



“Nelcast Limited
Q2 & H1 FY 26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Nelcast Limited Q2 H1 FY '26 Earnings Conference Call. As a reminder, all participants' 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. Abhishek Bhatt. Thank you, and over to you, sir.

Abhishek Bhatt: Thank you. Good morning, everyone. On behalf of Nelcast Limited, I welcome you all to the Q 2 & H1 FY '26 Earnings Conference Call. The results and investor presentation have already been shared and also available on our website and stock exchanges. Joining us today to discuss the company's performance and outlook are Mr. P. Deepak, Managing Director and CEO; and Mr. S.K. Sivakumar, Chief Financial Officer.

Before we proceed, a standard disclaimer. Please note that anything said on this call during the course of the interaction and in our collaterals, which reflects the outlook towards the future or which should be construed as a certain forward-looking statement must be viewed in conjunction with the risks the company faces and may not be updated from time to time.

More details are provided at the end of the investor presentation and other filings available on our website at www.nelcast.com. Should you have any queries or require further information following this call, please feel free to reach out to us via the contact details provided in the investor materials.

With that, I now hand over the call to Mr. Deepak. Over to you, sir.

P. Deepak: Thank you, Abhishek. Good morning, everyone, and thank you for joining us today. FY '26 commenced with strong momentum, delivering a robust Q1 performance, driven by healthy demand across the 3 segments. In Q2, however, export volumes faced temporary headwinds due to a slowdown in the U.S. economy and the imposition of tariffs, which led to short-term production pauses by customers.

Despite these external challenges, domestic demand remains resilient as supported by steady growth in tractor and M&HCV sales, also aided by recent GST cuts, a favorable monsoon, strong rural demand and festive season buying. We expect export volumes to recover towards the end of the fiscal year as customer schedules normalize. Although these are short-term challenges, our focus remains on developing high-value complex products that require advanced capabilities and face minimal competition.

I'm pleased to share that samples of these are now in full swing, and we are seeing strong demand for these products from customers. The samples have been receiving approvals and positive feedback, and we are confident of commencing manufacturing of several of these products and supplying these orders starting from the first half of FY '27. This initiative will drive margin expansion and enable better utilization of our existing capacities.

The domestic industry is also showing green shoots of a strong recovery. According to the TMA, domestic tractor sales grew 31% year-on-year in Q2FY26. We expect this momentum to continue through the remainder of the year. The commercial vehicle segment is also witnessing a steady pickup with volumes surpassing last year's levels. Further, the recent policy change in terms of the U.S. tariffs getting settled is expected to further support demand.

Going forward, we believe that after a prolonged period of consolidation and industry headwinds, the worst is behind us. Over the next few years, including this, we have utilized -- we'll make best of the utilization of our facilities as we are developing world-class products. And these efforts position us for significant growth in the coming years.

In terms of the financial highlights, the total income for the quarter, Q2 of FY '26 stood at INR303 crores compared to INR335 crores in Q2 of FY '25. And during H1 of FY '26, the revenue was INR639 crores as against INR637.4 crores of H1 of FY '25. The exports for H1 stood at INR194.4 crores compared to INR27.6 crores in H1 of FY '25. And the EBITDA for Q2 was INR21.4 crores with an EBITDA margin of 7% in Q2 of FY '26. EBITDA for H1 of FY '26 stood at INR53.7 crores compared to INR48.4 crores in H1 of FY '25, which was 8.4% for H1 of FY '26. The profit after tax during Q2 of FY '26 was at INR4.8 crores and for H1 was at INR17.3 crores against an adjusted profit of tax of INR14 crores in H1 of FY '25 with a growth of 23.2% year-on-year. H1 of FY '25 included exceptional income of INR3.8 crores pertaining to profit on sale of land. So that was the adjustment that was made there.

We can now open the floor to questions and address any queries that might be there. Thank you. Operator, I think we can open it up for any questions.

Moderator: Thank you very much. We'll now begin the question-answer session. The first question is from the line of Raman KV from Sequent Investment.

Raman KV: My first question is with respect to the guidance. Are we planning to revise our guidance of INR1,500 crores of revenue in FY '26 with the volume of 1 lakh tons?

P. Deepak: Yes. I think we'll have to, things seem to be very dynamic. We'll have to watch it closely and see how that goes. I think some of the challenges that we've seen in Q2, we think will be overcome, but I think we were expecting Q2 to be a stronger quarter than what it was, mainly because of, I think, the U.S. market and the tariffs impacting the market overall, but it didn't happen.

So we'll have to wait and watch how these get settled and how it impacts the market. It's a little too early to comment on that, but that's something we'd still like to do, but I think it's looking more difficult now.

Raman KV: So do we have any temporary volume guidance?

P. Deepak: I think it's just too volatile at the moment to give any specific volume guidance, but we are working on it.

- Raman KV:** Sir, my second question is with respect to this new single casting product, which you said will be starting to contribute in FY '27. What kind of margin are we expecting from this product? And how much of the current revenue from the perspective of at least percentage-wise, how much are you expecting this new product to contribute towards the overall revenue?
- P. Deepak:** Yes. So overall, some of these new products that we are get launched in the beginning of FY '27, the mature volume on those products -- those products will contribute about 10% to 15% of our overall sales once they are fully ramped up. So that's what we have on those new products.
- I can't comment on product-specific margins, but certainly, these being products with less competition, we expect the margins would be stronger. Maybe in the initial days, there is some period it would take for stabilization of production where we might not see that. But we expect as we stabilize the production, you will see very much stronger margins on those products than on our standard products.
- Raman KV:** And sir, my final question is, are we seeing any recovery with respect to U.S. market and at least in the month of October and has there been any uptick in terms of inquiries?
- P. Deepak:** Yes. So in terms of the uptick in the market, we are actually seeing an uptick now in terms of the forecast from November onwards, not necessarily in October. But like I said, it's been fairly volatile. Then we saw it go down, we saw it continuously go down. Now we've seen it recover on some of the segments. So while it remains volatile, at the moment, we are seeing actually very strong recovery in November and December.
- Moderator:** Next question is from Debanjana Chaterjee from Spark Capital.
- Debanjana Chaterjee:** So my question was on the tractor volumes. I mean, the tractor sales in domestic market. So I can see that it's a drop of 5% around. Am I right? Or how is it?
- P. Deepak:** No. That's not correct. Tractor, if we look at tractor volumes, tractor volumes have actually gone up. So if you compare H1 of last year to H1 of this year, it's gone from 25% to 27% growth. So it's roughly about a 10% growth in tractor -- domestic tractor volumes.
- Debanjana Chaterjee:** Okay. So now the revenue pie product-wise, you have given a half yearly revenue pie. So can you give a quarterly revenue pie?
- P. Deepak:** Sure. Let me see. I got it for the quarterly revenue by sector. Just give us a couple of minutes. We'll just pull that up and share that with you, one second.
- Moderator:** Next question is from Ninad Sabnis from Sabnis Financial.
- Ninad Sabnis:** As we see, there seems to be a big change which is happening in the axles business from the EV perspective. So just wanted to check if you could elaborate on this change and what would be the opportunity available for us in the segment?
- P. Deepak:** You're specifically talking about the EV perspective?

Ninad Sabnis: Yes. Axles in the EV segment, like how are they different and does this open up a sizable TAM?

P. Deepak: Yes. So in terms of EV trucks, right, because we're talking about commercial vehicles. In terms of EV trucks, there are a couple of different ways that commercial vehicle can -- electric commercial vehicle can be designed. One way is that you continue to -- instead of the ICE engine, you just replace that with an electric motor.

And then you still have a small gearbox, you still have a propeller shaft and then you still have the same axle. The alternate way, which is the more efficient way of doing it, but of course, requires lot more development and investment is to go with e-axles. So e-axles are more efficient and probably the best way to go about it if you have the conviction.

Now in e-axles, the casting content that is on the e-axle because you don't have an engine or a transmission on it, but the casting content on that e-axle is significantly higher because it has to also support the weight of the electric motor.

So in a couple of cases, we are seeing that for the kind of products that we do on the axle, which is more focused on the differential, right, which is either the differential carrier, if you look at that product line, there is -- earlier, it used to be mostly smaller parts where, let's say, on a tandem set, let's say, for a Class 8 truck in North America, if you take on a tandem set, our value addition into that would be nearly around \$350 or so per vehicle.

Today, we are seeing that with the e-axles in many of the vehicles that the value addition actually goes up to about \$900. That -- when I say value addition, I mean the revenue per axle. So as e-axles coming into mainstream, I think, benefits us quite significantly. The other thing, e-axles are typically now still in their first generation.

The other thing that we heard from customers is as they move from Gen 1 to Gen 2, one of the things that they realize is because the e-axles have a lot of torque, a lot of these new e-axles that are being designed are being designed with cast housings rather than fabricated housings. So again, that's a point of benefit for us because we are one of only few companies in the world that can make completely cast housings for -- whether it's e-axles or traditional axles.

Ninad Sabnis: I have a small question on the balance sheet aspect. We've seen receivables have been inching up slightly over the last year. Could you explain what's the reason here?

P. Deepak: Yes. So I think the primary reason in terms of receivables is exports, right, and the growth in exports has been there. Of course, last quarter was lower, but I mean there's a lag effect because given the average time for a receivable is between 135 to 150 days on an export versus about 60 days or so on a domestic. So that mix has changed gradually over the last few years, we've seen our receivables go up.

Ninad Sabnis: Okay. If I can just squeeze in one last question. Do you think for the industry and maybe not for the industry, but for the company, this could be end of the consolidation period?

P. Deepak: Yes. I think we were past the consolidation period in terms of last quarter, if not for this tariff issue that has impacted the U.S. market. I think we're expecting to see significant growth in the next couple of years. But yes, we think things are looking fairly bad. I think the domestic market with the GST cuts is looking very strong. Albeit people aren't yet willing to extrapolate out to say what kind of -- what the exact impact they expected -- but we are seeing definitely very positive outcome out of that.

And I think post this -- once the tariffs are settled, right, even if they're not settled at -- they won't get back to January. But once they're settled, I think there's a lot of wait and watch happening that will end and maybe the recovery will start even in the U.S. markets and other export markets as well.

Moderator: The next question is from Shaurya Punyani from Arjaav Partners.

Shaurya Punyani: Sir, I wanted one question. What was the capacity utilization in H1?

P. Deepak: Okay. Just give me a second, I'll tell you capacity utilization was for second quarter, it's about 52% company.

Shaurya Punyani: And what do we expect like towards the end of the year, what number can go to?

P. Deepak: Like I said, it's a little uncertain, but we think if the domestic M&HCV, which we believe will recover, we will do quite well as well as the export will recover, we expect maybe we can get that to about 60% or so.

Moderator: The next question is from the line of Amey Chheda from Banyan Capital Advisors.

Amey Chheda: With exports being subdued right now and you expect recovery by the end of this year, what kind of margins do we expect for the next two quarters?

P. Deepak: Yes. So I'd say I think exports, if we look at where the exports were, especially in Q4 and Q1, which I think were two very strong quarters, obviously, significant drop off to Q2. While we do expect that compared to Q2, we expect at this point to see some recovery in Q3 and Q4 for exports. I think we'll have to wait and watch and see how the bounce back.

Like I said, it's a little uncertain. We expect that we will definitely be better than Q2. We've also taken some actions in terms of costs and other things as well. So we'll certainly be better than Q2, but perhaps not back to where we were in Q1 and Q4 until that market recovers, maybe Q1 of next year perhaps.

Amey Chheda: And this drop in margins, right, in Q2, was this primarily because of some of the tariff impact that we observed or was it because the exports slowed down and we have higher margins in exports?

P. Deepak: Yes. So I think the bigger impact is only because of the slowdown in the exports, right? So our average selling price because of that slowdown came down by about -- if you do the math, it's about 6% to 7%. There was a reduction compared to either the last -- previous quarter or the

previous year. So that reduction in realization per kg, of course, also translated into the profitability margin.

Amey Chheda: And if you can just share the difference in realizations between domestic and export business?

P. Deepak: Yes. So I think, realizations obviously include several other additional factors, including the cost of freight and the kind of product it is as well as the additional machining value addition or all these other things, some subassemblies that we do, all of that. But I would say, roughly speaking, when we factor all of these in, I would say there's maybe about 30% or so higher realization on export compared to domestic.

Amey Chheda: And just the last question. What are the debt repayments in the second half of this year and next year?

P. Deepak: Roughly it's about INR19 crores.

Amey Chheda: Second half is how much? Sorry, INR90 crores?

P. Deepak: INR19 crores.

Amey Chheda: INR19 crores in H2 and next year?

P. Deepak: Next year, hold on. I'll tell you what it is for the full year of next year. Next year for the full year it is INR31.73 crores, INR32 crores.

Amey Chheda: INR32 crores and INR19 crores for H2 this year?

P. Deepak: Yes.

Moderator: The next question is from Debanjana Chatterjee from Spark Capital.

Debanjana Chatterjee: So just had two to three questions on segment-wise. So can you please give me the breakup of revenue for this quarter? And also on the growth side, you mentioned that you had some 10% of growth this quarter. So if you can give the growth figures of this quarter segment-wise?

And also you guided an EBITDA per kg of INR18 for the medium term. Do you stick to that? Or is there any change because of recent factors? And if you can guide for the EBITDA per kg for FY '26, '27, it would be great?

P. Deepak: So let me walk through the Q2 numbers. So for Q2, our medium and heavy commercial vehicle was at 37% of our revenue. Our tractor was at about 31% of revenue and exports were about 26% and 27% of revenue. And the rest railways was a little over was about 1.1%, off-highway was 3.4%, others was about 0.8%. So this is the numbers for Q2.

Debanjana Chatterjee: So for CV, you said it's 37%, right, if I'm wrong?

P. Deepak: Sorry.

Debanjana Chatterjee: For CV, M&HCV you said 37%, right?

P. Deepak: 37% for heavy commercial vehicles and 31% for tractor. So these were the numbers for Q2. So as you can see, I think tractor did very well in Q2. The other thing to remember about tractor that's important is from a production standpoint, their peak season for tractor is in H1, right?

So typically, post Diwali, there is a slowdown in terms of the manufacturing. But I think this year, the forecast is that, that slowdown will actually be much more muted because they have exhausted a lot of inventories that they had, and so they will be looking to rebuild it up for the next season.

So we expect that even the off-season for tractor, the seasonality effect will be reduced as well for the tractor. So we expect on a year-on-year basis that tractor will still be strong in the second -- even though on a first half to second half, the second half is always muted.

Now it's the reverse in terms of commercial vehicle. Commercial vehicle, typically, the first half is more muted and the second half is typically about 20% in terms of volumes. So we are expecting that actually there might be a little bit higher than that happening in the second half because of this GST cut also that has happened. And I think there's more momentum that's starting to come in terms of the infrastructure projects that's there.

So the second question, if I recall correctly, you had was regarding margins, where we were targeting INR18 per kg in the next 2 to 3 years. We still believe that, while there is a temporary blip, we don't believe that there's anything that's really changed in the long-term picture or the medium-term picture. We don't believe that there's anything that's changed for us to question that in the midterm picture.

So the reason why we feel confident about that also is because when we look at the market, right, we've seen that the overall market the sales in the market has come down, right, whether it's Class 8 trucks or even Class 4 to Class 7 trucks. The sales has come down driven by a reduction in trade, driven by uncertainty on pricing.

So where -- but we have not lost any business or any share in the market. So when the market does recover, we are very confident that our numbers will be back to -- on the same products will be back to previous levels. And then, of course, with all the new business wins, we will be at higher levels.

So we still remain bullish in the medium-term. I think we've seen probably the worst of whatever is to see in the short-term in the last quarter. And then we expect maybe the next two quarters to be gradually better. And then we hope that beyond that, things kind of recover back to normal.

Debanjana Chatterjee: So for FY '26, we can expect a INR14-ish around kind of EBITDA per kg -- INR14 to INR15?

P. Deepak: See, there are still some of these tariff effects because they're still getting figured out and trade hasn't come back to normal yet. So because trade is an important part of trucking, right, and

the demand for trucks, which, of course, impacts the demand for new trucks. So I don't believe that H2 will be back to those 14-plus levels.

But certainly, I think it will be somewhere between that and what was this quarter, right? So we expect Q3 and Q4 to certainly be better than this quarter, but perhaps we don't expect the exports to recover back to that level.

Debanjana Chaterjee: So around INR11 to INR12 is what you were expecting, right, for FY '26?

P. Deepak: Yes, perhaps. That's what it seems like at this moment. But I think if the market situation changes, then we can certainly get better than that.

Debanjana Chaterjee: Right. And do you have any plans to kind of equalize between the export and domestic? Or do you want to stick at around 35% for your export even in the medium-term? Unless considering your 500 kg casting. So if things reach an inflection point, so around '26, '25, '27, '28, can that percentage go I mean, inch up higher from 35 to say, 40-ish?

P. Deepak: Yes. So we believe that with the products, we've got a pretty strong product pipeline that's there. And with that product pipeline that's there, we believe that we'll get into the mid-40s actually within the next 2 to 3 years. Maybe close to maybe 45% or even close to 50% is what we are seeing in the next three years.

We've also got a fairly strong pipeline of domestic parts in the pipeline as well. And those are actually -- the end product gets exported. And even though it won't be a direct export for us, that would still drive a fair bit of growth.

Debanjana Chaterjee: Okay. And in the export market, apart from U.S., you say in your earlier discussions, you mentioned that you want to your diversifying from U.S. markets to European markets. So can you please give a picture as to what is the condition right now considering this tariff uncertainty is also looming?

So which are the markets that you see potential in Europe? What are the figures if you have any ballpark numbers? What kind of incremental revenue do you get from those areas as well or if you can at least give a ratio as to what is the U.S. and non-U.S. kind of revenue?

P. Deepak: Yes. So I think we are expecting actually significant growth to come out of Europe. This is -- I think I've been saying this for 1.5 years now on the con calls. We've had some small business wins but several that are in discussion. I think part of the challenge has been a little bit of a mindset change. I think Europe has largely sourced within Europe. But they are, I think, getting to the reality of the fact that the foundries there are quite heavily challenged in terms of financials as well as availability of people and for labor. So -- and also the energy transition that needs to happen.

So we're quite confident of gaining a significant amount. We would like our European business to at least get to 30% of our overall export business. So we think that will happen. We have

some good prospects we are working on that are in, I would say, fairly advanced discussions. So we hope we can translate those in the next 3 to 6 months.

What I have found culturally also is that when there's a great cost saving opportunity, the Americans are very quick to jump at it and the Europeans are also very cautious and take a much more cautious approach. So it is taking time. It will take time, but I think we're in the market for the long haul, and we will win these businesses.

Debanjana Chatterjee: So it's fair enough to say, it's 80% to 20% kind of ratio between U.S., non-U.S., when it comes to export revenue?

P. Deepak: Currently, we're at 80%-20%. I think what we would look to do is probably -- I think our goal for the U.S. would be almost 60% to 70% growth and then even Europe. So Europe would be much more than that, would be to at least double where we are now. So that's what we are trying to do.

Debanjana Chatterjee: Okay. So what kind of growth are we right now in non-U.S.?

P. Deepak: So it will take a little longer because we've got a couple of projects that have been awarded to us, and those will only get into production probably by early 2027. And we have a few more that we are working on, which will get into production only by mid-2027. So there is a little bit of a lag between these project wins, which we believe will happen in the next 6 months or so. And the -- when it actually shows up on the revenue line, which will be probably 1 year, 1.5 year out.

Debanjana Chatterjee: And when it comes to volume, you can't have any ballpark figure you don't wish to, right?

P. Deepak: It's very difficult at the moment. But I think the only thing is we are expecting Q3 to be a stronger quarter than Q2. I think that's what we are seeing at the moment. I think Q2, if you split it up, I say the Q2 actually started strong in July and then catered down in August and then had a mild recovery in September.

So it's kind of that we saw -- I think we see Q3 kind of being an upward trend from there. So I think that's what we are seeing at the moment with everything our customers are telling us and the forecast that are being shared to us.

Moderator: The next question is from the line of Ashok Kumar Daga from Retail Investor.

Abhinav Kumar Daga: So, now as there is a -- you have a domestic sales as well as the -- your dependency on the U.S. sales. So is there any, as you are producing the world's biggest casting, so you have any plan to move to different areas of the world or in domestic market, you can give something more or you can increase your sales so that the dependency on U.S. can be reduced?

P. Deepak: Yes. So I mean, obviously, it's been a painful quarter from that perspective. But I think there is still a lot of opportunities that are still very much there in the U.S., and I think ones that we will certainly capitalize on. In terms -- one of the segments that we are now, I think we will

have a fairly significant presence going forward is the tractor segment also in U.S. as well as in Europe.

If you see most of our growth that has happened has happened more on the commercial vehicle and a little bit on the light truck, the pickup truck segment. So the -- but now I think we're also getting a lot more of the tractor components that are coming in for these bigger castings. So that's something that we intend to increase our share. And these kind of larger companies for tractors are also required in the European market, which we are also working on winning some of those businesses.

Abhinav Kumar Daga: Because the basic thing is that like this, whatever the disruptions are coming from the U.S. like until and unless some issue will come, the government or the government of U.S. may use this one as a pumping or forcing the other countries. So if we can move to other also instead of depending totally on the U.S.A. will be good for the company?

P. Deepak: Yes, absolutely, sir. That's what we are working on. As I mentioned, Europe, for the last 1.5 years, actually, we have been working on Europe. We think we are close to some bigger breakthroughs. We've got some small wins, but we think we're very close to some very big, big tools.

Moderator: Next question is from the line of Deeya from Sapphire Capital.

Deeya: So I just wanted to ask if you have any capacity expansion plans as of now?

P. Deepak: No, none. I think we've got plenty of capacity. Our focus now is more on utilizing the capacity that we have. And I think we see a pretty robust pipeline for that. I think as more and more -- as we get more and more business wins, then we'll have to look at it. But at the moment, we don't see the requirement for any capex going into capacity addition.

Deeya: And the current capacity for H1 was at 52%, am I right?

P. Deepak: That's correct.

Deeya: And what should be your optimal capacity?

P. Deepak: About 80%.

Deeya: 80%?

P. Deepak: Yes.

Moderator: The next question is from the line of Shubham Zope from Siemoro Advisors.

Shubham Zope: So my question is regarding U.S. market. So in our previous discussions also in previous con calls, you mentioned that mostly the rate, the tariff rate will be negotiated between the countries and mostly the price increase will be absorbed by the clients. So now in the context

of the Q2 result, which we are seeing, and you are more worried about the demand softness rather than the market share loss.

And you again reiterated in this con call that you have maintained your market share. So I just want some color -- if you can throw some light on this that what is the impact of the tariffs on your realization on the export front or the complete impact on the margin was predominantly because of the product mix? So that is something which I wanted to understand?

P. Deepak:

Yes. It is predominantly the product mix only. Customers have absorbed, I would say, majority of the tariff. Probably if you look at it, maybe about 95%-plus of the tariff is being absorbed by the customers overall. So that absorption has happened. I think it's -- the bigger impact, I think what we are seeing is just on the market softness.

The market softness is also tariffs, right, not necessarily India-specific tariffs, but also overall tariffs on steel, on aluminum, on other components coming from other countries as well. So the price of the vehicles has gone up and also because of tariff reduction in trade as people adopt more of a wait-and-watch strategy.

So as trade comes down, requirement for trucking comes down and therefore, requirement for new trucks has come down, right? So we think that this is, again, short-lived. Supply chains don't reorganize in a very short period of time. But I think a lot of the inventory that was in the pipeline will get shrunk a little bit.

Moderator:

The next question is from the line of Saket Kapoor from Kapoor & Company.

Saket Kapoor:

Sir, if you could just allude to us in terms of the tonnages for the first half, sir, and for Q2 in particular?

P. Deepak:

Yes, sure. The tonnage in the first half was -- sales tonnage for the first half 43,000 to 84,000 is the first half tonnage.

Saket Kapoor:

And Q2 was?

P. Deepak:

Q2 was -- 21,211.

Saket Kapoor:

And sir, taking into account as you reflected upon the volatility in the system. If you could explain to us, sir, the impact of tariff in terms of the tonnages which we were not able to execute or deliver for the second quarter only because of the impact of tariff?

P. Deepak:

Yes. So the impact of tariff, if you were to see, I would say that if not for the tariff, if we had a more, let's say, normal quarter similar to, let's say, Q4 or Q1, I think we would perhaps done another 1,500 or 2,000 tons, I think, of export would have happened for the quarter, right? That's what I would expect to the -- compared to normal what was lost.

Saket Kapoor:

And sir, you also mentioned about we are seeing -- we are experiencing some recovery that you are expecting in the month of November and then going ahead, post Q4 looks much better. So what are the factors that are enabling you to come to the conclusion that things will

improve? I think so firstly, sir, on the tariff front, we are seeing that globally across the globe, U.S. is putting a lid on the tariff with the major countries. And now India is also in the, I think in the queue. So that is the factor that is attributing to it? Or if you could just explain to us?

P. Deepak:

Yes. So I think if you look at the tariff impact, right, I think the tariff impact, obviously, the challenge is not just they put tariff, right? The tariffs have been changing every day. One day they are announced to be, let's say, 26%, one -- the next day, they are 10%, then they are 25% and then they are 50%. And now the belief is it may be somewhere in that 15% to 19% range. So there is a lot of uncertainty that is there.

So there's a lot and similarly, if you look at steel and aluminum tariffs, they went up to 25% and then to 50%. So these, I think, uncertainties and the amount of change that's happening has caused people to go into a little bit of a wait and watch mode because nobody wants to buy something today at, let's say, \$100.

And tomorrow, because of the tariff change, it's worth \$95 or possibly even \$105, right? So that is something that there's been a little bit of wait and watch. I think everybody feels that it will settle down now over the next month or so and all these trade deals that are to be had will be had, right? So this is the belief that is there. So I think it created a little bit of wait and watch.

A lot of people, what they did do is that they have actually cut down on the pipeline a little bit. So for example, typically, if they've been -- the customers maintain a stock of parts, they have cut down the amount of stock that they maintain across the pipeline, right, from their finished goods to their work in process and their raw material inventory.

So I think they've taken a little bit more of a wait-and-watch approach. And I think things are getting clear now to the point in November. So one, whatever pipeline cutting they wanted to do, I believe, is all fully complete. I think all the pipelines are now kind of reorganized to maybe a slightly lower base than what it was before, which is why I think we're going to see a bump from November. This is what we are seeing right now.

But obviously, not full recovery back to the previous numbers. I think that's something that might take a little bit of time because it does require that the cost of freight has to go back up and to make it viable for people to be buying new trucks. So there is -- that's where the uncertainty is really that we have to figure out.

Saket Kapoor:

Sir, you mentioned about freight aspect. Can you dwell slightly deeper how have the freight rates have been trending? And how has that affected the export part of the story? And as of now, sir, this 50% is applicable on the product or there is any other treaty that is there for the auto ancillary segment wherein that -- this does not go into? In short, are our customers paying 50% tariff on whatever they have imported?

P. Deepak:

Yes. So there are two parts of it. One part is there's something called a Section 232 tariff, which is applicable on automotive components. So the parts that fall under passenger car, both

for passenger car as well as for light truck fall under the Section 232 tariffs, which are at 25%, which I believe is a universal rate.

Now other than what did go into the segment, the rest of it has been at first 10%, then 25% and then 50%. Now the 50% part of it only applies to goods that were shipped after a certain date. I think it was 23rd of August or something like that was the date that I don't recall the exact date, but roughly, I think somewhere in late August.

Now there is a new one as well where components for heavy trucks have also been moved to Section 232 from the 1st of November. So we'll have to wait and watch. So while any goods that were shipped after August that 23rd were on that 50%, at least until they reach the port, if they reach the port prior to 1st of November. So it's a very small number that will be at 50%, and then it will go to 25%. But again, everything is changing quite dynamically. So we'll have to wait and watch.

Saket Kapoor: Just to conclude, sir. So for the rate applicable for our customer as on 1st November would be to the tune of 25%. That is what -- because our end users are the ones that falls into get the benefit of that 232 treaty. That understanding is correct?

P. Deepak: Yes. So I mean that's what we have to see. It's not actually a treaty, it's a different categorization of tariffs. So there are two categories. Most of these so-called reciprocal tariffs have been applied under something called IEEPA, which gives some emergency powers. And whereas Section 232 is a different type of a tariff. So there are two different categories in terms of how the current U.S. administration is applying tariffs. And that's the difference. It's no specific treaty in any country or anything like that.

Saket Kapoor: So just to conclude, sir, last year, we did PBT number closer to, say, INR46 crores. And this time, the first half is at INR23 crores. So even undermining the fact of the volatility and the other issues taking into account the strength in the domestic segment, even on a most conservative basis, can we look for growth on the same -- as a year as a whole since quarter 1 was a very strong quarter.

And now you're saying that this is worst is behind as you have mentioned in your press release also. So what should investors pensioning in terms of which trajectory to behave for H2, sir? Although it is still the story is to be played out.

P. Deepak: Yes. So like I said, a lot of things happening in the world that are driving volatility. But at this point, we still believe that we can have some degree of growth over last year. I think that's what we believe at this point. I think as things emerge, we'll have more clarity though. But at this point, we still believe it is -- we will have some degree of growth that will happen this year.

Saket Kapoor: And sir, your remark of -- I just read it, we have successfully developed high value-added casting for the export market and have initiated sampling. And we expect commercial sales to begin in the first half of FY '27. So this you are referring to our -- the new unit at Pedapariya,

where I think so the utilization levels were in sub-20. This is where the growth is going to -- will be achieved, sir?

P. Deepak: Yes. So a lot of these bigger products that we're talking about are being developed at Pedapariya. And our goal in the next 18 months or so as these products come in and start ramping up, we will be targeting in the next 18 to 24 months that we would double our utilization. That's going to be our goal.

Saket Kapoor: Only one request is there, sir. If we can look to revamp our investor presentation also that has been there in the same format for a very long time, that would surprise -- another feedback if you could provide there. And also, sir, if you could host the call post the noon or afternoon time, more participation can be there. That's a humble suggestion of what I can understand, sir. I hope that can be looked into. And all the best to the team, we will be in the next interacting in the new calendar year. So all the best.

P. Deepak: Thank you, Saket.

Moderator: The next question is from the line of Praneeth from Individual Investor.

Praneeth: So, I was wondering about the product expansion in terms of U.S. I understand that we also are planning on getting into tractor market. So could you tell the progress on how it's working out there at this point of time?

P. Deepak: Yes. So I think these are some of the products that we have now developed and they are currently under testing. So these are going into some very large tractors that are 650 to 780 horsepower type of tractors and very large and complex parts. I think testing validation perhaps is expected to take about another 6 months or so before we can ramp up the production. So that's going along, and it will be a fairly significant contributor to us once it is fully ramped up.

Praneeth: So the large products we're still in terms of due diligence process are directly to the U.S. tractor market, right?

P. Deepak: That is correct, yes.

Praneeth: So in terms of Europe, what kind of tractor exposure? So I understand that Europe is a fairly large tractor market, right? So in the overall product mix that we have in Europe right now, how much is tractors versus trucks?

P. Deepak: I would say almost 90% of what we do for Europe is truck and 10% is tractor. But I think that's changing as well. That will change quite a bit in the next 3 years or so.

Praneeth: So in terms of the RSUs or like the demand generation we are doing in terms of new orders, is it going to be the more trucking side or is it going to be more tractor side in Europe also?

P. Deepak: So I think if you look at where we are today and what we're seeing in terms of likely order wins or recent order wins or likely order wins in the short to medium-term, a lot of that is in

the trucking side. But there is also a lot of good engagement happening on the tractor side as well. But we'll I believe initially the initial wins for Europe will be driven more on the commercial vehicle, the truck side.

- Praneeth:** So just help me out with the understanding, right. So U.S. used to be mostly China, which is shifting to India, which you're taking advantage of. Europe used to be only Europe, sorry?
- P. Deepak:** No. Actually, U.S., I would say very little is competition against China. Most of it is competition against local U.S. manufacturing base, which is actually fairly limited for these kind of parts.
- Praneeth:** So mostly the local competition that you face till now is shifting at this point of time in terms of U.S. and Europe. That's the right understanding, right?
- P. Deepak:** That is correct. Yes.
- Praneeth:** So in the U.S., do you think there will be more production shift coming from now at this point of time? Like because we also had a fairly large order bump from like overall product mix from U.S. has increased, how much more do you think increase from just the shift versus new private development?
- P. Deepak:** I think I mentioned it earlier, right? We think in a reasonably short period of time, we can grow our U.S. market by about 50% from where we are today. Europe also, we are looking at a 60% to 70% growth, right. But Europe will be a little -- I think the U.S. will kind of jump first and then Europe.
- Praneeth:** So is there a possibility where exports can reach over 70% in the next 5-year duration? Or would it be like 50%-50% itself as you previously forecasted?
- P. Deepak:** So I think like I said earlier, I think we think around 45% to 50% seems to be the range in the next 3 years. We'll have to see what happens after that. I think forecasting 5 years out is probably a little too far.
- Moderator:** Next question is from the line of Gokul, an Individual Investor.
- Gokul:** I had three questions. First, are we moving towards more producing single-piece castings instead of assemblies of multi parts? And if so, what would be the percentage of our production that is single-piece castings now? And secondly, do you see any additional opportunities in the railway segment that is beyond the metros where the revenue could grow into around 10%, maybe 5 years or more?
- And thirdly, are we exploring any materials that are more hybrid alloys or aluminum integrated that can help reduce the weight in the EV segment that will become more stronger coming in the future? So those are my questions?
- P. Deepak:** So I think the first question was on the casting versus assembly versus single piece, right? So I think that this designs that are driven by customers, the ability that we have to make large

single-piece casting helps them redesign the product for that then rather than have to do multi-piece and then do an assembly. So this is something that we always actively work on.

In terms of axles as well for the front axle, I think largely it has been single piece. I think it will remain in single piece now that with these capabilities, and that's the segment that's growing. In terms of the, the next question I think you had was in terms of railways. Railways, yes, we are working on railways.

We have a new customer in railways, and we are doing some technical reviews on them, with the new customer as well. And so I think that will -- certainly, we'll have -- we'll see some growth in railways, but at this moment, I don't see an explosion that will happen over there.

And then I think the third thing was in terms of other materials and technologies, including maybe some sort of hybrid materials or composites. This at the moment, I mean, we do have an R&D center that where we work on these kind of things. We are working on -- we do produce also Austempered Ductile Iron, which is a higher strength material that can be used for light-weighting.

The hybrid technology that you are talking about with the mix of iron and aluminum doesn't -- I mean, it's kind of on the fringe. It doesn't really exist in the world. There might be really miniscule stuff happening on the fringes, which I am aware of, but it's not something that is, I think, commercially viable yet. So we'll have to see how that goes.

Gokul: Sorry, I might have missed on the part. Could you tell me again what is the percentage of our production today that is single piece out of the total?

P. Deepak: No. When you say single piece, you're talking about the axles or anything specific?

Gokul: In total, what would be our mix like a single-piece casting?

P. Deepak: Okay. All of our castings are single piece. So typically, what we do is the only case where we have assemblies is then we have, let's say, we're doing differential carriers. So we make the differential carriers and the bearing caps separately.

And then we have to assemble them together and do the final machining with them assembled together. That really can't change. That doesn't change in any way, right? So there's not really an impact of that. So there are technically 3 different single-piece castings that get assembled together because that cannot be integrated.

Gokul: Thank you so much for your explanations.

P. Deepak: And thank you, everyone for joining us today. We appreciate your continued trust in Nelcast. We remain focused on executing our strategy with discipline, driving innovation, expanding exports and improving operational leverage. We're confident that the groundwork being laid today will translate into steady performance in the coming years. Thank you all very much.

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