Management Discussion

Abhishek Bhatt - Investor Relations, EY
Thank you. Good morning everyone, and thank you for joining us. On behalf of Nelke s limited, I extend a warm welcome to all the participants on the quarter one FY 27 Earnings Conference call. The results and investor presentation have already been shared and are available on our website, as well as through our filings with the stock exchanges.

Joining us today to discuss the company's performance and outlook are Mr. P Deepak, Managing Director and Chief Executive Officer and Mr. S.K. Shivakumar, Chief Financial Officer. Before we begin, I would like to draw your attention to the standard disclaimer. Please note that any statements made during this call, including those in our presentation materials that reflect our outlook for the future or may be construed as forward looking statements, should be considered in conjunction with the risks the company faces.

These statements may not be updated from time to time. Further details are available at the end of the investor presentation and in our filings on our website at www.us.com. Should you have any queries or require additional information following this call, please feel free to reach out using the contact details provided in investor materials.

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

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Thank you Abhishek. Good morning everyone. Thank you for joining us today. Q1 of FY 27 was another important quarter in Alcoa's growth journey. We delivered a revenue of 345.4 crores, representing a growth of 2.8% year on year, which was supported by healthy demand across our key end markets. The tractor and commercial vehicle segments continue to witness strong growth momentwhile exports recorded a sequential improvement during the quarter, reflecting encouraging customer activity and demand trends. While profitability during the quarter was impacted by elevated raw material costs, labor availability challenges, and a lag in passing through the higher input cost to customers. We view these largely temporary factors. We have already initiated customer discussions for price revisions and expect all of those to happen shortly. Importantly, the demand environment remains healthy across both domestic and export markets, giving us confidence in the underlying strength of the business. One of the key highlights for the quarter is the commencement of production for new products in Q2 of FY 27. These programs are expected to ramp up progressively through the year and contribute meaningfully to volumes and revenues during the second half. Beyond supporting growth, these products are expected to improve our product mix, enhance profitability, and drive higher capacity utilization as the production scales. exports remain a key strategic focus area for export revenue improved sequentially to 113.3 crores during the quarter, supported by improving customer activity and encouraging demand levels. We continue to see opportunities in global markets as customers diversify sourcing strategies and increasingly look towards India as a reliable manufacturing partner. Netcast remains well positioned to capitalize on these opportunities through its established customer relationships and manufacturing capabilities. We are also making steady progress in expanding our customer relationships and strengthening our presence in international markets. Our efforts in Europe continue to advance, and we have secured additional business opportunities that support our long term growth ambitions. More importantly, our customer engagement across segments continues to deepen, creating a broader and more diversified growth platform for the company. Looking ahead,

we believe Netcast is approaching an important inflection point the foundations laid over the last several years through product development, customer diversification, operational improvements and investments in manufacturing capabilities are now beginning to translate into visible growth opportunities. New product launches, improving utilization and strengthening exports, a richer product mix and continued customer additions provide multiple levers for growth. We are increasingly shifting from a cyclical recovery to a structural growth. We are evolving into a more diversified, value added, globally relevant casting company with stronger earning potential in the than in the past. The progress achieved over the last five years provides a strong foundation for the future, with revenue, EBITDA and Pat growing at Cagrs of approximately 17%, 19%, and 40% between FY 21 and 26, coupled with a stronger balance sheet and lower leverage. This positions us well for the next phase of growth. Our focus remains clear driving growth through new product development, operational excellence, and prudent capital allocation. With multiple growth levels now coming together. We believe Nel is well positioned to deliver sustainable growth, improving profitability and long term value creation for all stakeholders in the years ahead. On are now coming to the Q1. FY 27 performance revenue grew 2.8% year on year to 345.4 crores, supported by healthy demand across key end markets and improving export momentum. EBITDA stood at 20.1 crore and Pat at 5.1 crore, with profitability temporarily impacted by higher input costs and labour availability challenges. Exports improved sequentially to 113.3 crores, while customer price revisions, new product ramp ups and improving utilization are expected to support margin recovery in the coming quarters, the company's strong balance sheet and disciplined capital allocation continue to support its long term growth strategy. Now, I would like to open the floor to the Q&A session.

Questions & Answers

Operator
Thank you very much. We will now begin with the question and answer session. [Operator Instructions] The first question comes from the line of Mr. Praneeth from SJ investments. Please go ahead.

Praneeth - Analyst, SJ Investments
Hi sir. Thank you for the opportunity. So you mentioned regarding a large order, I think starting production right now. So when do you expect to ramp it up to the full scale capacity that you were expecting. The number of volumes.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. The, the, the volumes are just starting. The first orders are going out in the current month. and we expect that we will be fully ramped up on these businesses probably within the next, nine months or so. So probably by Q4, we expect that, these businesses that we are starting to ramp up now will be will reach mature volume.

Praneeth - Analyst, SJ Investments
But how many pieces are we expecting at peak volumes when you are supplying?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Sorry, can you repeat that?

Praneeth - Analyst, SJ Investments
How many how many pieces? Look, I think it's subassembly, a partial assembly of like 750 kids. Right. What we are doing. So just trying to understand how many pieces will we be supplying to the customer at our peak volumes.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So I think rather than um pieces, I think pieces might be misrepresentation because it is actually three different programs that we are referring to and multiple parts that have different sizes. So, I think in terms of, in terms of, you know, the revenue potential at, at, you know, once the ramp up is completed, we believe that number is in excess of about, 200 crores a year. that's what we expect to get to that run rate towards the end of the financial year on these businesses.

Praneeth - Analyst, SJ Investments
Got it sir. Understood. So we also mentioned some more audience in Europe. Are they in the line of these large castings or are they more traditional in terms of a commercial vehicle segment like we already.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Have the order wins from Europe are more traditional parts. These are not yet the, the large, larger casting parts.

Praneeth - Analyst, SJ Investments
So, in terms of, let's say order, order, demand generation for these large parts, where would we be looking? Where would we be looking next? Like, would it be continue to be an agri space in the US? Or would it be somewhere else that would be looking?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So I mean, the order book actually, for the large part is shaping up quite well. So the agri space in the US where they have the largest tractors, I think is a great opportunity that we are, I think in the process of becoming well entrenched in, I think other than that, there are large castings even for the European market that we're starting to do. But I would say that those are probably not in as large a volume. but we're also getting more and more of the, truck. axle parts for the Indian market as well. and so we're, I think there's a, there will be a very good diversification, across geographies on these larger parts, going forward, but at the moment, Europe doesn't look like it will be a very large percentage of it, but, there are certainly opportunities there. We're exploring as well on the larger parts.

Praneeth - Analyst, SJ Investments
So you mentioned that axle path is getting more incremental share, but I thought we were already supplying a large share to most of these customers. We were for most of them, we were probably the largest source, like 80%, 90%. So what are these additional paths that we are able to supplying to them?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So if you look at, axle specifically, I think we can break axles probably into two separate segments. So one segment is the front axle of the four wheel drive tractors. this is a segment where the entire market itself is just blowing up. I think the growth in the four wheel drive segment in tractors has really taken off. And part of the reason is also has to do with the structure of the market. So if you

have a tractor that is higher than 50 horsepower, the requirement of the emission norms is much more stringent. And it requires, you know, obviously more expenditure. So the cost of the tractor goes up. And what people have realized is that you can do the work of a, you know, 50 plus horsepower tractor with a 45 horsepower tractor with a four wheel drive because the application of torque is better. So we've seen actually a fairly dramatic shift in the Indian market towards four wheel drive in the last four years. So, one, there is a market growth happening in the tractor segment of four wheel drives that we're referring to. The second thing that we're talking about is the commercial vehicles, which is the heavy trucks, right? Typically the large tippers that are there, and conversion of these from fabricated housings to cast housings. so, a year ago, we had probably developed our first of these parts, the first couple of parts that were going into the Indian market today. we're in the process of completing the development for all the OEMs that are there in India for their, high end, tippers. So this is a segment that we expect to, to grow. so from about two part numbers that we had developed a year ago, we've got some samples that will be going out in the next couple of weeks. When I add all that up, we'll actually be at about 12 part numbers that we've developed. And many of these will go into production also in the next few months once the validation trials are done.

Praneeth - Analyst, SJ Investments
So the basically the incrementals from 2 to 12. So like increase ten more parts. Is that right? Yeah.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah, exactly.

Praneeth - Analyst, SJ Investments
Understood. So as you mentioned.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Servicing to one, catering to one of the, the, truck OEMs in India at 12, we cater to everyone.

Praneeth - Analyst, SJ Investments
Is it the fact that they asked for a single source, or are we just increasing our portfolio then going to the customer? Like just trying to understand because getting share would be difficult if we're developing it, right?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
All of these parts are single source. So this is sort of an extension to their, product strategy. So fabricate axles that were previously fabricated are being converted to casting because in a casting, you can do a lot more in terms of section thicknesses in key areas where the stresses are high, which you typically cannot do with a fabricated axle because you have to select a standard section thickness across the entire axle. so therefore on heavy duty applications, casting is much more resilient, to abuse and heavy loads. So therefore, on the higher end of the market, all the, the larger tippers that are there in the market, are moving towards cast axles from fabricated.

Praneeth - Analyst, SJ Investments
But in terms of the final demand, do you see the higher.

Operator
Sorry to interrupt. Sorry to interrupt, sir. the line for the management has been disconnected. Please

stay connected while we reconnect the line. Ladies and gentlemen, the management s line is reconnected, and you may go ahead.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. Apologies for that, technical issue. I think we're back.

Praneeth - Analyst, SJ Investments
Yes. So I just.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Did what I needed to say. I hope you were able to get everything.

Praneeth - Analyst, SJ Investments
Yeah, I was just asking in terms of the trend, you mentioned that there's been a like OEMs putting an effort into getting a higher class of vehicles. But do you see the demand also shifting to that, saying that as a cash product, cash products, the market is growing. Is that a fair understanding or how is it?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yes, I think the the offerings that are there today are actually quite, quite low. And with these products that are being developed, it is going up, it is going up quite a bit and it will continue to go up.

Praneeth - Analyst, SJ Investments
Understood, sir. And one question I wanted to ask in terms of order, visibility. So say with cash it depends on offtake. Right. So over the last five years, how has the order, visibility and resilience of orders changed over the last few years? Could you give some idea on how did it work out so far? So are we able to forecast for the next six months or how was it five years ago? Was this now?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So I think order visibility is a challenge, right? I think over the last decade, decade and a half, the volatility in the market has gone up quite a bit. So I think while there is order visibility, that is that is there. So typically, you know, there's a lot of variation that does come with, with that order, visibility that's there. So a lot of this is schedule based. I mean, we get, typically a firm schedule for about a month or so and some order visibility beyond that. but both of these are subject to change. For example, even in this current month, one of the truck OEMs increased their production plan by about 10%, sort of, you know, a week into the month. So there is, again, based on the, the market scenario and the demand, scenario, there is, you know, a degree of, adjustments that keep happening to schedules from time to time. we do get visibility. I mean, usually we get much longer visibility when the market is looking good and the visibility is a little bit more short term when there's a lot of question marks that are in people's minds.

Praneeth - Analyst, SJ Investments
Got it. So by the end of the year, where do you think we might end up in terms of tonnage and revenues? Because the last three years have been even though the product mix are changing and getting more profitable. It has not shown up in any of the numbers, because I think the costs have been going up equally during that time, and revenues have not grown. So by the end of the year, where do you think you'll end up in terms of the top line and profitability wise?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So I think tonnage point of view. We believe that about one lakh tonnes or so this year is what we are expecting that the that the year will end up. Obviously, we'll have to see how we do depend on the on the market and how that moves. But we believe at this point that, that, achieving one lakh tonnes this year is certainly, our, you know, in, in, in line with what our expectations are as of the moment. and then, you know, from a, from a revenue perspective, I think, the number is somewhere around INR150 a kilo type of thing, right? So it's about roughly, it should be a little over 10% growth given the current cost scenarios and the cost pass rules that are happening as we speak.

Praneeth - Analyst, SJ Investments
Got it. So and during our last two calls, you mentioned the fact that we are putting some effort into reducing the working capital let's say receivable days from our exports. So how was how was the how did the market shift to that? And what how has it been so far from the customer side?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So what what we're doing more than anything else is with the new contracts that we're getting, we are actually spending a lot of time and making sure that we are negotiating this and that, you know, we are, getting a, you know, a lower number of days of credit, right? So it's a lot harder to change, existing contracts and existing agreements that we have with customers. But for all the new ones that we're getting, this is an area of focus. And this is something that we are actively ensuring that we, we discuss. And, so that's something that, as we see the new products come in and ramp up, we will see that, that number of days also come down on the, on the exports.

Praneeth - Analyst, SJ Investments
Got it sir. And regarding the profitability wise, I think it's been up and down very drastically. And it's to be expected with our type of industry. But on an average basis, by the end of the year this where do you think you might be ending up at for the average for next year, like this year?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
I'm confident this year that we will get to, you know, INR15 a kg. I think the, the results of this quarter are more of a blip than anything else. And, we're quite confident that we'll be able to recover that and get to about, 15 ish rupees per kg. Type of, number for the for the year.

Praneeth - Analyst, SJ Investments
So you'll be able to likely to meet your milestone of INR15 this year. Is that fair understanding?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
And that's, that's what we believe. I think certainly by the end of the year, we will be in, well and truly on in that in that track.

Praneeth - Analyst, SJ Investments
So, so does that mean that we already started working for.

Operator
Sorry to interrupt, sir. may I request you to please rejoin the queue for the follow up questions?

Praneeth - Analyst, SJ Investments
Yes. Thank you so much.

Operator
Thank you. The next question comes from the line of Abhishek Chaudhuri from Niwaka Ventures Private Limited. Please go ahead.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
Hi, sir. Can you hear me?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yes, we can hear you.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
Yes. Thank you for the opportunity, sir. I just wanted to understand, what are the tailwinds, you are seeing in this industry and, And are you are you trying to move your product base up the value chain in the future?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So, okay. So when we look at the tailwinds that we're seeing in the industry, I think one overall the domestic volumes are looking quite strong. So I think if you look at Q1 performance on tractor, the tractor industry has done very well in Q1. The commercial vehicle industry also, albeit on a lower base of last year's Q1, has done are done fairly well. And we expect that these two segments for the year as a whole will grow.

So that's the general, on the, on that part of the market. Then coming to exports, whatever dips we saw last year, which were primarily driven by tariffs and the tariffs didn't really impact us. The tariffs really impacted our end customers to the point where they the sales of heavy trucks came down. So now, with a lot more clarity and a lot more, stability on the tariff regime, we're actually seeing a fairly good amount of both pent up demand as well as a little bit of a pre-buy effect, for emission norm changes that are coming in January.

So I think even on the export front, we expect to see, strong, next couple of quarters to, to remain fairly strong, then coming to more specific tailwinds to the company beyond the market. I think there are, maybe, you know, three things, two of which I already touched upon, which is the growth in the four wheel drive segment. The second is the growth that's happening domestically within the, commercial vehicle industry for cast axles.

And the third is the overall growth in exports and the new products that are, that we've actually worked hard to win over the last year, many of which are going into production now. And, and of course, there are many, many more projects are there in the pipeline which go into production gradually over the next two years. So we've got a very robust pipeline of new business as well, driven by either direct or indirect exports, that are there. So I think these are the tailwinds that I can sort of point towards.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
So sir, can we expect the EBITDA margins to remain in the similar range.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So I think like we said, we, our EBITDA margin, if we look at for the last quarter was at about INR9.48 per kg. we believe that, that's actually an aberration. And, we should be, back towards our, stated goal of about INR15 a kg.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
Okay. Thank you, sir.

Operator
Thank you. The next question comes from the line of Rohan Shah from Rs investments. Please go ahead.

Rohan Shah - Analyst, RS Investments
Thank you, sir, for giving me the opportunity, sir. I just wanted to understand and some get some sense of the new product portfolio. Like how will how will they improve the company's profitability? For example, EBITDA per kg and revenue. And, also, is there any, you know, revenue contribution expected from these products in H2, FY 27? Any ballpark range could really be helpful.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So, so the new products that are coming in are larger castings, castings, where there is really not much competition, domestically within India and.

Operator
Ladies and gentlemen, the line for the management is disconnected. Please stay connected while we reconnect.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Hello?

Operator
Hello.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Hi. Can you hear me?

Operator
Yes.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
I thought you can hear me.

Operator
Yes, yes. Please go ahead. Sir.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
I'm still here. On the line.

Operator
Okay, sir. Please go ahead.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Okay. Yeah. So, um. Sorry. I lost my train of thought a little bit, so. The new products are larger castings, more heavier, more complex. And I think that, you know, helps us with a little bit more of a premium on those castings. that's, very much, I think what's going on. I think in terms of a guidance on the new products, like I said, the mature volume, that, that we see in terms of, revenue, is, will be

something in the range of about 200 crores a year, 200 to 250 crores a year. And we expect this maturity to happen towards the, towards the end of the current financial year. Right. It's a gradual ramp up. it's a little difficult to project the exact, impact in H2 because that ramp up curve might vary a little bit. We might ramp up a little faster, a little slower, but I think by the end of it we should be able to hit that run rate.

Rohan Shah - Analyst, RS Investments
Okay, sir. That's helpful. Also, sir, can you throw some light on how the scenario from global customers looking to diversify sourcing towards India, and also what progress has been made in Europe in terms of new customer wins? If you could highlight.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So, I think, in terms of customers, I think there is a very good order book in terms of, rfqs that are flowing through, good technical discussions that are happening. So I think overall, the scenario is very, very positive, for the industry as a whole. And certainly for us, specifically, I think this is a very good, scenario that's there, more specific on Europe. I think the, uh Europe. The challenge has always been people have been a little slower to move, right? I think people in the US are quite aggressive with taking these kind of business decisions and, growing, when they see the right opportunities. I think Europe is a little bit more circumspect. They like to take their time. we've won a couple of, orders from, European customers, because their existing source in Europe was in the process of going bankrupt. And therefore, they, they needed to sort of make a decision rather than, take a little bit more time. So as a result of that, we have won, some business. And, for us, the way we look at it is I think the goal is to get the foot in the door. Once the foot is in the door, then the pace at which they work is much better, right? Because the perceived risk and all the analysis that they do is sort of replaced by performance. And I think that's our opportunity to shine. So we've got from, one of the large truck OEMs in Europe we have won some business, not a sizable business, but like I said, it's a foot in the door and it's an ability to prove our capability wherein, you know, we're just another supplier, not a, you know, risky new overseas supplier as they view it.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
Got it. That's helpful. That's helpful sir. Thank you.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Thank you.

Operator
Thank you. The next question comes from the line of Ankur Gulati from January Capital. Please go ahead.

Ankur Gulati - Analyst, January Capital
Hello?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. Hi, Ankur.

Ankur Gulati - Analyst, January Capital
Hi. Two questions. Can you quantify or give plant wise production this year? And any specific reason for production volumes to be slightly lower year on year and quarter on quarter?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So quarter one, there was, I think two reasons why there was a drop in production volume. I think one was because of an overall, there was a challenge in manpower availability across the industry. So we did get impacted a little bit in April and May, and we started to see it recover in June. so that was one of the impact. The other thing is, specifically in our plant, because of all these new products that are coming in, we did take a short shutdown to make some improvements to the plant so that we could, meet these requirements for these ramp ups that are coming up now.

Ankur Gulati - Analyst, January Capital
And then plant wise production for the quarter.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So.

Operator
Sorry to interrupt the line for the management is disconnected. Please stay connected while we reconnect. The management s line is reconnected and you may proceed.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Sorry. So in terms of capacity utilization, our guru plant was at about 53%. Plant actually achieved a 100% utilization. And our plant, because of, some of these, stoppages that we had for, for improvements, we were, we were at 21%.

Ankur Gulati - Analyst, January Capital
And the realization went to INR161 per kg. Is this because of pricing, which you got partial pricing?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So, so the, the, the realization actually did go up because there was some price increase that was passed through to customers. so it was, for the quarter, if you see it was about 152, against, I think if you go back to the previous quarter. Fourth quarter was about 146. And, the first quarter of last year was about 150.

Ankur Gulati - Analyst, January Capital
So that's the next quarter or Q two. once a full pass through happened, that's where you start hitting at least INR40 per kg. In a quarter. So once you get the full pass through in this quarter or next quarter, will that INR14 per kg will come back. That's what you're getting. Okay. Yeah. last question. This 200 crore is the. Is. Will we achieve annual run rate? Sort of a thing. by Q4 or do you think you will be able to get the entire incremental 200 this year from new orders.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
sorry. The the 200 is the 200 crore IRR is is what we're talking about as in, it's an IRR that we believe towards the end of the year we will achieve. Right. I don't know if it will be the entire fourth quarter or at least part towards the end of the fourth quarter, but that's what we expect to. Achieve from these new product development in addition to the existing business.

Abhishek Chaudhuri - Analyst, Niwaka Ventures Private Limited
Okay. Thanks.

Operator
Thank you. Before we take the next question, a reminder to all the participants to ask a question, please press star and one. I repeat to ask a question, please press star and one. The next question comes from the line of Ganesh from Motilal Oswal Financial Services Limited. Please go ahead.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
Thank you. Before we take the next question, a reminder to all the participants: to ask a question, please press star and 1. I repeat, to ask a question, please press star and 1. The next question comes from the line of Kianesh Munod from Motilal Oswal Financial Services Limited. Please go ahead.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yes.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
Yes, sir. Thank you for providing me the opportunity. So I have two questions lined up. The first one that you flagged regarding the labor availability as an operating challenge, which affected the FY 27. So can you elaborate on the nature and scale of the issue and expected timeline for improvement or to normalize?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So we are actually already seeing that it's fully normalized in July. The impact was really only in April and May. And really we started to see recovery in June. And now in July it is fully normalized.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
All right. That was helpful. And the other question I would like to ask is that given the Q1 margin so kindly, you can guide us on the basis of realistic floor of FY 27 margins. So should we expect further compression before improvement begins or how it is, sir?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
No, we we we don't. I mean, again, this is, a little bit of this depends on Mr. Trump and what what's happening in terms.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
Of.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Prices. But from what we can see, we expect that Q2 itself should, should be, back to normal levels. This is at least based on what we see today.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
All right. And any a specific percentage you, see forward, sir.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So, I think, like what we had mentioned, right to, to around that INR15 a kg. now we're seeing.

Ganesh - Analsyt, Motilal Oswal Financial Services Limited
Okay. Okay. So thank you so much. That was insightful.

Operator
Thank you. A reminder to all the participants to ask a question, please press star and one. The next question comes from the line of Saket Kapoor from Kapoor Company. Please go ahead.

Saket Kapoor - Analyst, Kapoor Company
Yeah.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
[Foreign Speech] sir. Hope I'm audible. [Foreign Speech] Yes, sir. Sir.

Saket Kapoor - Analyst, Kapoor Company
Firstly, as you were alluding.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
To the fact that there were confluence of two three factors that led to this, lowering of EBITDA per kg below the sub ten level. The one was the labor issue, then the cost. And also with the shutdown, we took for per year. So is this understanding correct? These were the one off items, or events that happened for Q1 and are not to be. yeah. So in terms of, so it's not exactly a shutdown, it was more of, just a temporary stoppage for making these, plant modifications and improvements. So, I, I, I am a little hesitant to use the word shutdown, but, in addition to that, not just the raw materials, but also the sea freight cost, right? When we talk about, impact. So some of that gets passed through into, into this quarter's pricing.

Saket Kapoor - Analyst, Kapoor Company
You mentioned the credit cost.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
The freight cost.

Saket Kapoor - Analyst, Kapoor Company
Yeah.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So can you just for our benefit, quantify to us in an absolute number, what would have been that ballpark number? because the other expenses are up, I think June versus June by 10%. And also, I missed the tonnage number. What was our, total tonnage production and sales for Q1? Okay. The, the total, tonnage, on, production was about 21, 184, 21, 184 was the production number and the sales. 22442. Okay. And the comparative numbers last year, June quarter, last year, June quarter was, production was 22, 038 and sales was 22. Zero. 73. So on a sales basis, we are we are in the likely like to like. Basically the numbers have been flattish number only. Yeah. Okay. So sir, are you in a position to quantify to us that, this was the one off item in terms of this rate and, and the other issues that led to the lowering of EBITDA. And that will, gradually or is more likely to get reversed in Q2. I can give you a very rough number based on our cost calculations and what we are expecting recovery in the current quarter. So that is, would be an addition of about INR4 a kg. is the, is the raw material effect that we are seeing that is, we expect will get passed on to into this quarter's pricing.

Saket Kapoor - Analyst, Kapoor Company
Okay, sir.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
As you mentioned in your press release part, and I, and I quote you that, we are at an inflection inflection point beyond the near-term operating environment, we believe the company is in an important inflection point. So on the premise of that, and also when you gave the competitive number of the revenue growth and the growth in tonnages. So when we are putting a number of, say, one lakh tonnage, this was the growth, are the 9% growth was there from FY 24 to 25. Also without the introduction of the new product and the product ramp up, which we are anticipating for this year. So are we much more conservative on this one lakh number? And that should be, we would be more comfortable on, exiting at a higher level or you have factored, both these aspects. I'm just trying to put the comparative number for 2425. We had a tonnage of 83 637, and that moved up to 91, 304. That was about 9%. it was maybe up with no percent. that with the introduction of new products. So where is my understanding? Uh.

So I think, on the new products that we are referring to, I think, we are maybe being a little conservative in terms of, the volume projection mainly because of timeline, right? Because this is a completely new product that is getting launched. So there is some potential for delays and all of that. So we want to make sure that, you know, that that is factored in and, you know, fully addressed. So, uh.

Saket Kapoor - Analyst, Kapoor Company
That's your.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Your, your.

Saket Kapoor - Analyst, Kapoor Company
Voice was.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
was not clear to me if you could just complete your sentence. Yeah. So I think because of the new products that are launching, there is a ramp up phase that's happening, right? So we are trying to be, I think we're being a little cautious on that on those numbers, mainly because, we do know from, from past experience that there is some, you know, risk of, of, things taking longer on ramp ups than, than what is expected, both from our side as well as on the customer side. So we're just being a little conservative on that just based again, on past experience.Okay. Because if I correct me here also that you mentioned the number of 200 crore as the new business edition. So, in that, in that understanding, what is the additional tonnage from the, from the new set of businesses that, that we are going to ramp up for this year. That is the additional tonnage, then the natural growth in the, the tonnage. So if you could just bifurcate, for us, because last year we did not have the benefit of paid per year contribution and we grew by 9%. So I'm just trying to make that sense there. Help me. I, I, I don't have that data with me at the moment on terms of, in terms of how that translates into tonnage. But, we can, we can work that out and, and share it later.

Saket Kapoor - Analyst, Kapoor Company
Okay.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Two small points and joining the Q on the EBITDA front also, sir, when we look at our, 2000, 23 to

24, the, the EBITDA was flat, but from from 24 to 25 I think to rupee depreciation and other raw RM prices and other benefits. Also, we grew from 106 to 124. So taking into account the the, the, the higher run rate for EBITDA per kilogram and the improved tonnage, it is very likelihood that that the growth in EBITDA for 2425 to 2526 should be, repeated in the same percentage or in fact, better than what the, the percentage growth had been. Is that understanding correct for? Yeah, I think we, we do expect that this year we will have a reasonably good double digit EBITDA growth rate. I think that's our expectation for sure.

Saket Kapoor - Analyst, Kapoor Company
Okay.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
And lastly, about our our investment in the renewables segment. And I think so our investment in some non-core investment also, which we were about to invest in the solar facility in the open source. And now with so many policy changes, with battery storage also being mandatory, how are we aligning ourselves to improve this renewable share from 70% to a higher number? What would be the exit for for this year and what is our plan and investment for the sale?

So I think our long term goal is at 80%, right? I think right now we are somewhere between 65 to 70%. Our long term goal is 80%. So the I think we've, you know, done, I would say, you know, globally speaking, I think we would certainly be a benchmark in this, in this metric. And, this is something that I think we're particularly proud of. we do have strategies to get to 80%. I think we are in the in the sort of medium to long run. I think that's part of our plan. But I think at the moment, I think most of the investments and commitments that we've made, we've now completed. So this year, we might probably just let it stabilize for a little bit before we, you know, chalk out the next steps of the strategy. And on the land bank part, what have we any, any new thought process on the land bank, utilization or monetization monetization?

So I mean, we're waiting for the right kind of opportunity. I think the, this would be, the, the, the location of the land, I think is quite strategic. it's close to the new, Isro facility that is in Tamil Nadu that that's recently set up. So, we think that the right opportunity, will come very soon, right. But at the moment it is not on, it, there's nothing imminent, I would say. Okay. And on the valuation front, anything we have evaluated as of now, what would be the ballpark or the valuations of the piece of land? We have not done any such valuation. My closing question for Shiva said, sir, what is our this year CapEx that we are doing? The improvement CapEx are number one. And number two, I think it is commendable that we have lowered our. Are the long term borrowing. So what would be our current maturity and current debt today and what would be the exit of FY 2627.

Saket Kapoor - Analyst, Kapoor Company
It is about 187 crore as on 30th June. Currently, repayment is about 30 crores out of which ten crores already repaid. So maybe we can expect another 30 crore reduction at the year end from the term loan.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Okay. And the cost of one.

Saket Kapoor - Analyst, Kapoor Company
CapEx is about 35 figures in the current maintenance capex.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
That are only operational CapEx. No addition in the. Improvement.

Saket Kapoor - Analyst, Kapoor Company
Maintenance and improvement. Both.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Are. Thank you. Thank you. Deepak and Shiva, sir, for for the same. And we hope as investors that the inflection point is what, is what we all people are also anticipating. Just to conclude, sir, when you mentioned INR1,415 is, is what our EBITDA per kilogram, that would be the average for this year or the exit for the year. What should that 15 number or a 14 number should signify for us?

Operator
Ladies and gentlemen, the line for the management is disconnected. Please stay connected while we reconnect. The management s line is reconnected and you may proceed.

Saket Kapoor - Analyst, Kapoor Company
Yes, sir. So where did we drop out, sir? I will just repeat my question. now I'm audible, sir.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yes. Your audible sir?

Saket Kapoor - Analyst, Kapoor Company
Yes, sir. My question was, when you mentioned that it will be 14 to INR15 EBITDA per kilogram that we are eyeing. So that will be the average for, FY 26, 2027 or the exit rate. Or because the next quarter itself, we should be closer to 14. If the pass on and the one off are to be removed. So if you could just give that understanding.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
What is our goal? And what we believe is possible is to actually achieve 15 for the full year. I think for the full year, that will factor the blip also. So that that gives an understanding of the higher exit. for the year. Yes. That's what we're working towards.

Saket Kapoor - Analyst, Kapoor Company
Yes, sir. My best wishes to the entire team, sir. And, all the best. Namaskar, sir. Thank you.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Thank you sir.

Operator
Thank you. The next question comes from the line of Praneeth [Phonetic] from SJ investments. Please go ahead.

Praneeth - Analyst, SJ Investments
Hi, sir. Thank you for the follow up. So with the you already mentioned that we have a longer term and medium term goal in terms of our renewables. But I was wondering so far, most of our renewable capacity, almost all of it is mostly like cogeneration type of capacities, right? So is there a possibility that, we might be able to put it ourselves? By any chance?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Oh, you mean the group captive? yeah.

Praneeth - Analyst, SJ Investments
Yeah.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
So we've got one megawatt of our power that is located in-house within our plant, right? We might increase that a little bit by another couple of megawatts or so, because you have the space for that, but not beyond that. most of the what typically happens and why we use the captive scheme is, two reasons. One, the, our partners in the group captive scheme are people who specialize in setting up large, wind farms or large solar parks, right. So, so they have a specialization and a capability, that is there that we're able to leverage. I think the second thing is also, it's a lot easier to do it as part of a, you know, larger, thing then for us to sort of step in and, and try to handle, each of those things on a much smaller scale. So I think it makes the most amount of sense to continue to do it that way unless we are doing something which is on site, like what we're doing in the plant where we've got a, we've got about a one megawatt setup over there.

Praneeth - Analyst, SJ Investments
But I think we have a lot of capacity already already mentioned. So how many megawatts do you think we can fit there with? like considering an operational, probably expansion also later in the stage.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. With the space that we have available and allocated for that, excluding, you know, whatever we've allocated for other, you know, business growth, the space that we have specifically allocated for that, I think there's approximately two to 2.5MW further that we can install over there. But of course, I mean, one of the things that's happened in the last few years is that the, technology on the solar side is improving. So, you know, what was the area that you needed for two megawatts a few years ago? You can probably squeeze into one today, right? So if we take this on a year, year and a half from now, maybe we can squeeze an extra half a megawatt or something like that as well.

Praneeth - Analyst, SJ Investments
So what is exactly the IRR difference between, let's say, a capital plant versus, let's say the group captive situation?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So I mean, the so it's, it's not, it's not very obvious, calculation because, in the group capital situation, you are actually paying. so, so there's two things, right? Your investment on the group captive is lower because, our equity stake will be roughly about 26% of the, of the equity investment. and roughly, if you look at the projects, the projects will be funded by a mix of debt and equity, right? So it might be as high as 70% debt, 30%. We have we invest about 26% of the equity that goes in from a running perspective, because it's not located within the facility. We do pay wheeling charges to the, the disc comp. Whereas, when we are co-located within the plant, we don't have that, that cost that's there now in the state of Andhra Pradesh, which is where it is located. There is a, there are certain, you know, again, rules and all of that. So up to the one megawatt, which we have today, it actually works on, net metering.

And if you go beyond one megawatt, then it's actually real time metering, which means that in any 15 minute slot, the power that you generate, you have to consume it within that 15 minute slot or you lose the power. So this is actually a very, very, complicated subject that we spend a lot of time on. But, you know, it can, it varies based on many things, including the, the vintage and the rules in which the power generation unit was set up. So then there are certain exemptions, banking, all of that that's available. Right. So it's a it's a fairly complicated subject that, that needs focus. Right. And I think one of the things that we have done right is actually, do this early and, and I think that's helped us in, in some of the investments that have been made have been grandfathered in in old rules. And I think that's a, that's a good advantage.

Praneeth - Analyst, SJ Investments
So net-net, it's more like what we're just getting from renewables, not that much cheaper from what we have paid anyway, because that debt interest component and charges you might probably pay to get the power here out of here.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So I think that way if you if you look at it, yeah, the main benefit that you get out of putting it, doing it ourselves, if we do it on premises is the wheeling charges, right? Which is depends on the state can be maybe roughly about 50, 50 per say per unit or something like that.

Praneeth - Analyst, SJ Investments
Understood, sir. So in terms of one last question regarding our realization. You mentioned that we'll probably get at 15. So would it be driven by mostly for the year increasing share of exports? Or there's also domestic incremental EBITDA that is getting generated like on average basis.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
We expect both will happen. There will be some improvement in domestic as well. But I think, export will drive it. The other thing is when I talk about the reason I put domestic also into that mix is because the overall capacity utilization going up will actually significantly drive, drive this impact.

Praneeth - Analyst, SJ Investments
Understood, sir. So over the long term metrics. So when do you think we'll be able to, do the full utilization part of it? Because I think we already have enough orders for getting to our 180,000 tons, right. So when do you think it's, is it in the next three years or will it take longer than that?

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah, we think it's probably a, you know, 2 to 3 year time frame by the time for us to, you know, fully utilize, a capacity.

Praneeth - Analyst, SJ Investments
So does that mean for 2 to 3 years, like it's almost doubling our capacity from now. So do you think from next year onwards, beyond this year, we'll probably be increasing our production capacity by 2,030%. Then our marginal rate of ten, 15% that we've done in the past.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Yeah. So I mean, once these these businesses are ramped up and then we have some more that are in the pipeline that will go into production next year. you know, we, we do expect that, you know, we should get to about 130,000 tons or so in the next, two, three years. So that's the, what we are

working towards.

Praneeth - Analyst, SJ Investments
But so there is a possibility of us going to that 20, beyond 20% growth mark in terms of volumes after the next year, like this year. Yeah.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
I mean, if, if everything turns out really well, that's, on the cards as well.

Praneeth - Analyst, SJ Investments
Thank you. That's it from my side. Thank you sir.

Operator
Thank you. We take that as the last question. And now I would like to hand the conference over to the management for closing comments. Thank you. And over to you.

P. Deepak - Managing Director & Chief Executive Officer, Nelcast Limited
Thank you everyone. Thank you for your time and for your interest in Aircast. as we mentioned earlier, that we believe that we're now at that inflection point, and that we can put on a much higher platform, in the quarters and years to come. So I'd like to thank you again for all your questions, as well as your interest in Allcast. Have a great day.

Operator
[Operator Closing Remarks]