STEEL STRIPS GROUP

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Date: 22.05.2025

BSE Limited
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BSE Scrip Code: 513262

The National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
Bandra-Kurla Complex, Bandra (E),
Mumbai – 400 051
NSE Symbol: SSWL

Subject: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Transcripts of Conference Call - Analysts/Institutional Investors Meet

Dear Sir/Ma'am,

Please find enclosed the transcript with respect to the Institutional Investors/Analysts Meet held on 16.05.2025 on "Q4 FY25 Result Conference Call".

The aforesaid transcript is also available on the Company's website at https://sswlindia.com/investors/analysts-investors-meetings/.

Kindly take the above on your records please.

Thanking you.

Yours faithfully,
For **Steel Strips Wheels Limited**

Kanika Sapra
Digitally signed by Kanika Sapra
Date: 2025.05.22 18:07:44 +05'30'

(Kanika Sapra)
Company Secretary & Compliance Officer

"Steel Strips Wheels Limited
Q4 FY '25 Earnings Conference Call"
May 16, 2025

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 16, 2025 will prevail.

Mangement: **MR. DHEERAJ GARG –MANAGING DIRECTOR – STEEL STRIPS WHEELS LIMITED**
MR. NAVEEN SOROT – CHIEF FINANCIAL OFFICER - STEEL STRIPS WHEELS LIMITED
MR. PRANAV JAIN – DEPUTY GENERAL MANAGER (FINANCE) – STEEL STRIPS WHEELS LIMITED

MODERATOR: **MR. MUMUKSH MANDLESHA – ANAND RATHI SHARES AND STOCK BROKERS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Steel Strip Wheels Limited Q4 FY '25 Earnings Conference Call hosted by Anand Rathi Shares and Stock Brokers Limited. 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mumuksh Mandlesha from Anand Rathi. Thank you, and over to you, sir.

Mumuksh Mandlesha: Thank you, Sagar. Good afternoon to everyone on this call. On behalf of Anand Rathi Shares and Stock Brokers, I welcome you all to Q4 FY '25 Earnings Conference Call of Steel Strips Wheels Limited. We are pleased to host the senior management of the company.

Today, we have with us Mr. Dheeraj Garg, Managing Director; Mr. Naveen Sorot, Chief Financial Officer; and Mr. Pranav Jain, Deputy General Manager of Finance. We'll start the call with the initial commentary from the management, and then we'll open the floor for the Q&A.

Now, I hand over the call to management team. Over to you, sir.

Management: Good afternoon, everyone. Hope everyone is doing well. I hope everyone had an opportunity to go through the financial results and investor presentation we just sent out this morning. So let me start with Q4.

Q4 FY '25 has been a standout quarter for SSWL. It has grossed the highest sales ever in our history and this is also a quarter where we had 2 months of back-to-back highest ever monthly sales. And so quarterly revenues reached INR1,233 crores, up from INR1,068.7 crores in the previous year same quarter, reflecting a growth of 15.5%. EBITDA stood at INR134.5 crores, representing a 21% growth Y-o-Y.

Profit before tax has grown from INR67.8 crores to INR83 crores in this quarter, which is a growth of 22.5%. I think this is a key metric people should look at because there were tax anomalies in the last year that probably reflect a lower net profit this year. But that is the quarter -- this quarter's net profit has come to INR61.7 crores, slightly higher than INR60.4 crores last year. This modest PAT growth is primarily due to the transition to the tax -- new tax regime, wherein tax payment for the previous 3 quarters of FY '24 were deferred and accounted for earlier.

On the export front of the quarter, we've witnessed a significant revival, especially following the conclusion of the U.S. election, which brought stability and clarity to one of our key international markets. Export revenue grew by 22%, rising from INR129 crores to INR157 crores in this quarter. So basically, in this quarter, we've had exceptionally high sales in exports. In fact, all the segments of our business have stood out in this quarter.

Coming to the full financial year. In terms of revenue, it has been flat, and this was anticipated and communicated in our previous calls. This primarily reflected a slowdown in the Indian domestic market in the first half, especially in the CV wheels, and the CV wheels was a big sales growth reason why 2023-24 had its highest sales.

So it was an exceptional year, the previous year, but this year, in the first half, it sort of reduced, and that really brought our growth down. We had a growth -- negative growth of 3.5% in the CV segment. So this is the only segment that caused us to have a flat sales growth. Had it been a good growth number, we would have done much better than what we are showing this year so far.

So, despite these external headwinds, the company has recorded a revenue of INR4,429 -- INR4,429 crores, reflecting a modest growth of 1.7%. Our EBITDA for FY '25 stood at INR486.8 crores, marking an increase of 4.6% year-on-year. Notably, EBITDA margins improved by 30 basis points, rising from 10.7% to 11%, supported by our continuous focus on higher realization business like alloy wheels and exports and tractors. They've all done well, barring the small degrowth in the CV sector.

On the debt side, we've been able to reduce our long- and short-term debt by INR193 crores. This has happened in spite of the fact that we undertook some capital expansion for our brownfield expansion in aluminum wheels and knuckles. In spite of that, our debt has come down.

And so far as the profit after tax is concerned, the profit after tax in FY '25 stood at INR210 crores compared to INR219 crores last year, INR220 crores almost last year. This margin decline is primarily attributed to higher finance costs and increased depreciation. So depreciation has increased by around INR15 crores and interest cost has gone up by INR10 crores.

The increase in depreciation is because of higher capital expenditures for the expansion of capacity across facilities. We have expanded our facilities in Jamshedpur. We have expanded our facilities in Mesana, and we've also done some brownfield work in our Dappar facility. Finance cost going forward is going to go down because the debt -- there is a reduction in debt as well as transmission of reduction in repo rates.

Coming to the alloy wheels segment. This year, we had a revenue of INR1,436.5 crores, which was from a volume of 33 lakh units. This is up from 30 lakh units in the previous year. So this has been one of the main reasons why our margins have improved this year. And we continue to remain very optimistic about this segment. In fact, we hope to do a double-digit growth this year in the alloy wheel segment.

Tractors, again, it was our best in the tractor segment. We had an annual sales volume exceeding 17 lakh units. And going forward, we still -- we also continue to feel that there will be growth this year, maybe in single digits, but last year, we grew about 16%. So maybe this year, we'll grow sub-10%, but still a solid growth over a very solid base.

I already spoke about the CV segment. The CV segment showed a decline of 3.5%, and that's the only reason why our sales growth did not perk up as much as it should have. Exports, again, were a late riser, just like the CV segment. In the second half, we experienced better export volumes and especially after the conclusion of some kind of a trade war that's undergoing at the moment right now, but still, we've got relief on that front.

And this year, we did a turnover of INR561 crores. And this, of course, is less than last year, but due to various factors, like geopolitical factors, mainly with tariffs, but also some market share competition that sort of -- although we expected this to be in the same range of INR550 crores to INR600 crores, but I feel that we will do much better going forward now given the fact that there is a lot of clarity on tariffs, at least for the foreseeable future, at least for the next 120 days, there is clarity and perhaps beyond.

Lastly, I would like to touch upon the knuckles business that we started this year. This year, we've been able to generate a revenue of INR11 crores. And at the moment, we are running at a capacity utilization of about 70% given the expansion that we did of 2.5 lakh units. And we hope to reach 100% in this whole year. I think we should be very close to 100%. In fact, we would be looking to augment our capacity. And with that, I can speak to you in the question-and-answer session. So that's it from my side. We can start the Q&A.

Moderator: Our first question comes from the line of Gautam Rajesh from Everflow Partners.

Gautam Rajesh: My first question was, are you seeing any changes in demand scenario in exports with duties imposed on China being higher than that of India? Is that resulting in better traction for you?

Moderator: Sorry to interrupt. Gautam, sir, the management was not able to hear you properly. If you can just read...

Gautam Rajesh: Yes. Yes. So are you seeing any change in the demand scenario in exports with more duties being imposed on China than India? Is that resulting in better traction to you?

Management: So I will try to answer this question very comprehensively, and I'm sure other people have similar questions or different questions in the same subject. So what has happened is India has a reciprocal duty of 10% in addition to what was there earlier. Earlier, it was 3%. That still remains. There's 10% added on to Indian exports, whereas our competition, Vietnam and Thailand have duties at 36% and 46%, respectively.

So we have a notable advantage, assuming -- let me correct myself. So right now, it's 10%

for everyone. But going forward, the duties of Thailand and Vietnam are going to be higher than India. That is our assumption and belief, and that's what our customers are telling us that they're shifting business to us because they anticipate higher tariffs for Vietnam and for Thailand.

So earlier when the tariffs were announced, we had an advantage of, let's say, 10% with Vietnam and 20% with Thailand. But now since America has reduced duty to 10% for everyone for 90 days, even then when we have the same duties going forward, the customers are aware that Vietnam and Thailand will be taxed at a higher rate than us.

So that is our belief that we will continue to enjoy a competitive advantage over Thailand and Vietnam in the customers' wallet share. So that we are very confident on. But of course, we'll have to see maybe the duties in India will get reduced further from 10%. That will again be a bigger help for us.

So we are very confident our biggest market in America is safe vis-a-vis our competition. But I also must like to add here beyond tariffs that we are seeing very good traction in Europe for our business. And that is because of our competition in Europe coming under financial strain and bankruptcy.

So we are seeing a lot of traction from the OEM side in our CV exports as well as passenger car wheel exports for steel as well as aluminum in Europe. So going forward, we are very hopeful to have a very robust order book. And we are hopefully going to target INR1,000 crores exports in the next financial year. It's not this financial year, but next financial year, we should be all set to cross INR1,000 crores in exports, let's say, 1 year from now.

Gautam Rajesh: Okay, sir. And sir, my next question was, is the EBITDA margin revision from the legacy contracts that you have earlier spoken about largely done? Or is there -- is it expected to come through over the next few quarters as well? What sort of margin profile also do you see -- do you expect going ahead?

Management: So if you recall, this year -- last year, our EBITDA per wheel was INR253. And this year, we have closed at INR261. And if you look at the fourth quarter, it's at INR270. So it's about a 15% -- it's about a 5% increase. So it's a 7% -- 6.5%, 7% growth over last year in the fourth quarter. So I think that's an indication to everyone that our margin profile is going to increase.

For the whole year, it's a 3% increase. But if you look at the fourth quarter versus the year before that -- full year before that, 2023, '24, there's a 6-7% increase in EBITDA percentage per wheel. So going forward, I think INR270 is a new norm for us and anything above INR270 should happen maybe in the third or fourth quarter. So I think for the whole year, I don't want to give you a number, but it will certainly be a very healthy number.

Gautam Rajesh: Understood. And regarding the legacy contracts, do we see that...

Management: Legacy contracts have been negotiated -- renegotiated with one of the big OEMs in India. And going forward, whatever quotes we are making for new businesses, the margin profile is much superior because there is a consolidation globally now. I mean there are a couple of companies closing down in Europe, and Europe is certainly going to have a vacuum.

And we are very well positioned because of our legacy history with the OEMs in Europe, and that is helping us increase our export business going forward. That's what I'm saying. The financial year, let's say, '26, '27 should see a INR1,000 crores top line in the exports.

And this is all coming with a higher margin -- in the profile of the margin is going to increase in our case. And also domestic. So all the domestic businesses that we are quoting that are going to come into play from, let's say, 2026, '27 onwards, they are with remarkably different margins. This I'm talking about the pass car steel wheels, which is the majority of my business.

Majority of my business is pass car steel wheels domestically, domestic pass car steel wheels, and that is going to see a complete change, a very good change, very positive change on the margin profile.

Gautam Rajesh: Yes. And sir, you won't be able to quantify this? Can you...

Management: No, I won't because we have to -- we haven't calculated what the weighted average EBITDA margins would be going forward. But they will be -- you will see a number close to INR300 plus when we talk about 2026-27.

Moderator: Our next question comes from the line of Saurabh Jain from Sunidhi Securities.

Saurabh Jain: Many congratulations, sir, for the wonderful set of numbers. And I have a few questions. So you mentioned the tremendous growth opportunity we are looking at from exports and alloy wheels also. So would it be fair to assume that we can definitely grow in double digits for next couple of years looking at the recent trend, especially steel wheels have also showcased a good growth in Q4 and the base was also low in the first 3 quarters?

Management: So I think it's a great question. This year, we are forecasting at least a 15% growth. Now the year after that, would definitely be in double digits. I cannot quantify yet whether it would be 20% or whether it would be 25% or 15%. So anything between 15% to 25% should be the new normal for this company going forward in the next foreseeable 3 years.

So we are very bullish because we have a lot of traction in all our businesses. In fact, the CV segment, I was -- I have been talking a lot about it that the first 6 months, first 8-9 months were real dud. But the last 6 months or 4 months, I mean, they have been tremendous. In fact, our CV sales are the second best in the whole history of the company.

So I really don't see any other -- any segment going down in our portfolio. We have pole position in the EV 2-wheeler business, that's also a very good business for us. We are perhaps the only one having such a market share, maybe more than 80% market share.

Exports, as I told you, already growing to INR1,000 crores next financial year. The CV business, we feel that will show growth from what we are hearing from our customers like Tata Motors and Ashok Leyland. They are extremely bullish. In fact, this month should see our highest sales ever in the CV segment.

So I mean, if all the good vibes that we are getting from CV, from tractor, from exports, from alloy, from knuckle, from EVs 2-wheeler, I couldn't have asked for a better setup for my company.

Saurabh Jain: Great. That's helpful, sir. And to touch upon, you have already mentioned that EBITDA per wheel, we have reached INR268 in the last quarter. And at the same time, I was looking at the realizations, realizations except steel wheels, alloy wheels and exports have gone up really well, like on a Y-o-Y basis in Q4, alloy wheels realization was up 21% and export also was up around 7%.

So -- but at the same time, gross margins were down from 34% to almost 33%, like almost 100 basis points of contraction was seen in gross margin. So -- and probably that's why there was like flat EBITDA. But how do you see gross margin going forward for a couple of years? Yes.

Management: Yes. Gross margins are also kind of a double-edged sword because when the prices of aluminum go up, they start looking lower. And when the prices go down, they start looking better. But I can tell you on the general observation of this business that this business is getting competitive, but we have been able to win all the main businesses, barring Maruti. We've just got an entry into Maruti.

But if you exclude Maruti and Toyota in this whole discussion, we have got all the new models and all the new businesses. And they are at prices that weren't at such competitive -- such excellent EBITDA value that they were 5 years ago or 4 years ago. Of course, they have come down, but we are able to operationalize higher capacities, which results in stable EBITDA margins.

So I wouldn't sort of go out on a limb and tell you that we will have better margins in aluminum wheel business. I think the margins in the aluminum wheel business have peaked, but for the next leg of business that we are doing in the export market. So that will be the leg up that you will see in 2026-27. In fact, this year itself, we will start exporting a lot of wheels to the European market.

The next fillip in this business, aluminum alloy wheel business will come in 26-'27. But this year, the margins will increase from last year. So I'm answering a very specific question.

The margins in alloy wheels will increase from last year, but with a small increase.

But yes, margins are not the same that they were 5 years ago or 4 years ago because there has been more competition, but luckily, we have been able to beat all competition and in fact, grow our market share.

Every year, we are increasing our market share. But it has come at a slight cost, but that cost is negligible compared to the growth in volumes and now the positioning we have in the exports market. So I will talk about this more in maybe next quarter's call once all these flows start moving into the European market.

Saurabh Jain: Got it. So that explains the EBITDA, realizations at these levels of INR4,700, INR4,800 are sustainable?

Management: This is a function of aluminum prices. We have not much to say in this. Every quarter the aluminium price is adjusted. If you look at global aluminum price trends, you'll get an idea as to why this is changing. And also, you have to realize that the weight of the wheels has gone up. The weight of the wheel has gone up. So what we were doing earlier when we started the business was at 15-inch wheel. Today, the average size is 17.5 inches in our portfolio. And the bigger the size, the heavier the weight. So the value of the wheel will go up in this regard.

Saurabh Jain: Right. With the share of SUVs, UVs going up, so this is likely to go up only.

Management: It's a new norm, bigger size wheels.

Saurabh Jain: And sir, yes. Sorry.

Management: No, go ahead.

Saurabh Jain: So I was looking at the market share. Of course, you have talked about CV segment. But in MHCV, our market share has -- during the quarter has come from -- come down to 54% from 61%. And OTR also has come down from 70% to 35%, although it might be a small thing or -- but can you explain which are the customers dropped or added because in 2-wheelers, we have increased from 30% to 37%.

So I was looking at the share of businesses from Ashok Leyland and Tata Motors also, it has come down, our share of business. So can you just explain what has happened?

Management: I think there is some error in your calculation. I think overall, the OTR business has come down because we -- the production of equipment that we don't supply into has gone up. So for example, we don't do the chain equipment that JCB makes, and they don't use our kind of wheel. But the segment in which we operate in, the segment which we operate in, we are maintaining our share of business.

In fact, we would have increased it marginally. But on an overall picture, it's because of the product mix at the customer in the OTR segment that you find this drop. And with regards to heavy commercial vehicles, our share of business has been more than 2/3 of their spend if you average out.

So I don't understand why we see a number and decline in MHCV because I have increased my share of business in Eicher also. So -- and Daimler, I have increased over the previous years. So I don't see why we are seeing a decline in your books.

Saurabh Jain: Sir, it is mentioned in our presentation only. And after a long, long time, there has been a change in the market share in MHCV. And we have shown a decline in share of businesses and market share as well. Anyway, yes, you have kind of explained it. Just last couple of bookkeeping questions from my side. So payable days have gone up from 77 days to 96 days. So how...

Management: CFO would address. Naveen, why don't you take the that?

Naveen Sorot: So it is just a play of mix. So there is no any changes from our end in terms of the payment days. The mix changes with respect to with whom we are lifting material that determines the overall average. There is nothing specific that we have done on the payable side to make it increase. But if you look at overall in terms of working capital cycle, I guess, we are still hovering around the same 50, 52 in terms of overall days.

Saurabh Jain: It has, in fact, improved, yes, but I was just looking at the payables. Yes, got it. And any light on debt levels and capex for next couple of years for FY '26 and FY '27, what kind of capex are we looking at? And any debt repayment plans or net debt levels?

Management: Okay. So this year, we have quite an interesting set of ideas to implement. And mainly they apply to the alloy wheel business. They apply to the knuckles business. And so we are contemplating evaluating expansion of our alloy wheel business. We are definitely going to increase our capacity in knuckles. So in the next 2 years, we have something about INR600 crores of capex intentions to cover alloy and knuckles.

Saurabh Jain: And that would be equally distributed in both the fiscals or how it is going to be?

Management: Hard to say right now, as I said, we are in the evaluation process. Our capacities are filling up from -- and actually, we are slow -- a little bit slow to ramp up our existing capacities, and we have a lot of orders. But we are now implementing that expansion that we undertook last year -- implementing that expansion that we undertook last year. So depending on how the market behaves. But yes, we are committed to spending this expansion in next -- so I can't give you a figure...

Moderator: Next question comes from the line of Ritesh Gandhi from Discover Capital.

Ritesh Gandhi: Sir, I just had a question. When we look at, I mean, steel wheels, there were really -- I mean, a few players there where we were able to gain a very strong market share. As we move into alloy wheels, I understand EBITDA per wheel is higher.

But obviously, the competitive intensity is also higher given the number of players competing is higher. So as the industry is moving away from steel to alloys, how do we see the potential implications of one, higher EBITDA per wheel on the other share -- on the other side, higher like competition for the wheels?

Management: So you're saying that aluminum wheel business, aluminum wheel gives you a higher EBITDA per wheel on an absolute basis, that is correct, yes. And so what is your point?

Ritesh Gandhi: The question is that how is that -- while the EBITDA per wheel is actually higher, is there competitive intensity higher where our market share in alloy wheels will be lower. So if there is a shift from steel towards alloy, we may ultimately lose overall share. Is that accurate? Or am I looking at the wrong way?

Management: So we won't -- because overall, if you look at our volumes, our volumes have increased on an absolute basis, both aluminum and steel put together. So this year, '25 volumes have been the highest in our history. So close to 1.9 crore wheels, which is probably the second highest. So -- and we foresee about a growth of close to 21 million plus this year.

So 2.10 crores. So -- and the steel wheel business is also slated to grow in this process. It's not that the steel wheel business is not growing. But yes, the steel wheel business is going to grow at 4% a year, let's say. The aluminum business will grow at 12% for the industry. I'm talking about on an industry level basis. So there is cannibalization. There is cannibalization by the alloy wheel business into steel, but yet the steel continues to grow also.

Ritesh Gandhi: No. But the question was, if our market share in steel is higher than in alloys, are we ultimately a net beneficiary of this move towards alloys? Are we neutral? Or is it slightly negative for us?

Management: We are a net beneficiary. You can see it in the results. You can see it in the EBITDA margins. It's all because of aluminum wheels that we are able to more than offset the loss in the volume of steel wheels.

Moderator: The next question comes from the line of Aditya Khetan from SMIFS Institutional Equities.

Aditya Khetan: Sir, my first question is on the steel wheel volumes. Although, sir, we understand that the shift is largely towards the alloy wheels, but sir, the steel wheel volumes have seen almost a flattish volumes over the last, you can say, 3 to 4 years. Sir, what is the outlook over there? Like the industry would be focused only on to the alloy wheel side or the steel wheels also like would be...

Management: Yes, yes. So what has happened in the last few years, we have purposely dropped businesses that are -- were not giving us enough margins to make money. And so that has happened. But going forward, there is a realization in the industry that need to be corrected prices need to be corrected, and it has started to happen.

So as I said in my introductory statements that we foresee a great future in the steel wheel business going forward with regards to EBITDA margins. And we will continue to enjoy from a flattish growth to, again, flattish plus growth going forward.

So we are not -- we are quite excited about this next few years, starting from '26, '27, you will see a remarkable shift in the EBITDA per wheel. As I said, INR300 plus from INR270 now. So we foresee that definite reality happening from support by the domestic steel wheel business besides the...

Aditya Khetan: Sir, this capacity addition of 65 lakh wheels into the steel side, what sort of volume growth you are expecting for FY '26 in steel wheels and for the alloy wheels also?

Management: So I have told this in several other calls. So I will tell you again that, that acquisition of 65 lakh wheels was a strategic move, and it was meant -- it was done at a very low cost of INR140 crores. Out of the INR140 crores invested, around INR100 crores worth of equipment has been shifted to other factories.

For example, I will tell you that we have been able to increase our sales by about 350,000 wheels -- production by 350,000 wheels, which is close to INR160 crores, INR170 crores revenue in Jamshedpur by moving equipment from the AMW facility. So I don't think one should read too much into that investment to get to more sales revenues directly from that factory.

But yes, we will be utilizing that factory. It is part of our discussions to start those facilities to make OTR wheels, but that is something that we haven't given a green signal on. But of course, we can talk about it in the next call.

Aditya Khetan: Got it. Sir, just would like to know, is there any material difference in the cost structure between a steel wheel and an alloy wheel, like in terms of the raw materials? Is there any specific difference which you can highlight?

Management: Let me correct you -- let me correct myself. This year, the domestic steel wheel business has grown by 3.5%. So although it is still flattish, but we are in this range of growing. So the next question was whether -- what is the difference between aluminum and steel prices?

Aditya Khetan: No, sir, on to the cost structure, like what is the difference in the cost structure between steel and alloy wheel?

Management: Cost structure of what? capex or for manufacturing?

Aditya Khetan: Manufacturing, manufacturing cost.

Management: About 4x. It is about 4x.

Aditya Khetan: It is about 4x. Okay. Okay. And sir, on to the knuckles business, I believe you had given some numbers that we are looking for INR110 crores of top line. Sir, what would be the market size for this business? And what operating levels we are looking in FY '26 and FY '27?

Management: So FY '26, as I told you, we'll be at 100% based on the investment we made for 2.5 lakh knuckles. But going forward, I think this market is an evolving market, and it's a growing market. I can tell you that this is a new era business for India because a lot of OECD countries are using aluminum knuckles. India is the reverse. So just like we saw that experience with aluminum wheels, we should see the same traction in aluminum knuckles. So you can figure out the market size. it's going to be quite reasonable.

Aditya Khetan: Got it. Sir, just one last question. Sir, on to the geography mix for the full fiscal FY '25, the European Union share has been around 32% as compared to around 20%, 25% over the last few years. So this jump is led by your increasing presence, increasing visibility, higher volumes? Or is it...

Management: Decline in U.S. It's the decline in U.S.

Aditya Khetan: Okay. But sir, the European Union, like as a country as a whole, so they are not on a growth part, like they are already on a declining phase for the last 2 to 3 years. So what has led to this growth?

Management: So I think it's a relative -- I haven't looked at the exact numbers, absolute numbers for Europe. One second. What is the exact number for Europe? What is the sales value?

Management: So it's about flattish. It's not really grown from INR160 crores to INR178 crores, it has grown.

Moderator: The next question comes from the line of Kedar Kailaje from NAN Partners.

Kedar Kailaje: So my first question is pertaining to your market share in steel and alloy wheels. So firstly, for steel wheel, I can see in your 2022 presentation that your passenger vehicle market share for steel wheels was 50%. But in FY '25, in your latest presentation is 37%. So you have lost market share or you've let go of that business or what has happened over there?

Management: Our Head of Domestic Marketing can address this question with regard to all your -- his name is Mr. Sushil Gupta. As far as this question which you have asked on passenger steel wheel market share, one of the reasons is if you really look at it, there's a lot of transition, which is taking place from steel wheel to alloy wheel. Okay?

So what has happened is overall demand, I would not say it has come down, but our market share come down is because there are programs which every 5 years, a program changes. So what will happen, you will see next year or very next year that I won 2 programs more from Maruti. So you will find this number going up.

If you really ask me, there are only 3 players in the Indian market. So it depends on if the OEM makes a rollover of the current wheel rim, the market share of the existing player will go up. In our case, there are 2 programs where it has -- where the wheel rim has been changed and the numbers will increase when the new model comes in. There is no loss as such or we have lost the business anywhere.

Kedar Kailaje: Okay. Got it. And in terms of alloy wheel market share, I think it's not mentioned in your PPT, but what is your market share in alloy wheels? And over the last 2 years, have you gained market share? And if yes, then how much market share have you gained?

Management: We have definitely gained the market share. Exact numbers I can give you. We -- in terms of this -- if you really look at it, you want customer-wise or you want otherwise, I can share it with you...

Kedar Kailaje: Just overall industry level is also fine. I don't need...

Management: Industry level, we are at a market share of 32%, sorry, 37% to 38%.

Kedar Kailaje: Okay. And what would be that number 2 years back?

Management: Two years back, this number was? Overall market percentage, I shall come back to you because we have gained our market share. We have come down to -- if you say 3 years back, it would be close to about 24%, if you really ask me. Now we're at 37%.

Moderator: The next question comes from the line of Jyoti Singh from Arihant Capital Markets Limited.

Jyoti Singh: Just one question outside, like earlier mentioned INR600 crores capex. It's in 2 years on aluminum business or overall, sir?

Management: As I said very clearly, it is the aluminum wheel business and knuckles business.

Moderator: The next question comes from the line of Saket Kapoor from Kapoor Company.

Saket Kapoor: My apologies for joining late in the call so any repetitive questions. I just heard you mentioning about capex target of INR600 crores for these coming 2 fiscal. That is what you mentioned, INR600 crores capex?

Management: Yes.

Saket Kapoor: So sir, if we take our last 2 years capex or the purchase of fixed asset that has been also closer to March '24 was INR380 crores and for last fiscal, it was INR212 crores. So if you could just elaborate or throw some more light on top of these 2 capexs of closer to INR600 crores, which we have done for the last 2 fiscals.

The commensurate revenue has not yet reflected in our turnover profile. So if you could just allude to us does -- how will this trajectory be looking up? And to an earlier participant, you were also maintaining that -- you were saying that '26-'27 would be the year when there will be a shift in terms of the profile. So if you could just allude to the same again.

Management: I think the participants have heard all what I said. So this year, we are targeting a minimum growth of 15%. It could be higher. And I think the new normal for us is to grow at these 2 double-digit numbers for the next 3 fiscals. So all the expansions that we are doing at the moment and what we have done in the past is coming to fruition now.

So if you see the growth has come in this quarter. So we are running at a run rate of INR4,800 crores or maybe INR5,000 crores in this quarter that has just ended. So in this particular quarter that we are speaking in right now and the quarter subsequent to that, we should see further sequential growth, mainly coming from exports and from the domestic aluminum industry.

So you should see commensurate growth in revenue based on the capex that was done in the last 2 years. Okay? We are -- we didn't come immediately on capex completion, but there is a lag of 6 months -- 6 to 9 months. There, I agree that there has been no commensurate growth, but now we are on the right track. And our assets will be utilized 100% going forward. I mean this year, we should hit a very high capacity utilization and with better profile of margins versus the last year as a whole.

Saket Kapoor: Yes. So when we look at your closing balance for CWIP, it was closer to INR288 crores. So for this financial year, which of the projects and the amount is going to be capitalized? Can you throw light on which of the projects are yet to be commissioned and will be capitalized for the current financial year?

Management: So if you look at, I guess, for last 2, 3 years, I guess there have been 2 major capex that we have undertaken. One is the increase in the capacity for our alloy wheel plant, wherein we had raised our capacity from 3-odd million to already at 4.2 million, and we are increasing it to 5.3 million sometime around H1 end. I guess this is the capex that we have been doing, and we have been sharing it with the market as well in terms of the quantum of capex that we have done in the last 2 years.

The second biggest capex that we had undertaken in the last 1 year at least is on the knuckle side, wherein we had shared with the market that there is a new product that we have entered into. And it has a potential of almost INR2,000 crores in terms of top line over the next few years. And the transition towards aluminum knuckle could be as steep as the transition that we saw on the steel wheel side.

Management: Aluminum wheel side.

Management: On the aluminum wheel side, sorry. And so even the capex that we are narrating even for this year or next 2 years, I guess those predominantly cover, again, the alloy wheel expansion and the knuckle capacity expansion. So if you look at in terms of translation of this capex in terms of revenue, if you look at specifically the alloy wheel side, I guess this number in FY '21 used to be at around INR338 crores, which last year, we were at INR1,440-odd crores.

So there has been a transition or translation of this capex into numbers. And this will also be visible in this year where we are seeing an incremental growth on alloy wheel side, both in domestic as well as exports.

Saket Kapoor: Right, sir. Sir, can you give me the net debt number and this current year's maturity and for the capex, which we have outlined for the 2 years, how are we going to fund this?

Management: So I guess, INR1,047 crores was the net debt that we had as on March '24. As on March '25, this number is at around INR828 crores. And if you look at the capex that we have narrated is almost INR600-odd crores over the next 2 years I guess. These can be funded entirely from accruals. So there is no incremental debt that we intend to take to fund this.

Saket Kapoor: Okay, sir. And the cost of fund? Out of this INR828 crores closing balance, how much is the term loan and the working capital?

Management: INR370-odd crores will be the term and balance is working capital.

Saket Kapoor: Okay. And our cost of funds?

Management: We'll be hovering at around 8.5% to 9-odd percent.

Saket Kapoor: Okay. Sir, when we look at our cash flow snapshot on Page #31, taking it on a stand-alone basis, we see our -- the cash -- the operating profit from FY '22 to remain in the band of, say, INR450 crores to INR500 crores for the last 4 fiscal.

So taking into account what you've just spoken about the transition towards the new product also and also to the capacity enhancement in the aluminum alloy wheel, what should be the new trajectory in terms of the operating profit that the organization should be eyeing from the current financial year? If you could just give the path which we are going to guide now?

Management: This, if you look at, I guess, the EBITDA that we earned in the last 4, 5 years, I guess it was

INR465-odd crores in FY '22. But if you look at in FY '22, we have also mentioned then there is a onetime income of almost INR60 crores, which is sitting there. So net-net operating income, excluding that onetime income, it was already at around INR405-odd crores. That EBITDA has moved from INR405-odd crores to INR500 crores last year. So this is the kind of increase that we have seen in our EBITDA numbers.

I guess MD has already shared in terms of the EBITDA per wheel, that is one metric that we share with the market because percentages gives us in this normal picture. That EBITDA per wheel figure has almost doubled if you compare it with FY '20, we were at somewhere around INR138 in terms of EBITDA per wheel.

This number in last quarter is at around INR270. So as narrated by MD, sir, as well, I guess INR270 probably will be the new base that we'll be starting with. And then we'll add on to it based on the businesses that are there in the pipeline, specifically with focus on alloy, knuckles and exports.

Saket Kapoor: Right, sir. And last point was on the European nation part. Earlier last call, if I remember correctly, you were mentioning about some companies who were offering their facilities to us since they were unable to run the same because of inflationary trends and the demand disruption. So what is the current business environment in terms of especially the European trajectory in the European Union region, which you alluded earlier, sir?

Management: I guess the situation remain as is. So the companies out there in Europe are struggling. I guess a few of them has filed for bankruptcy and a few of them are looking for stake sales. So situation is as is. The discussions are there on the table. But what shape the structure will take still is unknown.

Saket Kapoor: Okay. So we are also an interested party. We look for building up capacity or into M&A activity in this part of the geography?

Management: It seems that you have some kind of knowledge about this. They have been offered to us, and we are evaluating that. But that is nothing that we have firmed up our mind on. We are already winning business because these companies are losing business and they're on the verge of bankruptcy. So the customers are favoring us with business. So we are winning anyways already.

Moderator: Our next question comes from the line of Karthik from Suyash Advisors.

Karthik: I just wanted to pick your thought on the same topic of Europe. How big can Europe become for you in, say, 3, 4 years' time, sir, given whatever visibility you have today?

Management: It's a great question. I don't have the number, but it can be very big for us. And that's what we are expanding our capacity for. So it's a great question you've asked. It's definitely one market that we are going to -- are very focused on.

We have already -- I spoke about this market 2 years ago, and now we are seeing the results. And so yes, it's a great question. I can't give you the number, but it's definitely a number that will surpass -- I mean, it will help us use our entire capacity that we are expanding with. All I can tell you is that we are going to be definitely very focused on this market.

Karthik: And if I may , would the pricing be superior to, say, U.S.A. or somewhere between India and U.S.A., sir?

Management: Again, great question. I wouldn't like to answer this question in this forum because it's kind of competitive information I don't want to give away.

Moderator: Our next question comes from the line of Kedar Kailaje from NAN Partners.

Kedar Kailaje: So I have 2 questions. One is on the domestic side, which is like your competitors have also announced capacity expansion, especially alloy wheels. So do you feel that there could be some oversupply coming in the future in the domestic alloy wheel market? And second would be on the exports market. If you leave aside tariffs for a minute, then what would be our competitive position compared to countries like Thailand, Vietnam or other Asian countries, especially on the export side?

Management: Nice question. I think the problem with Thailand and Vietnam is about transshipment. What they're actually doing is they're not producing wheels there or they're not producing the whole wheel there. They're getting parts from China and sort of packing it as made in Vietnam or made in Thailand.

So they are under investigation by the U.S. government in a big way under a very big lens. But -- so they won't really be competitive once the U.S.A. imposes higher tariffs on these countries vis-a-vis India. So we are very sure about that. Even our customers are saying that.

And I said that in the beginning of my call also that this is what is happening in the customer's mind. But in terms of cost, Thailand is far ahead of us. I mean Thailand has no chance to compete with us on a cost basis. Vietnam is a threat, but Vietnam doesn't have that kind of capacity it exports to U.S. It's a lot of transshipment exports that Vietnam is doing, and that should get sorted out going forward.

Kedar Kailaje: Okay. Understood. And on the domestic side, on the oversupply regarding your competitors have also announced capex...

Management: I think there has been oversupply in the last 3 years. So it's not a new phenomenon. But is there oversupply of quality product? That is mute. So that's where we stand out, and that's why we are winning market share because of our superior product. And going forward, I don't see any more competition coming that has an edge over us. In fact, one of our competitors is going down.

And it's a legacy business that was a pioneer in this industry in India. That business is on the verge of closure. We won businesses from them, from the customer. But other than that, I don't see anyone spending money to compete with us and grab market share. In fact, our market share is going to grow this year and the next year vis-a-vis anyone else's. So we don't really have fears at the moment from competition.

Kedar Kailaje: Okay. And this competitor that you name that might go out of business, can you share like what capacity they have or what share of their business will come to you...

Management: small share and small capacity, nothing to write more about. But I'm just giving you that example in terms of saying that capacity addition is not only happening, there's capacity deletion also happening. And you have to imagine that quality product is more paramount than numbers.

So you may have a lot of capacity, but that's unsold. I mean if you look at my competitors, a lot of, barring 1 or 2, most of them are not doing well. So this business cannot be run by others working style. If this is a growing business, let's invest. You have to produce quality and prove that you have quality. And it takes a lot many years. So our moving advantage in 2015 is helping us today.

Moderator: The next question comes from the line of Saurabh Jain from Sunidhi.

Saurabh Jain: Sir, this is my first call. So I don't know if this question would have been answered on previous calls. Sir, if you can talk a bit about the difference in asset turnover in steel versus alloy wheels and profitability, like how the profile changes within 2 segments?

Management: In terms of asset turn, steel, we normally will give you an asset turn of almost 1.25, 1.5. And asset turn in alloy will be more than 2, 2.5 to 3-oddx.

Saurabh Jain: And profitability?

Management: Profitability, yes, alloy in terms of margins will be superior versus the margins that you get on steel.

Saurabh Jain: Like how better?

Management: So as an example, let's say, in alloy for a particular wheel size in particular wheel rim, if it is in aluminum, it might be at around, let's say, 13.5%, 14%. A similar wheel in steel will be between 8.5% to 9-odd percent.

Saurabh Jain: 8% or 9%?

Management: Yes. But this is going to change, as I said, in 2026-27 onwards, you're going to see a change -- sea change in this 8%, 9% profile, if not sooner than that. But for sure, in 26-27, you will see quite a big improvement in this.

Saurabh Jain: Okay. And sir if you can...

Management: Majority of our business in terms of volume. So in terms of volume, this segment, pass car steel wheels is almost 60% -- 54% of our business. And this business is a laggard right now or has been a laggard for the last 15-20 years. This has changed, is about to change in a very material way starting in April 26

Saurabh Jain: Okay. And if you can talk about the weight -- average weight of the wheel in these 2 segments?

Management: So average weight of the wheel is very difficult to compare a steel wheel. Sometimes the wheel -- steel wheel is heavier, sometimes the steel wheel is lighter. But the -- if you're talking about why someone would prefer an aluminum wheel, it has better qualities in terms of driving comfort. That's the main thing, than it's aesthetics, how the wheel looks. So I think we've spoken about this many times in previous meetings.

Moderator: Our next question comes from the line of Ankur, an individual investor.

Ankur: Congratulations on a good set of numbers. Sir, as far as I remember, 2-3 years back, the remuneration of the MD was linked to the sales in percentage. In case I'm not wrong, is that correct?

Management: Can you repeat that?

Management: 5%?

Ankur: The remuneration of the MD was linked to the sales. Is that correct, in terms of percentage?

Management: No, no. It was never linked to the sales.

Management: How can it be? It's not allowed. This is not legally tenable.

Ankur: Okay, sir. I might have read something different.

Moderator: Ladies and gentlemen, we would take that as the last question for today I now hand the conference over to the management for closing comments.

Management: Okay. Thank you, everyone. I think we've spent the last few years speaking to you every quarter. But as I close this call, I can tell you that I'm the most optimistic about SSWL that I have ever been since I started working in this company. So I will be very happy to exchange more views in the next quarter's call. Thank you.

Moderator: Thank you. On behalf of Anand Rathi Share and Stock Brokers Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.