Management Discussion

Arpit Mundra - Analyst, Ernst & Young LLP
Thank you, Steve, and good evening everyone. Welcome to Steelcast Limited Q2 FY27 and H1 FY27 earnings conference call. To take us through the financial and operational performance for the quarter and a half year and to answer your question, we have with us Mr. Chetan Tamboli, Chairman and Managing Director, Mr. Rushil Tamboli, Whole Time Director, Mr. Subhash Sharma, Executive Director and CFO, and Mr. Umesh Bhatt, Company Secretary. Please note, a copy of all the disclosure is available in the investor section of the website as well as on the stock exchanges.

Further, detailed safe harbor statement is given on page number 31 of the investor presentation of the company. Please note that anything said on this call which reflects the outlook for the future, or which could be constructed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. Now I shall hand over the call to Mr. Chetan Tamboli for his opening remarks. Over to you, sir. Thank you.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you, Arpit bhai. Good evening, everyone, and thank you for joining us for the Steelcast Limited's conference call. During the first half of FY27, we delivered healthy growth in revenue and sales volumes, supported by strong shipments and demand across our principal end markets. At the same time, our profitability reflected certain near-term factors, including product development expenditures, investments in manpower ahead of our expansion, and the timing difference under our raw material price pass-through mechanism.

We continue to maintain a debt-free balance sheet, generate healthy returns on capital, and invest in the next phase of our growth. Our focus remains on expanding our addressable market, increasing our product range, strengthening customer relationships, developing new sectors and geographies, and executing our capacity expansion in a disciplined manner. For this earnings call, we have divided the management presentation into separate sections. So that each area can be covered by the relevant member of our management team.

First, Mr. Rushil Tamboli will discuss our Q2 FY27 and H1 FY27 performance, including revenue, EBITDA, profitability, and margins. Thereafter, Mr. Subhash Sharma, our CFO, will cover the balance sheet, key financial ratios, and our capital allocation approach, followed by Mr. Umesh Bhatt will then discuss our sales volume, capacity utilization, geographical and sectoral revenue mix, and other operating indicators. Finally, I will return to discuss our capacity expansion, business outlook, FY27 guidance, renewable energy initiatives, and midterm growth priorities before handing the call back to the moderator for the question-answer sessions.

With that, I will now hand over the call to Mr. Rushil Tamboli to take you through our financial performance. Rushil bhai, over to you.

Rushil Tamboli - Whole Time Director, Steelcast Limited
Thank you. Good evening, everyone. I will begin with our financial performance for Q2 FY27 and H1 FY27. Revenue from operations for Q2 FY27 stood at INR138 crores compared to INR106.7 crores in Q2 FY26. Representing year-on-year growth of 29.4%. On a sequential basis, revenue grew by approximately 10.6% from INR124.8 crores in Q1 FY27. This strong revenue growth was supported by healthy business volumes and higher dispatches during the quarter. A portion of the higher dispatches also resulted from the liquidation of inventory that had been built during Q1 FY27.

EBITDA including other income increased by 11.8% to INR33.8 crores compared with INR30.2 crores in Q2 FY26. On a sequential basis, EBITDA was INR32 crores in Q1 FY27. The EBITDA margin stood at 24.5% compared with 28.3% in Q2 FY26, a slight moderation of 387 basis points and 25.6% in Q1 FY27. The fact that revenue grew faster than EBITDA primarily reflects three factors. First, we incurred approximately INR1 crore of additional expenditure during the quarter on new product development, including trials, experiments, and rework.

Second, employee expenses increased as we recruited and began training additional employees in advance of the upcoming foundry expansion. This is a deliberate investment to ensure that trained manpower is available when the new facility becomes operational. Third, input costs began increasing from the first week of September. The company absorbed this increase during September while the corresponding price revision under our pass-through mechanism is expected to be reflected subsequently. This created a timing impact on the reported Q2 margin.

Profit after tax for the quarter stood at INR23.4 crores compared with INR23.2 crores in Q2 FY26. Representing growth of approximately 0.6% year-on-year. On a sequential basis, PAT remained broadly stable compared with INR23.7 crores in FY- in Q1 FY27. The PAT margin stood at 16.9% compared with 21.8% in Q2 FY26 and 19% in Q1 FY27. Now let me take you to H1 FY27 performance. Revenue from operations for H1 FY27 was INR262.8 crores compared with INR213.3 crores in H1 FY26, representing year-on-year growth of 23.2%.

EBITDA including other income increased by 14.3% to INR65.8 crores compared with INR57.5 crores in H1 FY26. The H1 FY27 EBITDA margin was 25% compared with 27% in H1 FY26. Profit after tax increased by 10.1% to INR47.4 crores compared with INR43.1 crores in H1 FY26. The PAT margin was 18% compared with 21- sorry, 20.2% in the corresponding period last year. Overall, the first half delivered healthy growth in revenue, EBITDA, and profit after tax. The moderation in margins largely reflect the timing of raw material pass-through, product development expenditure, and advanced investments in manpower to support our expansion.

With that, I will now hand over the call to Mr. Subhash Sharma to discuss our balance sheet, financial ratios, and capital allocation priorities. Thank you.

Subhash Sharma - Executive Director and Chief Financial Officer, Steelcast Limited
Thank you, Mr. Bhai. Good evening to everyone. Steelcast continues to maintain a strong and conservative balance sheet, which gives us the flexibility to pursue our growth plans while maintaining financial discipline. The company has maintained- remained debt-free for the third consecutive year. Our three digits were approximately INR120 crores. These reserves are invested across bank fixed deposits, mutual funds, and secured bonds. This financial position provides us with a strong liquidity base and the ability to support planned investments through internal accruals.

Our return on capital employed for H1 FY27 stood at 28.8%. Compared with 28.6% for FY26. Our return on equity for actual FY27 was 21.9%, broadly stable compared with 20%- 22% in FY26. These ratios demonstrate our continued focus on capital efficiency even as we invest in manpower, product development, automation, renewable energy, and additional manufacturing capacity. We remain committed to balancing shareholder returns with the capital requirements of the business while maintaining a consistent annual payout of 20%.

Our capital allocation framework remains focused on five priorities: supporting operating cash generation, investing in bottlenecking and automation, Expanding renewable energy capacity, funding greenfield manufacturing capacity, and continuing an appropriate dividend payout. In

summary, our debt-free status, free reserves, and healthy returns ratios provide a strong foundation for the capacity expansion and strategic investments that Chetan sir will discuss later in the call. I'll now hand over the call to Mr.

Umesh Bhatt to take you through the operational and quantitative performance. Thank you.

Umesh Bhatt - Company Secretary, Steelcast Limited
Thank you, sir. Good evening, everybody.

I will

Take you through our sales volumes, capacity utilization, and revenue mix for the quarter and half year. Sales volume during Q2 FY27 was 4,370 tons compared In Q1 FY27 and 3,411 tons in Q2 FY26. This represents an increase of approximately 8% sequentially and approximately 28% year-on-year. Total sales volume for the H1 FY27 was 8,406 tons. Capacity utilization on our existing 29,000 ton per annum capacity moderated from approximately 66% in Q1 FY27 to 57% in Q2 FY27. It is important to view this movement along with the inventory cycle.

During Q1, we had built inventory to support anticipated dispatch risk. This inventory was subsequently liquidated during Q2. Consequently, Q2 dispatch volumes were higher than the production volumes. Resulting in higher sales volume but lower reported capacity utilization for the quarter. Quarterly utilization can fluctuate based on production and dispatch schedules, and some should therefore be assessed over a longer period. Management currently expects utilization of the existing capacity to be broadly around 60% during FY27.

Talking about the exports and domestic mix, exports contributed 52% of Q2 FY27, Revenue, while the domestic business contributed 48%. This compares with an export-domestic mix of 64% and 36% respectively in Q2 FY26. In H1 FY27, export contributed 57% of revenue while the domestic market contributed 43%. The corresponding mix of H1 FY26 was 59% exports and 41% domestic. During H1 FY27, earthmoving contributed 51%, mining 21%, construction 18%, locomotive 4%, railways 2%, and others 4%. Together, earthmoving, mining, and construction accounted for approximately 90% of H1 FY27 revenue.

I will now hand over- hand the call back to Chetan Tamboli to discuss the company's capacity expansion, order visibility, outlook, and concluding remarks.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you. I will now conclude the management presentation by discussing our capacity expansion, FY27 outlook, margin expectations, and medium-term strategic priorities. As mentioned, our existing capacity is 29,000 tons per annum. The board has already approved addition of 8,500 tons per annum of greenfield capacity. With an estimated investment of approximately INR120 crores over the next two years. This expansion will enhance our manufacturing capabilities across broader range of steel castings, particularly components weighing between 5 kg to 1,000 kgs.

In addition, the board today further approved additional capacity of approximately 3,250 tons with an estimated investment of INR31 crores. Upon completion, our total manufacturing capacity would increase by 11,750 tons from the existing 29,000 tons to 40,750 tons, with a total investment of INR151 crores. The proposed additional capacity is intended to extend our product weight capabilities to castings weighing up to approximately 3.5 tons from the current 2.5 tons. The principal opportunity area for these heavier castings include construction, mining, and earth moving.

Also, the facility would be capable of serving a broader mix of applications. The estimated INR31

crore investment for the additional capacity is expected to be phased along- alongside the approved INR120 crore project across FY27 and FY28. Management is currently targeting commissioning of the new foundry around 1st April 2028. While making efforts to complete the project earlier if feasible. Our executable order book stood at approximately INR145 crores, equivalent to around three months of sale. As a measure of de-risking, our wider product development program is continuing and extend- and extends across 111 parts over a three-year rollout.

At the time of presentation, during the period April to September 26, 55 new parts are under development in various stages of sampling, tooling, and customer qualification, and 32 new parts have been developed, and 15 out of them have been commercialized during FY27 and moved towards revenue generation. The development process includes co-engineering with OEM customers, tooling and sampling, pilot orders, process validation, and finally serial production. For FY27, management is maintaining its revenue growth guidance of approximately, 25%.

Our confidence is supported by adequate order book, healthy booking across our serviceable segments, ongoing product development, and opportunities available in our principal end markets. Mining and earthmoving are expected to remain key sectors during FY27. Over the medium term, we'll continue to focus on strengthening relationship with existing customers, increasing our share, of their component requirements, entering new sectors, and expanding into additional countries to diversify our export business.

On margins, management has discussed a broad 26% to 27% range for FY27. This should be viewed as a broad full-year outlook rather than a quarter-specific assurance, as margins can vary between quarters based on based on raw material movements and timing of price revisions. We expect margins to remain under some pressure in Q3 due to the timing of our price pass-through mechanism. Inputs cost declined during July-August. The benefit of that reduction will need to be passed on to customers in Q3. However, input prices began increasing again from the first week of September.

We absorbed the impact of this increase during September. While the corresponding customer price revision is expected to be reflected in Q4. Accordingly, Q3 is expected to carry both the pass-through of the earlier cost reduction and the temporary absorption of the more recent cost increase. The impact of the September cost increase should begin to be recovered through the pass-through mechanism in Q4. This is principally a timing mismatch between input cost movements and customer price revisions rather than the change in underlying commercial model.

We expect our business contribution from Europe to increase gradually following the recently received certification discussed by the management. The certificate should strengthen our eligibility and customer development opportunities in the European market over the longer term. However, we are not providing a specific timeline from when the higher European contribution will become visible, as customer approvals qualification cycles can vary. Renewable energy remains an important part of our operating efficiency and sustainable strategy.

Our renewable energy portfolio is planned at 13.3 megawatts, comprising 9.5 megawatts of already commissioned and a further 2.4 megawatts of hybrid power plant and 1.4 megawatts of solar power plant, which are under commissioning. These two plants are targeted for commissioning by 31st December '26. And expected to generate annual power cost savings of approximately INR4.5 crores. For the existing facility, we will need to add another 6 megawatts of renewable energy capacity so that our internal target of 80% of captive consumption is met for our increased volumes.

Land acquisition efforts are in progress for this. For our new facility, we need to install 15 megawatts

of renewable power on the basis of 80% captive generation. Once again, land acquisition for this facility is- for the solar power plant is in progress. To conclude, H1 FY27 was a period of healthy revenue and volume growth supported by higher dispatches and demand across major end markets. At the same time, we continue to invest in product development, workforce readiness, renewable energy, and additional capacity.

These investments are important for expanding our product range serving heavier casting requirements and entering new markets and supporting the company's next phase of growth. Our debt-free balance sheet, internal accruals, free reserves, capital efficiency, and established customer relationship provide us with strong foundation for executing these plans in a disciplined manner. Going forward, we remain focused on delivering FY27 growth plans, managing near-term movements through established pass-through mechanisms, Executing the approved greenfield capacity expansion, progressing the proposed inland expansion through the appropriate board process, expanding our product development pipeline, growing our presence in Europe and other geographies, increasing our contribution from new sectors, maintaining disciplined capital allocation.

I would like to thank our employees for the continued commitment, our customers and suppliers for their support, and our shareholders and investors for the continued trust in Steelcast. As we speak now, and with improved volumes in Q3 and Q4 for FY27, we expect growth of 30% compared to, FY26. With that, we conclude our prepared remarks. I will now hand over the call to the moderator to begin The question-and-answer session. Thank you.

Questions & Answers

Operator
Thank you, sir. We will now begin the question-and-answer session. [Operator Instructions] The first question comes from the line of Rohit Taparia, an individual investor. Please go ahead.

Rohit Taparia - Individual Investor
Hello, good evening, sir. Congratulations on great revenue number. First, my question is, there any seasonality in our business?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Can you please repeat your question? I could not hear you.

Rohit Taparia - Individual Investor
Okay, sir. I am asking that, is there any seasonality in our business, like H1 being more than H2, or is there any seasonality?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
There is not much of seasonality, but historically our second half is always better than the first half of the- of any financial year.

Rohit Taparia - Individual Investor
Okay, H2 is better. Then, sir, I want to ask that you had guided for a 25% of revenue growth in FY27.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, this was guidance, in the first quarter, investor call, but as we speak, we've- and with improved volumes in Q3 and Q4, we should, grow 30%, compared to FY26.

Rohit Taparia - Individual Investor
Okay, compared to FY26, we are going for 30%. So I want to ask that, if 30% is the volume guidance or the revenue guidance?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
It's revenue guidance.

Rohit Taparia - Individual Investor
Okay, revenue guidance. Okay, thank you. Okay, sir.

Operator
Yes, Mr. Rohit, does that answer your question?

Rohit Taparia - Individual Investor
No, I will again join again.

Operator
Okay, sure. Thank you. Thank you. [Operator Instructions]

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Questions or chats?

Operator
[Operator Instructions] The next question comes from the line of Aniket Nikumb with ABN Capital. Please go ahead.

Aniket Nikumbh - Analyst, ABN Capital
Thanks for the opportunity. So just a quick question, but you've talked about there being some margin impact because of delay in passing the price of input prices. Is it possible for you to quantify that for us for Q2 and Q3 both, so that, as investors we can look at what the real commercial margin is- Yeah,

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
It's, I think, extremely difficult, because how this is difficult to predict, because, generally the input prices of two quarters are compared and, then we get a price increase or we have to give price decrease. Now, it's also with the present situation and the geopolitical risk extremely difficult to predict also. What will be the input prices, which will prevail in the entire Q3? And unless we have all these numbers, it'll be very difficult.

Aniket Nikumbh - Analyst, ABN Capital
For what has already happened?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
So, just to give you a very, macro number, our raw material cost was INR2 crore higher compared to Q1.

Aniket Nikumbh - Analyst, ABN Capital
Okay.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
And which have- and which happened only from first week of September in the current year.

Aniket Nikumbh - Analyst, ABN Capital
Got it. Okay. And, maybe just one quick follow-up, if you can help also tell us, as we are doing 30% volume growth And more capacity utilization, should we expect some operating leverage, especially on, SG&A and employee costs and so on?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yes, operating leverage will help us, but, the input, input cost increases, which we have not been able to pass on, jeopardize is the operating leverage we may get. Moreover, we are also spending on additional people cost which are required for the new facility. So that cost is also being absorbed. Moreover, a lot of development cost is also being absorbed by us. But nevertheless, your question is correct. With higher volumes, operating leverage will kick in for sure.

Aniket Nikumbh - Analyst, ABN Capital
Got it, sir. And if you can also give some color, we are obviously now doing even more capex than what we had originally thought. So a little bit on demand environment, if you can give some commentary, what are you seeing that is leading you to expand even more aggressively?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
So

Aniket Nikumbh - Analyst, ABN Capital
That will be helpful.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
What, we have been hearing from our customers, that the commodity prices are likely to be staying at elevated levels, A, So with that, there will be more investments into mining, earth-moving industry, together with construction and railroad. So, the higher commodity prices are leading to increase in demand in these four industries. Second, there is also some tailwinds of China Plus One strategy which is also helping us. So, third thing, increase in overall demand. fourth is, the existing customers are willing to, make us develop more parts compared to the competition.

So with all these factors in mind, we expect a good growth over next three to four year period. And the additional capacity will further increase volumes of the company. And that is- and these factors have, led us to, increase capacities further by 3,250 tons, taking the increase to 11,750 tons, and investment being increased from INR120 crores to INR151 crores. and so is it

Aniket Nikumbh - Analyst, ABN Capital
Fair to say that it is against some sort of order book that you have visibility on or something like that, Right?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
So see, actually how, in this B2B model, how it works is, you never get a purchase order for the next two, three, four years. It is the customer's commitment and, the loyalty we have from all of our customers which is driving us for this for this expansion, and the demand is likely to be good over the next 2-3 years. So we will always tell our investors that one has to see this not from any specific quarterly performance, but to see on a longer-term basis. We also expect our margins- we have

been saying sustainable level is 25%.

We should be around that number over a longer term also. And, uh, people have to see the volumes coming in from the new facilities also.

Aniket Nikumbh - Analyst, ABN Capital
No, fair enough, sir. You've been always very clear about that. Uh,

Again, congratulations

On your volume growth and expansion plans, and look forward to your continued success. Thank you.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you. Thank you for your support. Thank you.

Operator
Thank you. The next question comes from the line of Srinath V with Bellwether Capital. Please go ahead.

Srinath V - Analyst, Bellwether Capital
Hi, Chetan. I just wanted to understand the capex costs, you know, for, uh, for our new facility. From the first time, you know, it was announced in the board meeting to now, there's been a revision. So I want to understand if, you know, the capex, the infra, the type of machinery, what has actually changed Uh, you know, from the first outlay to now, uh, and how is that likely to have an impact on our product mix or on our customer mix? Or anything you can share on, that, that'll be really useful.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yes, this is a very good question. And, uh, so last several months we have been, you know, getting Uh, inquiries from customers where we were required to have an electric arc furnace. The melting now being done in steel cast is by induction melting. So

Now

If we, if we install this arc furnace, we will automatically, you know, broaden our, you know, product range. Uh, A, B, The, arc furnace capacities are about 6, 6.5-ton capacity. So with that, our product capability also increases from present 2.5-ton piece weight to 3.5 tons. So, uh, with, overall macro factors, uh, you know, in a, in a very, in a very positive way. So we thought that we've been wanting to increase our product range or piece weight capabilities. So we thought this is an opportune time to do this, and hence the board agreed to invest additional INR31 crores and with additional 3,250 tons.

So these two factors will help us for additional market, additional business.

Srinath V - Analyst, Bellwether Capital
Got it. Uh, here are two questions, sir. With the piece rate going up, does it mean, uh, you know, we can say do more underground mining parts, or, uh, you know, how- what kind of parts that we weren't able to do before we can do? And, uh, kind of simplify it for us non-engineers, uh, what is the impact of migrating from an industrial arc furnace to an electric arc furnace?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, uh, now, you know, the customers buy from anywhere from 5 kg to, uh, maybe 7,500 kg.

That's the, that's the, weight range they buy. Now, uh, as the weight keeps increasing, the volumes keep decreasing. However, uh, the majority of the volume is you know, of any given customer will be 5 kg to, uh, 4,000 kgs. So we thought that, uh, this will be additional business for us. Uh, every year we keep regretting 400-500 tons of business which is more than 2.5 tons and less than 3.5 tons. So we will, you know, this will help us to address this market.

Second, there are certain products which needs more refined steel. Induction furnace does very limited refining, so in arc furnace you can further refine the steel. So that was the reason to put an arc furnace instead of an induction melting furnace. So all this will add our product range, which will facilitate, you know, getting more business. And also, uh, customer prefers that we have, you know, versatile and flexible capacities, which in turn helps us in getting business.

Srinath V - Analyst, Bellwether Capital
Thank you. Thanks, Chetan bhai. I'll get back to the question.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, thank you. Thank you, Srinath bhai.

Operator
Thank you. The next question comes from the line of Saket Saurabh with Sagari Capital, please go ahead.

Saket Saurabh - Analyst, Sagari Capital
Hey,

Uh,

Am I audible?

Operator
Yes, sir, you are.

Saket Saurabh - Analyst, Sagari Capital
Yes, please. Yeah, first of all, uh, thank you, Chetan sir, for excellent disclosures. I think you have really, uh, been very minority shareholder friendly. The kind of disclosures that you have given about revenue, order book, you know, speaks volumes of your commitment towards the shareholders. I must appreciate this before I ask my first question.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you, sir. Thank you.

Saket Saurabh - Analyst, Sagari Capital
Okay, so sir, first question that I had, you see, I also track and I'm invested in some other commercial vehicle, say, companies, commercial vehicle-focused, you know, say, players as well. Now they tend to have two things: one, a long-term order book, and then, say, an executable near-term, more of a purchase order. Now in our case, if I look at the deck that you have shared, so INR145 crores talks about the, say, three-month kind of an- it's more like a purchase order. Right. So do we also have in our industries- because you are much more niche, say, focused on mining and earth moving- so do these, uh, don't have long-term order books like, say, some of the commercial vehicle-focused, uh, ancillary players have?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Uh, you know, generally, uh, what we have is, uh, we have an, uh, And ongoing calls with customers every fortnight. And, uh, orders which have, which have physical purchase orders are around 3, 3.5 months. But we keep- they keep giving us forward 12-month visibility all the time. Moment the month is over, they'll add one more month. So we have this visibility, and the customers tell us to monitor this 12 months of rolling forward plan. But to answer your question, physical purchase orders will always be three to four months of sales at any point of time.

Rest is forecasting. Uh, I don't know about commercial vehicles whether they have really long-term purchase orders or, they have long-term visibility. There's a big difference. But you, might want to check about this whether-

Saket Saurabh - Analyst, Sagari Capital
So I'm talking about primarily order books, sir, like, INR3,000 crore order book, uh, say for like, say companies like, say, Sona BLW or Ramkrishna Forgings. I'm talking about those players. So they tend to showcase an order book with an- and then they talk about, you know, for this percent has been executed. So they, do have that, uh, order book. And again with a multi-year order book.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, so now if they have physical purchase orders, uh, well, that is very good for them. Uh, I am not very sure whether this, uh, this happens in all the industries or this is only in the four-wheeler industries, but in our industries, uh, this is what, uh, what happens, you know, 3.5-4 months of physical purchase order business, and then we have 12 months forward visibility.

Saket Saurabh - Analyst, Sagari Capital
Got it. Maybe I think, I think the key term here is physical order book. Maybe I think that is specific to it, where maybe that, that's what drives their scheduling and all. So maybe I think that may be the right term. So now second question would be, sir, if I look at, say, our visibility and then the order book or the order visibility, Is it similar? The breakup is like earthmoving is 50% odd. Well, I don't see much of defense here, and defense and railway are still relatively smaller, railway at 1%.

So does the forward book or visibility also look similar to the current, say, revenue base or the end markets that you have specified here?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Now, you know, if you see forward one year, forward two years, uh, the share of business from mining, earth moving, they will reduce because other industries we, plan to do more. But at the- if you talk about now, yes, mining, earth moving, construction is major end user, but we have added four or five different industries. So on a longer term basis, over a three to five year horizon mining, construction, and earth moving will be about 60-65%, which is now 90%. Over 3-5 years, the other industries will be about 30-35%.

Saket Saurabh - Analyst, Sagari Capital
So that's excellent, sir, because you have outlined this strategy earlier as well, and it's great that you are executing on that front. So my next question, uh, sir, would be that, you know, uh, uh, you have to- so we have almost, uh, right now, uh, 50% order from exports and 50 to 40, maybe that's the breakup. So when it comes to pass-through mechanism, so typically auto end players have different pass-through mechanism for domestic and for exports. So in our case, if I understand, if I recall what you have said, that is the same set of customers whom you cater to both domestically as well

as in exports.

So does the pass-through mechanism remain same for exports as well as domestic? Revenue, or there is a difference between that?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Uh, no, the pass-through

Mechanism is same whether it's domestic customer or export customer. Uh, there are predetermined set formulas where the input- inputs are compared between the preceding quarter and the current quarter, and a price increase or decrease is found out. But the mechanism is same, domestic and exports.

Saket Saurabh - Analyst, Sagari Capital
And sir, you have talked about that export demand would be higher than- so maybe second half, can we expect that export share would be more 60% plus? Because this time it's like domestic has done fairly better than, say, last year. Is that a fair assumption?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yes, see, historically over last several years the exports fluctuate between, you know, 50-60%, and domestic fluctuates between 40-50%. So this, uh, split will continue. Maybe, in the, in the, in FY27, in the second half, maybe exports might be more than domestic. But over a, over a longer term, if you see past five years And forward five years, this exports will be 50% plus minus 5%, and domestic will be 50% plus minus 5%. This is what will happen, and this is what we are monitoring, and this is what we want to do.

Saket Saurabh - Analyst, Sagari Capital
Got it, sir. And thanks once again, sir, and best of luck for coming quarter, sir.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you, thank you, sir. Thank you.

Operator
Thank you. The next question comes from the line of Harshil Solanki with Equitree Capital. Please go ahead.

Harshil Solanki - Analyst, Equitree Capital Advisors Private Limited
Hi, Chetan Bhai and team. Good afternoon.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Good afternoon.

Harshil Solanki - Analyst, Equitree Capital Advisors Private Limited
There are two questions. First is on the power and fuel cost. So we were trying to discuss with our customers in order to pass them on. So have we made any breakthroughs With this regard. And the second question is, I'm a little bit confused on the guidance piece. So if you can help me with that. So you are seeing a 30% revenue growth and a 60% utilization, which comes to a 25% volume growth and a 30% revenue growth. So you are saying there will be a higher realization component also, which will enable a faster revenue growth for us?

At the same time, you are saying that Q3 margins will be hit, but we will maintain our full year

EBITDA margins at 26-27%. So I'm a little bit lost on this part. Will Q4 be very good in order to compensate for the Q3 blip in the margins? If you can highlight on this part.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
See, first of all, we are saying that the Q3, Q4 will have higher volumes compared to Q1, Q2. Second, uh, we will- because of the pass-through mechanisms we have, we will be compensated for all the cost increases which have happened in, uh, Q2. Three, the higher volumes, operating leverage kicks in, so EBITDA margins will be likely to be better. So with all these factors, we still feel, uh, current year EBITDA to be 25-26%. And also on a longer-term basis, I'm talking about 2-3 year horizon, uh, 25% will be a sustainable number.

Harshil Solanki - Analyst, Equitree Capital Advisors Private Limited
Okay. And on the power and fuel cost, if you can, uh, elaborate if you have made any breakthroughs.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Recently there have been increase in power costs also, uh, and, uh, fuel cost, which is especially, you know, natural gas. Uh, the natural gas have gone through the roof, almost increased 100% compared to, you know, February prices. Uh, and this sudden, uh, spurt has And only happening in the third month of a quarter. So it is a mismatch of timings, you know, getting a price correction from customer. We'll have to wait till Q3 is over and then, to get, uh, you know, relevant price correction.

But, uh, yes, the fuel costs have gone up significantly high, and we should be able to cover this through you know, price corrections in Q4.

Harshil Solanki - Analyst, Equitree Capital Advisors Private Limited
Fantastic. Got it. These were my questions. Thank you for answering.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you. Thank you.

Operator
Thank you. The next question comes from the line of Manish Goyal with Thinqwise Wealth Managers. Please go ahead.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Yeah, thank you so much. Sir, on GED[Phonetic] products which we were developing in the past and we were expecting, uh, at least 7-8%, uh, revenue contribution over next-

Operator
Oh, I'm sorry to

Interrupt, uh, Mr. Manish, if you can use your handset please, the voice is not coming clear.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Now is it clear? Hello?

Operator
Oh yes, please go ahead.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Yeah, thank you, sir. I was referring to our GET products, and we were developing many products over last couple of years, and maybe in the current set of products what you mentioned. Uh, so, uh, just would like to know that, where are we progressing? Because, uh, now in our revenue breakup, there is no separate category of GET. Uh, so number one, uh, how is it going? Uh, and on second, on defense also, we had got certain, uh, business from international market and we were expecting some repeat orders, uh, and also potential from domestic market.

Now, so if you can give us more insights as to how are we looking at these two segments.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yes, uh, yes, uh, yeah, thank you. Uh, a very good question. GTS currently is only about 1.5% of sales, and, that is why we did not, uh, you know, include it in the, uh, you know, management commentary. But, uh, uh, our longer-term plan, say by FY- by FY29, from current 1.5%, we will go up to about 6% of our total sales. This is for GETs. For the defense, we don't have any ambitious plan. Uh, we will do what comes on our way. As far as Indian defense is concerned, which is no more of our focus area, uh, for exports of defense, yes, we have made prototypes and we, are informed that this will This will happen over, you know, three to six months' time.

But, uh, defense is no more of our focus area.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay, sir. And what about railways, sir? Uh, how is the progress on, uh, yeah, right,

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Uh, railways? Uh, you know, the- we don't cater to Indian railways at all because, uh, the pricing is, uh, uh, extremely poor. So we- that's not the focus area. Uh, railways currently is around 3%, and, uh, we expect this to reach 5% by FY29.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay, so sir, what will- what else will, uh, take our, uh, share to 30%, like beyond mining, construction, and earth moving? You said it will go to at least 35-40%. So GET and railways, and this will be, say, 10-11%. What, additional- where will it come from? You did mention you have 5-6 new industries, so that incremental 15-20% will come from where?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, I'm, giving you rounded-off numbers, but for FY29, mining equipment will be 35%, earthmoving 36%, locomotive 5%, Transportation 1.5%, construction 12%, railways 5%, GETs 6%, cement, steel, and defense maybe 1% each. So this is how, we, uh, we plan to move from now onwards till FY29.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Sir, sorry, uh, this mining, uh, initial I missed out, sir. Mining would be how much, sir?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Mining is 35%, earthmoving is 36%, locomotive is 5%, transportation 1.5%, construction 12%, railroad 5%, and the other industries, GET, uh, 6%, and then cement, steel, defense, maybe around 1-1.5%.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Okay, and this is in, uh, revenue terms and not volume, right?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, these are volumes, uh, for FY29 industry-wise.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Volume break. Okay, thank you so much. Because in, because in the presentation we are giving breakup on the revenue front, so I'm a bit confused that in presentation it is volume breakup what we have given, that earth moving is 51.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
No, no, this is revenue breakup only. It is the same thing, that is for the current year I'm giving you

Forward,

Uh, for FY27- sorry, FY29.

Manish Goyal - Analyst, Thinqwise Wealth Managers LLP
Got it. Thank you so much, sir. Thank

You.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you, sir. Thank you.

Operator
The next question comes from the line of Akash Jain with Moneycurves Analytics. Please go ahead.

Akash Jain - Analyst, MoneyCurves Analytics
Yeah, thank you so much. I have a couple of questions, sir. One is, you said that we have incurred additional cost on product development, and also we have hired employees for the expansion that is coming up. Can you just quantify, sir, how much that number is higher than Q1, uh, in, the sense, in the sense that what is the additional cost you have incurred on those two heads in Q2 over Q1?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
For additional expenditure on new products, we have spent INR1 crore. Uh, I don't have the exact breakup of employee expenses and the other cost which I mentioned, but, uh, for additional expenses on product development, we spend INR1 crore compared to Q1.

Akash Jain - Analyst, MoneyCurves Analytics
No problem, sir. Uh, sir, can you also, uh, it's a little bit of a basic question, but given what is happening, uh, on tariffs, I don't know what is the current status of, uh, tariffs for our product, and is that creating any sort of, uh, challenge for us from a demand and from a competitive point of view?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Um, see, this, uh, the tariffs have come in during April '25, and, uh, till as we speak, we have gone through, you know, two or three types of revisions, sometimes upwards, sometimes downwards. Uh, our customers have been absorbing this, uh, Uh, increase in tariffs. So far, till as we speak, we have absolutely no issues. And, uh, I think going forward, uh, the tariffs will be- probably will go back to what they were prior to April '25..

Akash Jain - Analyst, MoneyCurves Analytics
What is the rate now, sir? Uh, just for my understanding, what is the current tariff that the customer is paying, uh, uh, for,

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
For our products? Uh, our pro- our products are divided into three broad categories. And, uh, just a minute, if I have those, uh, numbers, I can give it to you now. But otherwise, you could ask E&Y tomorrow, and E&Y will let us know and we'll respond to you. But it should be around, uh, you know, 12% to 15% range.

Akash Jain - Analyst, MoneyCurves Analytics
Okay, okay. Sir, one last question. Say, uh, like, you said, raw material cost, there is a clear, uh, pass-through mechanism that we have agreed with the customers. Even on the power and fuel cost, you are confident that because of the high prices of natural gas, we will eventually be able to get a higher price revision from our customers? So what has happened- what happens on logistics cost? Because our items are- 50% of our products are exported and we have seen across the board logistics costs have gone like completely haywire, uh, because of the, problems and because of higher fuel costs.

So is there also a broad- uh, so is there- first of all, I'm assuming there is an impact of fuel cost, or what is the mechanism for passing higher logistics costs to our customers?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Now, uh, since, uh, last five years All Steelcast sales are on ex-works basis. Uh, the logistics is taken care of by the customer. They pick up the goods. So, there is no mechanism for logistics because our sales are ex-works basis. Okay,

Akash Jain - Analyst, MoneyCurves Analytics
So the customer must be paying a higher price

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
For the, uh, the higher cost. Yeah, because customers may have their own contracts with shipping companies. And even if they are paying higher, they may be paying, we have no idea. But logistic cost doesn't really affect us.

Akash Jain - Analyst, MoneyCurves Analytics
Okay, good to know, sir. Thank you so much, sir.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you, sir. Thank you.

Operator
The next question comes from the line of Srinath V with Bellwether Capital. Please go ahead.

Srinath V - Analyst, Bellwether Capital
Hi, sir. Given our broader demand outlook, wanted to understand how prepared are we to run our current facility to max utilization from a standpoint of manpower, from a standpoint of our machining capacity bottlenecks, uh, and last in that would be power. Like, do we have, uh, you know, sufficient renewable energy to, uh, you know, run, this facility to max utilization? Thank you.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, thank you, Srinath. A very good question. Uh, our long-range plan, uh, we have factored in 90% utilization in FY29. Uh, we have adequate manpower to, uh, to take the utilization level to 90%. A, uh, the machining capacity, we have already placed orders With most of the CNC machines OEMs, their capacities are more or less full. So we have placed orders for different types of CNC machines, delivery starting from January '27 to January '28. The orders have been placed for about INR35 crores.

Uh, in the month of September. So for the increased output, we should have all the CNC machines, uh, at the right time. Uh, uh, regarding renewable power, like, uh, to have 80% captive generation, we are short of 6 megawatts, and our team is scouting for land acquisition for this 6 megawatt of solar power which we want to commission by 31st March '28. So we should- we will take the decision in the next 2-3 months' time. But, uh, to reach 80% captive generation, we need to invest 6 megawatt of- for, you know, renewable power.

So hopefully we should give some update in the, in the next quarterly investor call.

Srinath V - Analyst, Bellwether Capital
Perfect. Thanks, Chetan bhai. I'll get back to the question.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Thank you. Thank you.

Operator
The next question comes from the line of Mosam Shah with Wealth Guardian. Please go ahead.

Mosam Shah - Analyst, Wealth Guardian
Hello, congratulations on a good volume growth. Uh, just wanted to confirm that we are expecting INR120 crores Till when is it executable in this year itself?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Uh, this will be executed, uh, if the figure is not INR120 crores but INR151 crores. And yeah, that is total.

Mosam Shah - Analyst, Wealth Guardian
I was talking about the first phase of expansion, that is of 8,500 tons. Yeah,

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
So now, so now with today's board approval, we will do INR151 crores

And hopefully

We'll commission all this INR151 crores by March 2028.

Mosam Shah - Analyst, Wealth Guardian
Okay, so what is the capex plan for the current year?

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
So current year we will be investing maybe about INR60 crores by 31st March, uh, '27.

Mosam Shah - Analyst, Wealth Guardian
Okay, so because this- for first six months we have done INR19 crores of capex, so additional, uh,

INR40 crores we'll be doing in the H2.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yes,

Please.

Mosam Shah - Analyst, Wealth Guardian
Okay, and balance for FY28.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Yeah, thank you.

Mosam Shah - Analyst, Wealth Guardian
Yes, thank you.

Operator
Thank you, ladies and gentlemen. That was the last question for today. I now hand the conference over to the management for closing comments.

Chetan M. Tamboli - Chairman and Managing Director, Steelcast Limited
Um, thank you to each, to each one of you for being part of our earnings call and participating in the call. We appreciate your support and trust in us. We hope we've been able to address most of your queries. In case of further queries, you may reach out to our investor relations advisor Ernst& Young, and they will connect with you offline. Thank you very much, and thank you, E&Y team, for supporting and organizing this call. Thank you. Thank you.

Operator
[Operator Closing Remarks]