our total revenue for the quarter and about 42% for the first half year. Volumes reached approximately 12 lakh units in Q2 and 23 lakh units for the whole of the first half. Volume growth was driven by premiumization in passenger vehicles and the rising share of EVs in India, while higher aluminum prices also supported revenue. Given increasing alloy wheel penetration and strong OEM demand, we expect this upward volume trajectory to continue.

Our aluminum knuckle business is progressing in line with our expectations. We remain focused on securing more customer approvals and scaling up commercial supplies. We believe this business will become an important growth engine over the medium term, as lightweight aluminum components gain wider adoption across both ICE and electric vehicles.

The commercial vehicle segment delivered another very strong quarter and recorded the highest growth among all our segments across domestic and export markets. Truck wheel demand was supported by sustained OEM offtake, replacement demand, and infrastructure-led activity. This marked a clear recovery from the weakness we saw in the second quarter of last financial year.

The tractor segment performed steadily during the quarter, and our market share improved from 43% to 45%. Demand was supported by increasing farm mechanization, healthy rural economic activity, and a growing preference for higher-horsepower tractors. We will continue to leverage our established customer relationships and manufacturing capabilities to meet the evolving requirements of tractor manufacturers.

In the steel wheel segment, we saw increased demand for high-vent-hole wheels. These are wheels that look similar to aluminum wheels but are made out of steel. Therefore, the cost is much lower than that of aluminum wheels, and we are pursuing this opportunity wholeheartedly and gaining market share in this segment.

Coming to exports, after a soft first quarter, export revenue grew 69% year-over-year in Q2 to reach 187 crores, taking H1 export revenue to 314 crores, a growth of 16% year-over-year. This reflects the diversification we have undertaken over the last 2 years across Europe, Latin America, and Asia, alongside our established presence in the United States. As discussed on our previous earnings call, we remain on track to exceed our FY27 export target of 600 crores. We remain focused on improving export volumes, strengthening our customer mix, and ensuring that our international business contributes meaningfully to both revenue growth and profitability.

Coming to our expansion in Bhuj, both projects are progressing as planned. The aluminum wheel plant will add 1.2 million wheels of annual capacity, taking our total aluminum wheel capacity to beyond 6.2 million. With our existing alloy wheel capacity running at near-full utilization, this expansion is well-timed. The aluminum knuckle facility will have an annual capacity of 1.1 million units. We are on track to commence commercial production of knuckles in the last quarter of this financial year, and aluminum wheels should start in early April of next year.

Moving on to our capex plans, we expect a total expenditure of over 600 crores in this financial year. 420 crores is allocated to the Bhuj facility. 120 crores will go toward increasing our tractor wheel capacity by almost half a million tractor sets in Dappar. Approximately 70 crores will go toward machinery replacement and automation, which is our big focus area now and has been for

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the last couple of years, to increase our operational efficiency and strengthen our manufacturing capabilities.

Regarding the greenfield expansion, the board has also approved, subject to regulatory clearances, the setting up of a state-of-the-art greenfield manufacturing facility at Sambhajinagar, Aurangabad. The facility will manufacture alloy wheels and steel wheels for passenger car vehicles and OTR applications. It will also include a hot stamping line for body structural parts of cars, which is again a part of our lightweighting strategy to enter businesses that call for lightweighting in cars. The total project outlay is estimated at about 1,400 crores, and it is going to be spread over the next 60 months. This will be funded by a mix of debt, internal accruals, and likely strategic investment from strategic partners.

Looking ahead, we remain confident about the rest of financial year 2027. At the start of the year, we guided for top-line growth of over 20% and EBITDA per wheel of more than 310. Our first-half performance has exceeded both, and we are extremely confident of having very strong guidance for the remaining 2 quarters based on what we have achieved in the last quarter.

Demand across our domestic segments remains strong. Exports are recovering, and hopefully, after a new trade deal with America, exports should exceed our expectations or our planned revenue for this year.

Our priorities remain unchanged: operational excellence, expanding our premium and aluminum portfolio, growing exports, developing deeper customer relationships, and investing in automation and AI to improve our productivity.

With that, I would like to thank all our employees, customers, suppliers, shareholders, and business partners for their continued trust and support. We are now open for your questions.

Operator: Thank you very much, sir. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone who wishes to ask questions may please press star and one on their touchtone phone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use only handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. You may please press star and one to ask questions.

The first question is from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

Aditya Khetan – SMIFS Institutional Equities: Thank you, sir, for the opportunity, and congratulations on a super performance. Sir, just a couple of questions. First, when we look at this quarter, obviously, the EBITDA per wheel looks to be on the higher side if we compare it with the history of the last 15 years. What would be the sustainable number going forward? Also, you had mentioned that in the first half we received approximately 183 crores of pass-on benefit. If we exclude that benefit, what would have been the EBITDA per wheel in the first half? What would be the sustainable number going forward?

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Management: Let me first clarify this doubt in everyone's mind because this question has been raised by everyone. This 183 crores of supplementary invoicing is based only on raw material price changes, which are a pass-through. I have repeatedly made it clear to everyone that raw materials are a pass-through. The settlement takes longer, so when we report our monthly numbers, those do not incorporate the increase in the selling price of steel or the purchase price of steel, and, as a result, the increase in the selling price of our invoices.

This number is nothing but what was actually spent while we were carrying out all these manufacturing and sales activities in the first 6 months. Therefore, this is not to be conflated with an increase in EBITDA because this has no role to play in the EBITDA per wheel or the overall EBITDA of the company.

Going forward, we have seen an EBITDA per wheel of 404 rupees, and this is the result of diversification. All our bigger volume and profit-earning businesses—for example, CV, which has grown to 28% in the first 6 months—have contributed to this. This is the highest growth in the domestic market for CV wheels. Generally speaking, CV wheels and tractor wheels have been showing year-over-year growth. We have seen exports growing remarkably, the knuckle business growing, and, to top it all, the aluminum wheel business growing.

You have more and more cars requiring alloy wheels, and we are at the forefront. Ex-Maruti, we have a very dominant market share. We have more than 64% market share ex-Maruti. You can see that, ex-Maruti, all the car companies that have done well have in fact increased the penetration of alloy wheels in their portfolio.

That is the reason why we are running at almost 5 million capacity in aluminum. In fact, in this month, we will cross 5 million. We have received more orders than we had capacity for, but we were able to debottleneck the factory, and you will be happy to know that we have increased our capacity by 10% in this month of October. We will cross 5 million, so it could be close to 5.4 million on an annualized basis.

One could assume that the capacity in aluminum has increased organically because of debottlenecking, without having to spend much money, or rather, without spending any money. We have been able to increase our productivity by more or less 10%.

Going forward, these factors—enhanced capacity output from Mehsana, increased demand for CV products, CV being on an absolute tear, exports doing well, and all these factors together—mean that this EBITDA level of 404 rupees should be sustainable. Perhaps we will exceed that, depending on the circumstances. For example, October has been a great month. If this trend continues in November and December, then obviously we will have a much better EBITDA per wheel number.

Aditya Khetan – SMIFS Institutional Equities: Understood, sir. On the newer capex outlay of 1,400 crores, is there any internal working on the IRR for alloy wheels and steel wheels? Also, because this is a big number, how much contribution would come from internal accruals and debt, since our debt is already on the higher side? Any workings on that, sir?

Management: These projects are going to be highly profitable. Let me put it this way. The IRR—I think what I have understood is that we have a ROCE of 24% in the first 6 months of this financial

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year, and I think the Sambhajinagar addition would only add to this number. We would be looking at a return on capital employed higher than 24%.

One need not worry about the returns because we are getting closer to the customers and entering a business where freight plays a big role. Maharashtra, as you know, is growing in terms of automobile investment and volume growth. This really brings a lot of operational leverage to us by being closer to the customer. The new investments that we are making are also going to be much more automated than the previous investments.

This would mean that we would be able to bring our cost down and become even more competitive in the Indian market. I am very confident that we will improve upon what we are currently getting on ROCE.

Aditya Khetan – SMIFS Institutional Equities: Sir, just one more follow-up on the last answer. You mentioned that the per-wheel EBITDA of 400 rupees is sustainable. Considering the benefits we have received in the first half, do you think these benefits will continue even in FY28? Whatever capacity expansion we are doing is fine, but this number still looks to be on the much higher side—400 rupees per wheel. What gives us the confidence that this number can be sustainable? A realistic number for the next 2 to 3 years would also help, sir.

Management: How are you saying that special circumstances were prevalent in the first half this year? What is your premise here?

Aditya Khetan – SMIFS Institutional Equities: Because we are finding that the full pass-on of raw material pricing has helped boost the per-wheel number [cut off]

Management: No, you are absolutely wrong here. I have told you repeatedly that raw material is a pass-through. I do not want to repeat myself again on this. There are no special circumstances in the first half. I do not know how you are getting this impression.

Aditya Khetan – SMIFS Institutional Equities: Okay, understood. This number would be sustainable? You mentioned that approximately 400 rupees per wheel could be sustainable?

Management: That is based on operational efficiencies and higher volume growth. As I told you, we have been able to unearth 10% more capacity in the alloy wheel business, and that should be a great sign for profitability growth per wheel.

Aditya Khetan – SMIFS Institutional Equities: Understood, sir. For FY28, sir, just one [cut off]

Operator: Mr. Chetan, I am sorry to interrupt you, sir. There are others who are waiting for their turn. I would request you to kindly rejoin the queue.

Aditya Khetan – SMIFS Institutional Equities: Yes, sure.

Operator: Thank you. We will take the next question from the line of Aaryan from Equitas Investments. Please go ahead.

Aaryan – Equitas Investments: Congratulations on the results. I wanted to understand more about alloy wheels. You mentioned that you have very good market leadership in India. I think a good

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growth lever for us is exports. Could you give some color on our global market share or global standing in the global market? Who are the other global companies that you compete with? What is the price differential? What is the technology or product-specific differential, if any, where we can come ahead or compete? I wanted to understand this.

Management: I am not able to follow your question. Can you summarize it?

Aaryan – Equitas Investments: I am asking about the competitive intensity in the global alloy wheel market, the players that you compete with, price competition, and product-specific competition.

Management: For aluminum wheels, the majority of the competition is based in Turkey. We are much more competitive than Turkey, not only in manufacturing costs but also in logistics. Notwithstanding what is happening right now in the Hormuz, generally our freight costs from India are very competitive compared with Turkish exports to Europe, for example.

We have a good competitive edge on the cost front. In terms of quality, you have to match global standards; there is no other way. It is not a differentiator; it is an absolute requirement if you have to sell aluminum wheels in the export market. I think that should answer your question.

Aaryan – Equitas Investments: What is the qualification cycle, and do we not face any competition from China?

Management: Qualification of what?

Aaryan – Equitas Investments: How much time does the qualification take? Once you have supplied the product, how much time does it take to get onboarded?

Management: About 9 months. After you win the business, it is about a 9-month cycle for a new program.

Aaryan – Equitas Investments: Is there no competition from China here?

Management: China faces anti-dumping duty on Chinese wheel exports, so China is out of the market. They are competing in America, but we do not supply to America.

Aaryan – Equitas Investments: Why do you not supply to America? Is it a geographical issue?

Management: No, it is because of Chinese competition.

Aaryan – Equitas Investments: Okay. China supplies on that account. I also wanted to understand more about the hot stamping capex that we are undertaking. What is the competition here, and what value exactly will it add? Is there a synergy with the other products we have?

Management: The customers are the same. The buyers and customers are the same or similar, so they are looking for strong suppliers. This is a new business that is going to grow globally as well. It is a new technology to lightweight cars. With electric vehicles and generally with CAFE norms, you need to have lighter vehicles.

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More and more cars require the structural parts to be made through the hot stamping process because the hot stamping process brings down the weight of the part. Since our customers are going to be in Nagpur or Nashik, we will be very close to the customer by making this investment.

We are making this investment for a specific customer. We are not simply shooting darts that may stick somewhere. We are doing this because a customer has asked us to set up this factory.

Aaryan – Equitas Investments: What is the competition here? Are any other auto ancillary companies already doing this at the scale at which you want to do it?

Management: There is a company called Gestamp, which is a multinational, multibillion-dollar group from Spain. They are our competition, and there are other players as well. JBM is also entering this business, and there are 2 more players, including AutoGen from Korea.

However, there is enough market for competitive players—people who have good technology, good process controls, and good execution capabilities. These companies are always in demand for such new investments.

Aaryan – Equitas Investments: What is the fixed asset turnover for this kind of hot stamping capex?

Management: We are targeting 170 crores, including land, building, and so on, for this. We should achieve a turnover close to 400 crores on this investment.

Aaryan – Equitas Investments: All right, sir. Okay, thank you very much. All the best, and congratulations.

Management: Thank you.

Operator: Thank you. The next question is from the line of Ansh Gupta from Niveshay. Please go ahead.

Ansh Gupta – Niveshay: Hi, am I audible?

Management: Yes.

Operator: Yes, you are.

Ansh Gupta – Niveshay: Good morning, management, and congratulations on a good set of numbers. My first question was on the margin side. As promised, what is the margin gap between the steel, alloy, and knuckle segments? Excluding the 140 crores of reimbursement that we received in Q2, what is the clean EBITDA per wheel and the revised FY27 guidance?

Management: I have already clarified this question at the beginning. That 140 crores of supplementary invoicing has no bearing on EBITDA.

Ansh Gupta – Niveshay: Can you give the margin gap between the steel, alloy, and knuckle segments?

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Management: I can say that the aluminum segment, which comprises aluminum wheels and aluminum knuckles, has EBITDA per wheel that is about 40% higher than the steel segment. I cannot reveal the exact numbers for each segment, but I can tell you that this is more or less the ratio.

Ansh Gupta – Niveshay: Understood. My next question was on the SOB side. The share of business fell at Escorts, HMSI, and the Tata alloy side this quarter. Was that because of a capacity limit, or did you lose on price? Does it come back after Bhuj?

Management: I do not know what your question is again. What are you asking me?

Ansh Gupta – Niveshay: My question was on the SOB side. The share of business fell at Escorts, HMSI, and the Tata alloy side this quarter. Was that because of a capacity limit, or did you lose on price?

Management: Regarding the share of business with Tata, I do not think we have lost any share of business, but perhaps it is not clear in the presentation. Let me check for one second. [pause] [off-mic discussion] Our overall tractor market share has gone up by 2 points. We have reached 45%. I do not know why you are assuming that we have lost market share at Escorts.

Ansh Gupta – Niveshay: I am sorry, sir. It is all good. My last question was: where do you see the export-versus-domestic revenue mix in 2 to 3 years? Can SSWL become India's largest alloy wheel exporter, and how much of this will be exports?

Management: I think the last question is quite relevant. Yes, we already are the largest, and we will become a major supplier of aluminum wheels to the international market. As far as the ratio is concerned, all these businesses are going to grow, so I cannot spell out the ratio.

For sure, in 3 years' time, we will target exports of at least 1,500 crores, if not 2,000 crores. However, 1,500 crores is visible for us in 3 years' time.

Ansh Gupta – Niveshay: Okay, sir. Is there any revised FY27 guidance?

Management: For this year, you can construe it from what we have delivered in the second quarter. If things go well in terms of demand, we should exceed what we have achieved in this second quarter. From there, you can determine what kind of revenue, EBITDA, and net profit we will make.

Ansh Gupta – Niveshay: Understood, sir. Lastly, on the hot stamping side, do we have any anchor customers, and can you shed some light on the hot stamping business?

Management: As I said, we are setting up this hot stamping factory for a customer situated in Maharashtra, close to our factory. That is your anchor customer. Besides that, we are talking to 2 other customers for the hot stamping space, and this business is going to grow.

Once we start production—and we are targeting to start production next year around this time, or a little later than this time, in the fourth quarter of next calendar year [hesitates] for hot stamping—if we are sold out by then, I think the plant will start with a sold-out capacity.

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That is how this business works: you integrate it with a customer and take up the volume that is required from that customer. Very soon, during the execution itself, we will be adding another line, depending on how many other businesses we convert. Right now, we are talking to 2 other customers, and conversion is very possible in the near future.

Ansh Gupta – Niveshay: Understood, sir. Thank you so much, and congratulations on a good set of numbers.

Operator: Thank you. The next question is from the line of Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia – ICICI Securities: Good morning, team, and congratulations on the good performance. You just guided that EBITDA per wheel in aluminum is 40% higher than in steel. Our understanding in the past was that aluminum wheel EBITDA per wheel is at least twice that of steel. Has this changed in the [cut off]

Management: That is because what we were comparing was passenger car to passenger car. The number I have given you now includes CV, tractor, EV, and everything. Obviously, the benchmark is different. You are right: if you look at pure-play passenger car versus passenger car, aluminum is definitely twice steel.

Shashank Kanodia – ICICI Securities: Secondly, the supplementary allowance matter is well taken. I wanted to understand whether the amount you mentioned as 140 crores for Q2 and 183 crores for the first half is only for this period, or whether it is cumulative—for example, over 4, 5, or 6 quarters in total.

Management: No, it is only for April through September.

Shashank Kanodia – ICICI Securities: Okay, only for that period.

Management: Yes, we do not settle that late. We settle late, all right, but not that late. Everything gets settled within the financial year.

Shashank Kanodia – ICICI Securities: Typically, greenfield plants mention an investment of Rs.1,500 crores. Even if we make Rs.400 of EBITDA per wheel on this, the capacities you have mentioned would generate closer to Rs.200-220 crores of EBITDA. After depreciation, it should be around Rs.70-80 crores, which makes it only a 12-13% incremental ROCE business.

Management: You are trying to put numbers in my mouth. I do not want to reveal my numbers. All I can tell you is that we are bringing in operational efficiencies, as I mentioned in my speech. We are bringing proximity to the customers and cutting freight costs. These are very important factors in aluminum wheels.

The industry has also realized one thing, which is important for everyone to understand: SSWL is the lowest-cost producer of aluminum wheels and steel wheels in the world, barring China. I would not comment on the Chinese cost of manufacturing at all because a lot of it is subsidized.

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Ex-China, our factory in Mehsana has the lowest cost of production compared with any competitor. When we start in Bhuj and when we start in Sambhajinagar, those facilities are going to be more automated and more operationally effective in terms of bringing costs and rejections down.

What you will see in Sambhajinagar will, at an operational level, be at least 25% more productive than what we are currently doing. You can imagine what we are trying to create with new technology.

Right now, our moat is not going to be based on volumes or customer relationships alone. It is going to be based on technology. Technology will differentiate us in terms of cost, the actual weight of the wheel, and the total cost of purchase for the customer. It is a win-win for all sides. That is how we are building our moat in this case.

I am glad that I am talking about this because I have not spoken to investors on this account. We are increasingly confident of increasing the gap between our nearest competitor in terms of productivity, efficiencies, and cost per wheel. That is a big thing.

When I say that I will have a very strong ROCE in Sambhajinagar, it is supported by many factors. There may be a couple of factors I have not spoken about, but you will see the results when they come out.

Shashank Kanodia – ICICI Securities: Okay. But what is the initial [cut off]

Operator: Mr. Kanodia, I am sorry to interrupt you, sir. I would request you to kindly rejoin the queue for follow-ups. There are others who are waiting. Thank you.

Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in the conference, kindly limit your questions to only 2 per participant. Should you have a follow-up question, please rejoin the queue.

The next question is from the line of Rahul Jain from Capri Global Ventures. Please go ahead.

Rahul Jain – Capri Global Ventures: Hello, sir. Can you hear me?

Management: Yes.

Rahul Jain – Capri Global Ventures: Good morning, team.

Management: Yes.

Rahul Jain – Capri Global Ventures: Congratulations on a great set of results. You mentioned a strategic partner for the newer capex. Can you explain in detail who the technology partner is and [crosstalk]

Management: Are you talking about a technology partner or a strategic partner? What are you talking about?

Rahul Jain – Capri Global Ventures: The strategic partner that you mentioned for the newer capex of Rs.1,500 crores.

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Management: There are a couple of them, and they predominantly work in the commodity space. I cannot reveal more than that. They are commodity players and have been our partners for a long time. They have been our partners since we started our factories.

Rahul Jain – Capri Global Ventures: Understood. Regarding the export business, we have targeted around Rs.1,500 crores of exports for this year. How much of it are we targeting from businesses other than steel wheels? And [crosstalk]

Management: It is a good question. I do not have that figure with me. All I can say is that exports of aluminum wheels and steel wheels together are growing.

This 600 crores might go to 700–750 crores, depending on how soon we get the trade deal from America. We have about 5 months left, so a lot can happen in these next 5 months.

Luckily, we have capacity and capacity coming up in truck wheels, aluminum wheels, tractors, and cars. All in all, it looks great. I also talked about this in the previous call: we have won a lot of OEM business in steel wheels, and that should start playing out next year.

Once that happens, it will be a big growth driver. Let me clarify this to everyone. Next year, we see a big increase in exports, mainly from OEM exports of car steel wheels, car aluminum wheels, and truck wheels from Europe.

We have won certain certifications for lightweighting wheels that were very difficult to obtain. It took us 12 years to get them. Now, fortunately, we have this approval for selling to OEMs such as MAN, Scania, and all the major companies, Daimler, for example.

That business will start playing out in the fourth quarter of this financial year itself, and next year should see a massive acceleration. You will see a real turnaround in the steel wheel business, so do not count this business down.

Earlier, I had mentioned that input costs were coming for 2 years, and they finally arrived. Now you can see the difference in the EBITDA margin. When you catch the wind on volume growth—volume growth from OEMs, not fickle orders from distributors, but from OEMs based in Europe—that is going to be the growth driver for exports next year.

When I say Rs.1,500 crores, it is quite possible even with the current set of circumstances in the US.

Rahul Jain – Capri Global Ventures: The Rs.1,500 crores that you mentioned [cut off]

Operator: Mr. Jain, please rejoin the queue for follow-ups. There are others who are waiting. Thank you.

The next question is from the line of Nishita from Safal Capital. Please go ahead.

Nishita – Safal Capital: Hello. Congratulations on such a good set of numbers. I had a few questions. My first question is on our total capacity. At the start of FY28, we will have 21 million of steel wheel capacity, 6.2 million of aluminum wheel capacity, and 1.1 million of aluminum knuckle capacity. Is that right?

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Management: Yes.

Nishita – Safal Capital: What utilization are we expecting in these facilities in FY28?

Management: I have mentioned this previously as well: we expect 100% utilization of these facilities next year. As soon as they are commissioned, we should reach the 100% utilization rate within 3 to 4 months of starting commercial production at the maximum.

You could easily say, with a high degree of confidence, that we will cross 80% utilization for the whole financial year in these new facilities. You will also see a lot of growth coming from the brownfield expansion.

Please do not preclude the fact that we have added capacity in the tractor segment and the truck segment. These capacities are already sold out, given the current state of affairs. This bull run is not stopping.

Even today, customers are asking for material, even though we are more productive than previously. All our factories are more productive. We are producing more parts in the same 24 hours than we were producing, for example, 3 months ago, in each of our facilities.

You will see a lot of growth coming from the organic or brownfield expansion. The new capacity enhancement in Bhuj should be taken at 80% utilization for the next financial year.

Nishita – Safal Capital: The overall capacity with the brownfield expansion will be what I mentioned, correct? The 21 million [crosstalk]

Management: It will be a little more because, as I said, we have debottlenecked the facility in Mehsana and added about 600,000 wheels there.

You can say 5.4 million aluminum wheels plus 1.2 million in Bhuj, which is 6.6 million. Then we will add another 2.5 million in Sambhajinagar, taking it to 9.1 million.

I think that is a very healthy situation. Also remember that we are going to be very competitive in the new facilities, much more competitive than Mehsana. The message should be clear that our new facilities in Sambhajinagar are going to be very efficient and much more profitable than Mehsana or Bhuj.

Nishita – Safal Capital: When will the Sambhajinagar facility be operational? You mentioned that hot stamping will be operationalized [crosstalk]

Management: Next year, around the second quarter of next calendar year. That is when we intend to get it commissioned and ready for trials and approvals.

Nishita – Safal Capital: What sort of steel wheel capacity are we adding in Sambhajinagar?

Management: We are adding 2.8 million steel wheels—2 million passenger car wheels and 1.8 million OTR wheels. There is a lot of demand for exports from here, and we did not have that current reach. We are going to target those export markets with this new build-up.

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There is also local demand with which we were uncompetitive because we were far from the customers. For example, we were far from John Deere, TAFE, and certain customers in the south. We will bridge that gap, which has affected a lot of our competitive ability. This plant will absolutely be a winner from day one.

Nishita – Safal Capital: Since we are going to be operationally more efficient, can we expect our EBITDA per wheel to increase? How much [crosstalk]

Management: What are you guiding?

Nishita – Safal Capital: Can we see it at around {? 50 500 ?}?

Management: Why not? I think the richness of the product mix itself will eventually take us there. Absolutely.

Nishita – Safal Capital: My last question is on hot stamping. What sort of capacity are we adding for hot stamping?

Management: I think we mentioned 183,000 stamps. That is how it is counted. It is basically [crosstalk]

Nishita – Safal Capital: 83,000 stamps?

Management: A turnover of 400 crores, as I mentioned.

Nishita – Safal Capital: It is 83,000 stamps?

Management: Yes.

Nishita – Safal Capital: 183,000 stamps? 100. Okay, understood. Thank you, sir.

Management: That is 400 crores [crosstalk]

Nishita – Safal Capital: 11 lakh stamps. Okay. Thank you, sir.

Operator: We take the next question from the line of Abhay Tibrewal from Vision8 Investments. Please go ahead.

Abhay Tibrewal – Vision8 Investments: Most of my questions have been answered. However, given the global uncertainties, are you seeing any risk in freight costs or in your exports? I wanted to get a sense of that.

Management: Right now, we are dealing with the freight market to a significant extent. However, freight affects the other companies competing with us as well. When freight costs come down, our competitive ability will further increase. That is why I am very bullish on exports now.

Once the US-India trade deal happens, there will be a clear direction. The next time we speak, in January, we will have more data to tell you where we stand.

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OEM exports are continuing. As we have added capacity, we are going to get new businesses on stream. As they come on stream, they will take up our increasing capacity as well. We are very confident about this at the moment. We are fine.

Abhay Tibrewal – Vision8 Investments: In the last conference call, you were cautious about the EBITDA per wheel number, indicating a figure closer to 380–10. Suddenly, we are seeing a significant increase in confidence, with you talking about a figure closer to 400 or above 400. What gives you this confidence in this challenging environment?

Management: I had talked about input cost increases of 2–5%. If I am not mistaken, I had mentioned 2–10%. We have been able to obtain our increases.

This was due for the last 20 years. We were always subjected to competition. But this time we broke free and said that our costs have to be covered. We are making money through aluminum wheels, knuckles, and exports, but that does not mean that we should continue subsidizing our existing business with you.

The OEMs understood that. They need more wheels, by the way. There is a shortage of capacity in the market. We told the OEMs that if they wanted us to build a factory, they had to pay for it. The way they pay for it is by increasing our prices on the existing business. Otherwise, we would not invest in the future.

The OEMs understand that they are getting wheels at the lowest price in the whole world, including China. The price of steel wheels was so low that it was abysmally low. We then decided not to work at those margins.

Then you add operational efficiencies as well. Obviously, volumes have gone up, so it is becoming a good mix for us.

Abhay Tibrewal – Vision8 Investments: This is very encouraging. Thank you very much, and I wish you all the best.

Management: Thank you. I think this will be the last question we take.

Operator: This will be the last question for today from Shashank Kanodia from ICICI Securities. Please go ahead.

Shashank Kanodia – ICICI Securities: Just to check, regarding the Rs.1,500 crores for which the initial capacities were mentioned, will there be scope for further expansion of capacity at Aurangabad? And [cut off]

Management: Plenty. There is plenty of land, and obviously, we will expand hot stamping. As soon as we get the next order, we will expand the hot stamping line. That will come at a marginal cost because most of the expenses will be incurred in the first phase.

Similarly, if we need to add more capacity, we may add it in a different product. For example, it could be knuckles. We could look at adding knuckle capacity here. That could be one thing to watch out for.

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If we have to add more aluminum wheel capacity, we will probably go to the south to get closer to the customers there and also participate in the export market. This is how we would [trails off]

Shashank Kanodia – ICICI Securities: Let us look at it. What is the project IRR for Aurangabad? Internally, you must have worked on this. What project IRR are you working with?

Management: There are many things I cannot share with you, but I said at the beginning that the ROCE for these investments would be better than what we are currently getting. It will be above 20%, so you can figure out what the IRR would be.

Shashank Kanodia – ICICI Securities: One last question—

Management: That is how we look to do it.

Shashank Kanodia – ICICI Securities: Yes, sir. Last quarter, CV and tractors performed very well. Hypothetically, we are sitting on a very high base, and these segments may taper off going forward. Even then, are we confident of maintaining a figure close to {? flow ?} and 400 EBITDA per wheel?

Management: This is a point that we will have to address. Obviously, this will impact our EBITDA per wheel if volumes go down. That is very clear.

However, right now we do not see that. In fact, in CV, we see desperation among customers to secure products. We were quite surprised. Normally, we expect this season to be a little weak after Diwali, but this month is absolutely—let me tell everyone here that this month we will have our highest-ever CV sales in our history by a wide margin, by a wide margin.

It is quite shocking to us as well how this is happening, but we are able to generate this kind of interest from the OEMs.

Tractors are growing as well. Tractor volumes grew about 15% in the first half. Even if this growth goes to 10%—we do not believe it will go down to 10%; I think it will cross 15%—we are currently in a strong position.

We withstood the shock of the Ukraine war. I do not think anything worse is going to happen from here. Things are going to get better. However, if things do not play out the way they are at the moment, then yes, it will impact our EBITDA per wheel.

Shashank Kanodia – ICICI Securities: Understood, sir. Thank you very much, and I wish you all the best.

Management: Thank you, everyone, for this call.

Operator: Thank you. Ladies and gentlemen, due to time constraints, this was the last question for today. I would now like to hand the conference over to Mr. Dinesh Kumar for closing comments. Over to you, sir.

Dinesh Kumar: [pause] Hello?

Operator: Mr. Kumar, you are audible. Please go ahead.

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Dinesh Kumar: Thank you, everyone, for joining the call.

Operator: Thank you. Ladies and gentlemen, on behalf of 360 ONE Capital Markets Private Limited, that concludes this conference. We thank you for joining us, and you may now disconnect your lines. Thank you.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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