“Nelcast Limited

Q4 & FY25 Earnings Conference Call”

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MODERATOR: **MR. ABHISHEK BHATT – E&Y INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Nelcast Limited Q4 & FY25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

I now hand the conference over to Mr. Abhishek Bhatt from E&Y Investor Relations. Thank you, and over to you.

Abhishek Bhatt: Thank you. Good morning, everyone. On behalf of Nelcast Limited, I welcome you all to the company's Q4 and FY25 earnings conference call. You would have already received the results and investor presentation, which is also available in our filings with the exchange. To discuss the company's business performance during the quarter and outlook, we have with us today Mr. P. Deepak, Managing Director and CEO and Mr. S K Sivakumar, CFO of Nelcast.

Before we proceed to the call, a disclaimer. Please do note that anything said on this call during the course of interaction and in our collaterals, which reflects the outlook towards the future or which should be construed as certain forward-looking statement must be viewed in conjunction with the risk 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 that can be found on our website, www.nelcast.com Should you have any queries or need any further information at the end of this call, you can reach out to us at the e-mail address mentioned in the company collaterals.

With that, I would like to hand over the call to Mr. P. Deepak. Thank you, and over to you, sir.

P. Deepak: Yes. Thank you, Abhishek. Good morning and thank you all for joining today's call to discuss our performance for Q4 and FY25. FY '25 has been a year of mixed experiences for us. We celebrated the 40th anniversary of Nelcast and we also saw a robust recovery in performance during Q4 of FY25 following a period of consolidation. The first 9 months of FY25 were challenging due to the macroeconomic events that were happening world over and in India, but we managed to weather the storm.

However, Q4 FY25 brought a significant rebound in both our top line and bottom line, along with enhanced operational profitability and a positive trend in our export business. We are optimistic that this growth will continue in the future. On the exports front, we have demonstrated strong performance with a remarkable 21% year-over-year growth in Q4FY25.

Currently, we do not anticipate any significant risks from the tariffs that are imposed by the U.S., which is a major market for our exports. While there has been a lot of news about the duties, we strongly believe that the duty as applicable will be borne by our customers and resulting in minimal impact on us. Our existing business will continue without any major disruptions. Our customers are not halting their new projects either.

We have made also steady progress in Europe. Four new customers have started the process of approving our plants, which include fairly stringent audits. This is an investment in time and resources by these customers and communicate serious interest. These are significant advancements, and we are optimistic that these relationships will lead to new business opportunities in the coming months, further strengthening our position in the global market.

In terms of product development, we are entering an exciting phase. We have several innovative products in the pipeline, each at different stages of development. One of the key things to note is we are developing a new high-value product that weighs nearly 500 kg, which marks a significant advancement from our current product range.

This type of products will encounter minimal global competition and command higher realizations as there's only a few players worldwide capable of manufacturing such products. This unique position provides us with a distinctive competitive advantage and enables us to capture meaningful market share as we ramp up production in this new segment. This will also add diversity to our exports with more off highway in addition to the commercial vehicle and light vehicle that we are already in.

Looking ahead, the company is seeing promising signs, and we believe that the growth momentum will continue, leading to a strong year ahead. Our confidence is supported by a robust order pipeline for value-added products, which will drive growth and enhance profitability, bringing us closer to our goal of achieving the EBITDA/kg of INR15 a kg. Many of the new products will be produced at the Pedapariya facility, which will significantly improve our utilization in FY '26 and further enhancing our return ratios in the future.

We're very excited about the coming years, diligently working towards our goals and we are expecting substantial growth ahead. Thank you and I look forward to our continued success. Lastly, commenting on the financials. The total income for Q4FY25 was at INR334.4 crores compared to INR299.2 crores in Q4FY24. And the total income for the year stood at INR1,268.8 crores compared to INR1,281.2 crores.

The exports for FY25 and FY24 were both INR445 crores. The EBITDA for Q4FY25 was INR34.3 crores compared to INR19.3 crores in Q4FY24. For the full year, EBITDA stood at INR105.6 crores versus INR106.5 crores in FY24. And profit after tax during Q4FY24 was INR13.5 crores compared to INR5.1 crores in Q4FY24 and for the full year at INR37.3 crores in FY25.

Thank you. I will now open the floor to any questions you might have. We can now open the floor for any questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We will take the first question from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV: Hello, sir. Can you hear me?

P. Deepak: We can hear you. There was a little bit of background noise, but we can hear you. Yes, sir. Please go ahead.

Raman KV: Now can you hear me?

P. Deepak: Yes.

Raman KV: Sir I just wanted to understand what is the current capacity at the company level and what is the capacity utilization?

P. Deepak: Sure. So, the current capacity at the company level is 160,000 tons a year. And I think what is a fair expectation of what can be achieved is maybe about 80% of that. Currently, if you see for the year, we were at about 83,600 tons.

Raman KV: 80...

P. Deepak: 83,600.

Raman KV: Okay, sir. Sir, just a follow-up with this. So you said the EBITDA per kg will increase from INR14.5 to INR15 in the coming year. So will it be driven mainly by the increasing the capacity utilization, which is currently at almost 50%-52%?

P. Deepak: So, I think the move towards the INR15 per kg that I was talking about is, I think if you look at it from a full year perspective, right, not just the quarter perspective. I think from a full year perspective; we were at about INR12.63 for the full year. That's the number that even though the fourth quarter was a better quarter, I think we look at stability over a longer period of time rather than 1 quarter up and 1 quarter down. So that's the number that we want to achieve for the full year going forward in the near future.

Raman KV: For the full year as in like for FY26?

P. Deepak: I think that it would be our goal. But certainly, I think we believe that somewhere around FY27, that is certainly what we have been communicating and we're still confident that we are on that path.

Raman KV: INR15 per kg will be by FY27, right?

P. Deepak: Yes.

Raman KV: Sir, and the second question is, sir, what percentage of total revenue is your value-added product as of now? And going forward, what's your aim, let's say, about 2, 3 years down the line? How much are you planning to increase the contribution of value-added products?

P. Deepak: Yes. So I think there's very different ways of defining value-added product in terms of the complexity of the products that we are doing. I would say that it's not a binary thing where you say something is value-added and something is not. It's a scale. Some are slightly complex; some are incredibly complex.

So, I think it's more about just an overall move towards the more complex parts. And we see that happening in two ways. One with the new business that we are winning, both for the domestic and the export sector. But the second is also the existing products as the customers are trying to optimize the designs, some of the existing products, which might not be as complex are getting one or two levels higher up on that complexity scale as they are trying to optimize the design, which I think is a big advantage for us.

Raman KV: And sir, my final question is with respect to the energy cost savings, which you mentioned, that you are planning to install solar plant, which will help in cost optimization. And when it comes to power and fuel as a percentage of total revenue for FY25, it was around 10.4%. So, going forward, can we expect this to reduce to by 100 bps?

P. Deepak: So, when we look at our power consumption, obviously, energy is a pretty big part of our cost after raw material, right. And this is, I think, fairly obvious because we are melting iron at a temperature of about 1,500 degrees Celsius. So given that, I mean, energy is going to be a big chunk of our cost. We have worked quite closely for many different reasons.

One, of course, being the fact that this is the biggest impact that we believe we have on the planet from a sustainability standpoint, and we've managed to reach about 65% renewables. We would like to increase this number from the 65% to 80%. And we would like to do this. Parallelly, we would also like to be increasing our production.

So I think that increases quite a bit in terms of what we will be doing in the future. But we will also have -- in addition to the new investments coming online, we believe that our capacity utilizations also will go up and therefore, will also require further investments. So, it's difficult to pinpoint to a number on this. But certainly, this is an area that we are focused on.

Raman KV: So, can you give any guidance with respect to the capacity utilization in the coming year?

P. Deepak: Yes. So, I think it's hard to give a clear guidance, but we believe that we will be moving because it depends on how the overall market is going to look like. But we believe that we should be able to get to a number that's perhaps 20% higher than the current year in FY25, what we believe that we expect to see in this year based on the projections that we have right now from our customers is about -- we'd be targeting about a 20% growth this year.

Raman KV: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Vidit Shah from Spark Capital. Please go ahead.

Vidit Shah: Hi, thanks for taking my question. Just firstly to clarify this 20% higher number that you mentioned previously is on volume terms, is it?

P. Deepak: Correct in volume terms.

Vidit Shah: Got it. So, my first question was our margins have been fairly volatile over the past 2 years. And my understanding was that we pass most of the raw material cost fluctuations to the customer. So, I understand that the shift in mix towards export and domestic is a little bit of a driver.

But particularly this quarter, we've posted really, really strong margins at 14.8%, whereas the export mix hasn't changed materially. So, could you just help me understand what is causing this volatility? And how do we look at margins going forward?

P. Deepak: Yes. So, I think from a volatility standpoint, so part of the reason I was also clarifying kind of on a stable annualized basis, is I think if you look at the year as a whole, there might have been variations that were there in raw material prices that do get passed through at a lag. So the lag effect does have positive and negative consequences of it.

So that's why we look at it when we look at it over a period of a year, especially this year, it was a reasonably stable year from beginning to end, even though there were a few moves that happened through the year. So, I think it's -- that's one talking about the margins for the year and some volatility in the margins because it's not only the raw material prices that are getting passed through, it's also the freight costs that are getting passed through to on the export front, right? So there also, there is a little bit of a lag effect that's there.

Coming to the performance of the fourth quarter and the better numbers, part of why we believe that this was a good quarter was because we did see that rebound in exports compared to the third quarter. Third quarter, I think, primarily driven by U.S. elections, there was quite a bit of a slowdown in our demand for the products into the U.S. So there was in the third quarter, quite a bit of slowdown.

I think what we saw in fourth quarter was more a return to normalcy from that front. So if you look at it in terms of the growth, the biggest chunk of the growth, whether you look at fourth quarter of last year or third quarter of this year with respect to the fourth quarter of this year, the biggest jump has happened in terms of the export rate, and that's helped also drive the margins up a little bit.

Vidit Shah: Okay. Got it. I think with your export versus third quarter of this year versus fourth quarter of this year is broadly flat, right? I mean I think the growth in exports is about 5% and margins have shot up by about INR3 per kilo.

P. Deepak: Third quarter versus fourth quarter. Third quarter, our export sales have actually come down quite significantly because of, I think, primarily led by some uncertainty around U.S. election. So, they were down to about INR90 crores, whereas in the fourth quarter, they're up to about INR128.8 crores. So, there's a significant jump between third quarter to fourth quarter on the export. Even though for the full year, it was flat, but on the third quarter had a big slowdown in the fourth quarter had a big jump up.

Vidit Shah: Understood. And the new the high-value product that you mentioned in your opening remarks, the 500-kilo product, any further colour you can add to it in terms of its use case? I know you said it's an off-highway product, but the sort of demand or the market size that we have and the competitive strength globally, intensity globally?

P. Deepak: Yes. So the end use of the product is in a tractor and the high-end tractors. So, these are the tractors that use tracks instead of wheels and tires. The customer that we will be supplying to is located in the U.S., and they will assemble the entire axle and supply the axle to their end customer. So, this is an existing product that's already running with the product, with the castings being made either in some of the cases in China and in some of the cases within the U.S.

So, this is a kind of resourcing to us. And I think in total, they are looking at pretty good volumes, I think, for a product of this size. And yes, I think this will be a fairly good business for us. We're looking at samples within the next 3 months of the full range of products. It's not just one single part. The full range of products will be over the next 3 months or 3 to 4 months, we'll be submitting samples to customers, and we expect to be in production around the end of the year.

Vidit Shah: Got it. And if you could just help us understand the cost differential between manufacturing and Nelcast versus China and the U.S.A., given that the tariff environment is still a little volatile and uncertain, would be just great to understand how much cheaper we are compared to the U.S. and China in terms of manufacturing.

P. Deepak: I think in a product like this, these kinds of products, I'm quite certain that there would be at least a 30%, if not a 40% price differential on machine parts to casting, casting plus machine input and transport everything put together. My belief is that, that number is in the 30% to 40% range.

And it might be somewhere in the 25% to 30% range for maybe some of the smaller higher volume products. But that's my understanding. I think China if there is an additional 20% tariff that's put on, I believe that we would be highly competitive, maybe at better price than even China.

Vidit Shah: Okay. Understood. Thanks for these clarifications and all the best.

Moderator: Thank you. We will take the next question from the line of Anusha Singh from Equitree Capital. Please go ahead.

Anusha Singh: Since my first question to you is, since we currently have machining work done by Craftsman, are there any future plans to bring this in-house?

P. Deepak: So at the moment, no, there are no any significant investments that we are going to make into machining. We do have multiple vendors and including the one that you mentioned that we have great relationships with and that have been very reliable partners for us. So, at the moment, we do not see that as one of our priorities given what we believe the next 2, 3 years hold for us in terms of opportunity, and we do not want to lose focus on the opportunity we have ahead.

Anusha Singh: Okay. And my second question would be, are there any new customer wins on the export side that you can share with us?

P. Deepak: Yes. So, one of those is, that particular product range that I talked about. So, there's which goes into the tractor segment. So overall, I think what we are looking what we have won in terms of new business in the last 3 months or last 3.5 months or so is something in the range of about maybe about $30 million or so of new business. And there's a lot more that is under discussion and under quite serious discussion.

So it makes us very, very optimistic for the future. And the pipeline that's going to be there. We believe the next 2-3 years will have significant growth that will happen both in export and domestic, and we're gearing up for that.

Anusha Singh: All right. Thank you, sir, and all the best.

Moderator: Thank you. Next question is from the line of Riya Mehta from Malabar Investments. Please go ahead.

Riya Mehta: Thank you for the opportunity. Sir, my question is what are the new orders which are under development, and can you share the competitive background of the same?

P. Deepak: Yes. So I think the positive thing is a lot of the new products that we are developing are more complex products that are either heavier in weight, larger in size or have some degree of complexity to it. A lot of this actually is coming from the off-highway sector. I would say more than 50% of our new orders right now that we are working on are coming from the off highway, which if you look either in the U.S. or in Europe.

They will categorize even tractor as off-highway. So I'm using that same categorization, come into the off-highway sector, which I think is quite different from what we have seen in the past. In the past, our biggest growth has come from the medium and heavy commercial vehicle even for the export. And then we've made some inroads into the light vehicle space as well. So now I think it's a good diversification that's happening as well into our export order mix.

Riya Mehta: Okay. Sir, one more question. During FY26, what will be the utilization at Pedapariya plant? And can you give the weight on sales?

P. Deepak: You mean in FY25?

Riya Mehta: In FY26, what will be the utilization in the next year? What are we expecting?

P. Deepak: Yes. So we believe that, that number will be higher than where we are today. So that number will be around 40% is where we expect to exit for Pedapariya utilization. And we are hoping that we've got a good pipeline of orders. FY27, we'll be targeting to actually get beyond 60%.

Riya Mehta: Okay. Thank you so much, sir. That's all from my side.

Moderator: Thank you. Next question is from the line of Karthik VK from Suyash Advisors. Please go ahead.

Karthik VK: Good morning, Deepak. Thanks for the inputs. A couple of clarifications. One is, have you been able to explicitly discuss tariff pass-through with your customers? And if you can share their mindset? And I'll also ask you the second question, you can answer both. Outside of U.S.A., how is the competitive dynamic developing? Has that increased by any chance because of whatever is happening in U.S.A.? Some clarifications will be helpful.

P. Deepak: Yes. So, on the first one, in terms of the tariffs, there have not actually been any serious discussions with customers. If you look at how the tariffs are put in, they are intended to be for passenger cars as well as light trucks, right? If you look at our business, a very small portion of our business is in the light truck space. We are more in the heavy truck space.

So those are more subject to the reciprocal tariffs that are there, which are currently on hold for 90 days and at a lower 10%. But even that 10% has not yet become applicable because that's applicable for shipments that have stayed past the 9th of April. So, we'll see how that part of it pans out.

But at the moment, we're not really seeing anything from our customers coming back to us for -- to share the pain or anything like that at the moment. We're not seeing that. But this is something, I think, as I mentioned in my opening remarks, that we do see as a pass-through. And it's going to be...

Karthik VK: I heard your opinion on one of the webinars as well.

P. Deepak: That's right. Yes.

Karthik VK: Yes. I was just trying to understand if anyone has spoken to you specifically. That's really what I was trying to understand.

P. Deepak: No, nobody. It's not been specific because I think perhaps those conversations might happen in the next month, but so far no.

Karthik VK: Sure. And outside of U.S.A., have you seen competitive intensity increasing? Have you heard anything, felt anything? That would be more interesting because it seems.

P. Deepak: Not really. I think the Chinese are actually quite active in terms of and have been aggressive for a while in Europe, which is our other big market. I think that's a fairly we're not seeing anything drastically change in the last few months. I think people are just trying to avoid making any drastic decisions, especially in these 90 days or so.

Karthik VK: Sure. Just to get one thing right. So any program that you work for, you will be assured of a certain amount of business, at least for the life of the program, right? You can't have lateral people being brought in through the program, right, in the middle of the program. Is that a reasonable thing to remember?

P. Deepak: Typically, there's two ways to look at it. One way to look at it is it's actually very expensive for customers to do product level testing and validation. So unless there is a really, really large cost differential that's there, it's just not worthwhile for them to even think about it. So that's one side of it. So, it's the motivation part of it.

The second part of it is, I think, in terms of agreements and contracts that are there. With some of the customers, we do have contracts that assure us a certain percentage of business, which might even be 100%. And with some customers, while we don't have that contract, we believe it's very unlikely that they're trying to resource the business given that it's quite expensive for them to test and validate and approve. And at the same time, we don't believe it will be worth their while because we don't believe there will be significant cost savings coming out of it.

Karthik VK: Sure. If you'll allow me one last question and then I'll get back in the queue. At Pedapariya, what would be the profitability level, let's say, 40% utilization and 60% utilization?

P. Deepak: I think that's a little of a hypothetical question, given that the product mix is quite different, and we are adding quite a bit of this off-highway product mix into that plant. But I think we would be very, very happy to be at the 60%, but it will definitely have quite a bit of a positive impact on the overall company at 60% for sure.

Karthik VK: Fair. Thanks for answering and very best wishes.

Moderator: Thank you. Next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Congrats for a strong set of numbers. Sir, my first question is on the export side. So, we did INR445 crores of export in this year, which you said is largely flat. So, what is the outlook for FY26? How much of total export sales can you expect?

P. Deepak: So, what we are seeing is if you look at what the picture looks like, we're seeing relative stability in spite of all this noise that we're hearing, the scheduling that we are receiving from our customers seems to be reasonably flat. There's no great excitement either up or down in terms of the numbers.

So, we expect the first half of the year to be largely in line with FY25. So, we don't really see that in the current quarter or the next quarter that there will be any kind of big spikes in terms of export volumes. But then I think as we come into the third and fourth quarter, as our new product development happens and the ramp-up happens on that, we will see growth.

The pace of the ramp-up will determine the growth, but it's a little harder to comment on it, but we do expect to see fairly solid growth in the second half, perhaps more so in the fourth quarter. But it will be a ramp-up stage, and some of that will determine on whether our customers, their projects are on time or delayed and all of that.

So, a little harder to project that, but we do expect to kind of make the next jump in exports and in a gradual way, and that will start during the second half, more so in the fourth quarter.

Ankur Kumar: Got it, sir. And sir, on this EBITDA per kg thing, if I look at Slide #4, export was a similar number in second quarter also. But our EBITDA was INR11.8 per kg, which was largely similar over last 4 quarters, but this has jumped quite substantially to this quarter. Can you comment why has that happened in increase of so much?

P. Deepak: Yes. So, I think actually, if you look at third quarter, that was, I think, a little bit of a lull, right? I think that was mainly because of U.S. elections. Otherwise, we would have a little bit more wait and watch happening, the inventory levels in automotive kind of ballooning up a little bit in terms of the finished goods that the OEMs were carrying.

So, they cut their production in the third quarter because of that. I think fourth quarter has been a little bit of a return to normalcy. We have not really seen anything change right now either into the first quarter, but time will tell. If you look at the production standpoint overall also, the production quantity compared to the second quarter was around 22,000 and in fourth quarter was more than 23,000.

So, there was some overall increase in production as well that did happen in the fourth quarter. And then there's, of course, also a few effects of raw material as well as I think the second quarter was also when we had peak freight costs as well that were there.

Ankur Kumar: Sure sir. Thank you and all the best.

Moderator: Thank you. We take the next question from the line of Raman KV from Sequent Investments. Please go ahead.

Raman KV: I just have few follow-up questions. Sir, in the PPT you mentioned that you will be shifting from manual mould building to fully automated and there will be some debottlenecking around...

P. Deepak: Mr. Raman, there's some background noise. I'm not able to hear you again.

Raman KV: One minute sir.

P. Deepak: Yes, I think this is better now.

Raman KV: Sir, in the PPT, you mentioned that you will be shifting from manual moulding to fully automated moulding and there will be some bottlenecking across the plant. What will be the cost incurred for debottlenecking and shifting from manual to automation during this year?

P. Deepak: So actually, we've just completed all our projects of shifting from manual to automated. So all of that is already completed now. In terms of debottlenecking, there will be investments that will be more specific to new business wins and for better material handling and things like that.

Overall, I think over the FY26 and FY27, I think we expect that from a capex standpoint, we'll be roughly at the rate of depreciation. So, depreciation, I think, is about INR24 crores, INR25 crores a year. So roughly, that's what we expect that we will be investing in this in the next year until we get to that 80% capacity utilization.

Raman KV: Okay, sir. And sir, with respect to the 3 plants which we have, you said the Pedapariya plant is at 40% utilization. You expect it to go to 60%

P. Deepak: Pedapariya plant.

Raman KV: Sir?

P. Deepak: Pedapariya plant.

Raman KV: Yes. And sir, what about the remaining 2 plants, what's the capacity utilization? And what's your expectations for the coming year?

P. Deepak: Yes. So, our Ponneri plant is actually currently operating close to 90%. And our Gudur plant is operating at about 55%.

Raman KV: So basically, we are lagging in Pedapariya and the Gudur plant, right?

P. Deepak: Yes, that's correct.

Raman KV: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Firstly, sir congratulations to the team for a very strong set of financial and operational numbers. Sir, if you could firstly give some more colour, as Deepak ji, you were mentioning about some lower input cost also factoring in for Q4. If you could just give us some understanding what led to us posting this INR14.8 per kg, EBITDA per kg in the tractors?

P. Deepak: Yes. So, I think we saw fairly stable input cost, only small difference that's there. I think the other one that we saw was in terms of the growth in exports. So, I think we had a very good product mix actually that was there in Q4. And I think overall, the production also was exceeded 23,000 tons. So that also helped.

So overall, really positive quarter with, I think, better utilization, good exports, good product mix. Slight raw material, nothing serious. But yes, I think overall, fairly good quarter that way.

Saket Kapoor: Okay. So, it was totally an operational performance with higher tonnage. I think so 23,600 you mentioned for Q4?

P. Deepak: 23,100 actually.

Saket Kapoor: 23,100. Sir, we did 83,600 in totality. So Q4 was exhibited the highest tonnage.

P. Deepak: That's correct, yes.

Saket Kapoor: Okay. And sir, taking factoring into, I think so the current domestic preparation, we heard other players also, they are mentioning that from the MHCV segment, there are a lot of preparations or the order booking is very strong. So, are we also getting the same figure in terms of the MHCV segment supporting the execution going ahead?

And also, sir, in terms of 23,100 as the base and you guiding for a 20% growth in tonnage, what should be the expected trend for the first half and the second half? If you could give us some colour of how the tonnages would be going ahead?

P. Deepak: Yes. So first question was on the M&HCV segment, right. We are actually seeing fairly good positive signs on the M&HCV if you look at April and at least until the first half of May. So typically, if you look at from an annualized standpoint, the April, May, June is usually when the M&HCV is at the slowest and Jan, Feb, March is when it typically peaks out.

So, we are seeing reasonably strong M&HCV numbers even in April and May. So, we are hopeful that this will continue through the year. And if it does, then I think certainly, that's part of our, why we believe that M&HCV will help drive some of those volume growth. Tractor also seems to be fairly strong if you compare it to last year so far. But I think the tractor sales can be highly volatile and very concentrated during the festival season.

So, it's a little harder to put a finger on what will look like over there. I think the other part of it is, of course, as I mentioned, the new product developments and the export growth that we are expecting in the second half. We think this should push us beyond the 100,000 tons this year from the 83,600 tons or so that we've done in the past year.

Saket Kapoor: And to the second question, sir, how should the tonnage be going ahead or if you could give us some color because there are a lot of vagaries. And also, sir, you pointed out that closer to INR15 would be our target FY27. So, with closing for this quarter at INR14.8, this but we are already there at the vicinity.

So why are we taking another 1 year to exhibit the same? That means there would be a declining EBITDA per kg for the time period. And what are we trying to explain when we are giving the hurdle timeline of FY27 to achieve this INR15/kg?

P. Deepak: I think it's a little bit more about market volatility in terms of the margins that we're trying to consider, also a little bit of understanding of maybe raw material prices and what that impact might be. But I think more than anything else, you were asking about the volume. I think typically, it's fair to assume that it will be about maybe a little over 45% will be in the first half and maybe about 55% in the second half.

This is, I think, a fairly normal kind of a thing in terms of what we typically would see in a year, about 45% in H1 and 55% in H2, given that M&HCV will peak out a little bit more in H2 and is a big portion of our sales than the tractor, which peaks out in H1 and typically mid-third quarter.

Saket Kapoor: Right, sir. And your comments on this INR15/kg

Moderator: Sorry to interrupt, but maybe please request you to return to the queue for follow-up questions. There are several other participants waiting.

Saket Kapoor: Yes, definitely. I will honour that. But just the concluding remarks from sir and I hope I've would be given an opportunity again.

P. Deepak: Yes. I think it's more about market volatility and raw material prices. We're just trying to be a little watchful of that.

Saket Kapoor: Okay Deepak ji. I am joining the queue. I hope given an opportunity again before the call concludes. Thank you.

Moderator: Thank you. We take the next question from the line of Ajit Sethi from Eiko Quantum Solutions. Please go ahead.

Ajit Sethi: Thank you for the opportunity. I just had one question. Can we expect optimum capacity utilization by FY27?

P. Deepak: Yes. I think certainly, that's what we believe. And with the business pipeline as well, I think the business side will support. I think the operational side also will be there. So we believe that we should be close to that 80% target that we have for the optimum capacity utilization.

Ajit Sethi: Thank you.

Moderator: Thank you. Next question is from the line of Soham from RV Investments. Please go ahead.

Soham: Sir, if you can help me understand the margin differences between exports and domestic?

P. Deepak: So, it's very different depending on the product of domestic versus export. But I mean, by and large, as a guideline, I think we can say that domestic is maybe somewhere around INR10 a kg and export is closer to around INR20. Obviously, there are exceptions to that in both directions.

Soham: Okay, sir, that is more of a product mix thing. And if you have to quantify the orders you have in hand right now or the order book or inflows you are getting right now?

P. Deepak: Yes. So, I think if you look at the way that it works is we typically will have an open purchase order from the customer, and they give us what they give as their schedules of forecast and with a much shorter firm period. So based on current schedules, we are seeing, I think we believe that Q1 should be largely in line with Q4, right, in terms of the number of volumes. That's what we are seeing as of now. But of course, given that its schedule based and there are no orders that are far out, this is all subject to it.

Soham: Okay, sir, understood. And you just said that we should be aiming for optimum utilization by FY27. So, when would we require that 50,000 brownfield we have a potential at our existing plants, which you have mentioned in your presentation, when we should be requiring that?

P. Deepak: I think we look at that probably we might require that for maybe FY28 or so is what we think. So, we'll look at that maybe in the latter half of FY27.

Soham: Okay, sir. Thank you.

Moderator: Thank you. Next question is from the line of Shubham Zope from Sicomoro Advisors. Please go ahead.

Shubham Zope: Thank you for the opportunity. Congratulations on a good set of numbers. So, my first question is that so in your previous con calls, we mentioned that the update on the Europe that some clients have visited our plant and the meaningful deliveries for Europe will happen in FY27. I just wanted to know that given the global uncertainty now happening, is there any change in that or is there any opportunity to increase our exposure in Europe? That is my first question.

P. Deepak: Yes. So I don't think that the U.S. is really not a significant supplier of castings to Europe. So at least in the casting space, we don't really see that this will have any real impact that's happening because of U.S. tariffs or anything else like that. I think the bigger change is really coming out of the structure within Europe in terms of potentially some bankruptcies or something like that.

That being said, So we've gone through in the last year, where we've started meeting customers, building relationships. They've come visited us. Now they've kind of gone to the next level, which is actually having our facility audited and approved into their list of approved suppliers. So that is what is currently going on.

And perhaps we expect the next few months, maybe the next 6 months or so, we'll have a lot of that happening. And once that's there, there are absolutely no barriers for them to actually release orders to us for developing new parts. So we hope that those orders will come through by the end of the year for product development.

And given testing timelines and all of that, probably mid next year or so into actual getting into production. And then obviously, when you win a few and you do well, you win a lot more. And so we're quite sure that, that will grow quite significantly on the basis of performance.

Shubham Zope: Okay. And my second question is that as per your press release, which you give yesterday on the exchanges, you are expecting that your FY26 revenue will grow by around 10% to 15% as compared to FY25. And as in your con call, you mentioned and also in previous con call, you mentioned that you're expecting a tonnage growth of 20%.

So, are we expecting a realization decrease in next year? Because as per our understanding that generally, we are targeting a high value end product, which will have a high realization. So, I just wanted to get your context on that?

P. Deepak: So, I think raw material prices can have significant effect. And given the trade war that's currently happening, there's a lot of uncertainty on raw material prices. So, I think in terms of top line, that's the only reason that we've kind of considered it a little bit on the lower side considering potentially maybe what might be the worst-case scenario of raw material prices into revenue.

Shubham Zope: Okay. Thank you so much. I will go back to the queue.

Moderator: Thank you. We take the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Thank you sir once again for the opportunity. Just a second sir we have seen our capital work in progress being capitalized closer to INR40-45 crores. In fact, for the consolidated level, it is closer to INR53 crores. So, if you could just give some explanation what has led, and which are the projects that got capitalized for the period ending Mar'25?

P. Deepak: Yes. So, the big one that we capitalized was at our Ponneri plant, we had done the modernization of the second line. So that was the big project that we had done over there. And that's what was capitalized. I think that's what you're referring to in the PPT.

Saket Kapoor: Okay. So, this modernization will lead to more efficiency and thereby contributing to the bottom line. That is what the semi -substance?

P. Deepak: Yes. So, the biggest effect of this is going to give us a better product mix because the current if you see we had one automated line and then there was a manual line that was hardly used in Ponneri. So, it limited what we could do in terms of our exports from Ponneri. So almost all of our exports were driven purely by the Gudur plant. Now with this, we believe that there will be significant ramp-up of opportunities in terms of export for the Ponneri plant as well.

Saket Kapoor: Okay. And sir, for the year as a whole, you mentioned that tonnage growth of 20%, we might be hitting the 1 lakh number or slightly above than that. What should be the contribution of exports from the total? I think 445 was the number for FY25, sir? What should be thinking in terms of export contribution to the total pie for FY26?

P. Deepak: So, I think export will maybe be slightly more. So, we're currently at about 36% -35%, number in terms of percentage of revenue. We expect there will be some small increase in that. So, it will still be somewhere in that 35% to 40%. But I think we will start to see towards Q4 that there will be much greater growth in exports.

I think that's our expectation. Hard to put a number right now because of the new product launches and the ramp-up, which has a degree of uncertainty to it. But we believe we should be in quite a good velocity.

Saket Kapoor: Okay. Sir, the line item for finance cost, this line item has remained always on the increasing trend. So, what is the thought process of the management? Is it the increased business volume that will commensurate to this higher increase in finance costs? Or how should we look at this number? Now this is closer to INR10 crores on a quarterly basis?

P. Deepak: Yes. So, I think in terms of finance costs, some of it is driven mainly by working capital. And as the growth happens, there will be some increase that will be there in working capital. However, we do intend to reduce what our term loans are as we pay them off. So, I think overall, we'd like to keep it fairly stable, not have much of a change to that number.

Saket Kapoor: Sir, I didn't get. Absolute number or as a percentage of the profits, what should be factored in?

P. Deepak: So ideally, as an absolute number, I'd like to keep it as constant as possible. But I mean, recognizing the fact that the sales growth happens quite significantly, that there will be some increase in working capital. But we will also parallelly be reducing our long-term debt as well. So, I think as an absolute number, our goal will be to keep it somewhat similar in the same ballpark as where we are.

Saket Kapoor: Only two small points and I'll join the queue. Firstly, sir, do we see this secular trend in the casting business, not only pertaining to Nelcast developing this complex product of 500 kgs or there is a secular change in the casting segment altogether wherein we are seeing a disproportionate opportunity both in the domestic and the export market or is it only curtailed to us having developed that product profile, especially I think so for the Pedapariya unit, which we are harking on going ahead.

If you could just outline to us the basis or the genesis of this improved performance, whether there is a significant change in the underlying casting business altogether for the industry as a whole?

P. Deepak: Yes. So, I mean, I think there are opportunities for the industry as a whole. I think we've got some better opportunities than the industry mainly because of the Pedapariya plant. And while it has been a challenge over the last 4.5 years or so, I think we believe that we are now at the stage where we see the light at the end of the tunnel. So that's something that we are quite excited about, giving us some new opportunities with better realizations. But as an overall, I think there are opportunities for everyone in the industry.

Saket Kapoor: And also, sir, we have proposed to increase the dividend payout also. That also gives confidence to the investing community on your approach towards shareholders. So I congratulate the Board for upping the dividend payout also. And lastly, sir, what I'm trying to understand is INR14.8 per kg for the quarter 4 is a not of a one-off item.

It is all the operational base, it is all the higher tonnage, better absorption of cost and hence, the flow to the profitability and for an average of INR12.6 per kg depending upon what the conditions are today, we should be in a very good position to be higher than this average number for this financial year.

Although we are very, very nascent. I mean just quarter 1 is only 45 days. But taking into account the background or the setup we have for the industry, we should be penciling in at a higher EBITDA per kg for this year also. This should not be a one-off is what my thought process was. So, correct me there.

P. Deepak: Yes, that is what we are working for. And I think the product mix, I think, was quite good in Q4 between the mix of also tractors being a little bit lower, commercial vehicles being a little higher, exports being quite strong. Obviously, the product mix is not the same in this quarter, but we will certainly aim to do well on the EBITDA front.

Saket Kapoor: Okay sir. Thank you, sir and all the best, to the team. Thank you.

Moderator: Thank you. We take the next question from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Thank you for the follow up. Sir, I wanted to know in terms of, for export of CV and tractors, what is roughly our EBITDA per kg for all the three segments?

P. Deepak: So, we don't, track it that way. We track it very differently in terms of how we track it. But like I said, largely speaking, I think you can say export is roughly around 18-20 and domestic is roughly around 10. It varies quite a bit based on product and product mix and size of the products that we do. So, it's a little hard, we look at it quite differently in terms of product families or customers, not in terms of the overall segment.

Ankur Kumar: And in domestic tractor is lower than CV, sir?

P. Deepak: Yes, tractor is still more competitive than the CV. Both are very competitive. But because what we supply to the tractor has much more of grey iron in it versus what we supply to CV is more of ductile iron to it. So, there is some technical differences as well that result in lower realization.

Ankur Kumar: Got it. And export is much higher. So, if our export share can increase, then our EBITDA per ton can go higher?

P. Deepak: Yes.

Ankur Kumar: Sure sir. Thank you and all the best.

Moderator: Thank you. Next question is from the line of Nirmal Shah from Seraphic Management. Please go ahead.

Nirmal Shah: Good afternoon, Mr. Deepak. Congratulations for a very good set of results. I had just two questions. One was with respect to the current uncertainty in terms of tariffs. Typically, in this kind of environment, the clients just hold back, or they go slow, but probably you have actually got quite a lot of good contracts. So, I was just trying to understand more behind that thought process. Can you just give me some more color on this?

P. Deepak: So, I think the order wins -it's based on 2 things. One, if somebody has a new project that's happening, they are not delaying the timelines of the new project. So I think there's a firm belief that the tariff war will likely have a negotiated tariff rate. And the reality is even if the tariff rate is 10% or whatever, it doesn't really alter their decisions.

So we are seeing people still move forward, especially when it's new projects. When it comes to projects that are resourcing as well, they still believe that a deal will be reached and something will get sorted out. There may be a little bit more of a wait and watch unless even with whatever the worst-case scenario tariff, they still believe that there's a significant cost savings, which I still believe still does exist.

The other part of it is the capacity really does not exist in the U.S. to be manufacturing these kinds of products. To invest in new capacity is going to take a minimum of 3 years and a significant investment, maybe another couple of years to break even, maybe another 5-7 years to earn return on investment.

So given that, I don't foresee that anybody would actually invest in a new facility with the hope that the tariffs will still be around in 12 years from now or will be higher 12 years from now. So while there might be some uncertainty, I think those customers who have new projects and new products that they want to launch do not see the point of delaying the launch of their products and are making what they believe is a calculated call right now.

Nirmal Shah: Got it. And the last question is, what would be the size of the framework contract size annually for you? Like you mentioned $30 million number. Is it cumulative or is it annual number of all new order wins you have?

P. Deepak: That is the annual number.

Nirmal Shah: Okay.

P. Deepak: Once it goes into production. They would all go into production perhaps at different time, different projects at different times.

Nirmal Shah: Right, right. But then once it goes into production, annually, there is an additional $30 million worth of additional contracts you have won post December quarter?

P. Deepak: Correct.

Nirmal Shah: Okay. Got it. And how does it look like in future, sir?

P. Deepak: We've got a lot more we're working on. Let's hope that they materialize.

Nirmal Shah: Okay. All the best, sir. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. P. Deepak for closing comments.

P. Deepak: Thank you, Navya. In closing, I want to reiterate our commitment to excellence and our focus on delivering long-term value to all our stakeholders. The resilience we have shown in the face of market fluctuations, I think is a clear indication of the strength and stability of our business. We're not just navigating through a temporary movement in demand, but we are actively preparing for a future that's filled with promising potential. Thank you.

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