STEEL STRIPS GROUP

STEEL STRIPS WHEELS LTD.

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Sub: Transcripts of Conference Call - Analysts/Institutional Investors Meet - SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

This is in furtherance to our letters dated 20.07.2022 & 22.07.2022 regarding intimation and outcome (audio recording) of conference call with institutional investors and analysts which was held on 22nd July, 2022 on "Q1FY23 Earnings to discuss results & future outlook of business", we enclose herewith transcripts of the aforesaid conference call.

The aforesaid transcript is also available on the Company's website at http://sswlindia.com/investor/ under the *Analysts/Investors Meetings* tab.

Kindly take the same on your records for reference.

Thanking you.

Yours faithfully,

For Steel Strips Wheels Limited

(Shaman Jindal)
Company Secretary

"Steel Strips Wheels Limited Q1 FY2023 Earnings Conference Call"

July 22, 2022

ANALYST: **MR. AMIT HIRANANDANI - SMIFS LIMITED**

MANAGEMENT: **MR. DHEERAJ GARG – PROMOTER & MANAGING DIRECTOR - STEEL STRIPS WHEELS LIMITED**
MR. MOHAN JOSHI – EXECUTIVE DIRECTOR - STEEL STRIPS WHEELS LIMITED
MR. NAVEEN SOROT – CHIEF FINANCIAL OFFICER - STEEL STRIPS WHEELS LIMITED
MR. PRANAV JAIN – DEPUTY GENERAL MANAGER (FINANCE) - STEEL STRIPS WHEELS LIMITED

Moderator: Ladies and gentlemen good day and welcome to Steel Strips Wheels Limited Q1 FY2023 Post Results Conference Call hosted by SMIFS Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need operator assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Amit Hiranandani from SMIFS Limited. Thank you and over to you Mr. Hiranandani!

Amit Hiranandani: Thank you Michelle. Good evening everyone. On behalf of SMIFS Limited I welcome you all to Q1 FY2023 Conference Call of Steel Strips Wheels Limited. We are pleased to host the senior management of the company. Today we have with us Mr. Dheeraj Garg – Promoter & MD of the company; Mr. Mohan Joshi – Executive Director; Mr. Naveen Sorot – CFO; and Mr. Pranav Jain – DGM (Finance). We will start the call with initial commentary from the management and then we will open the floor for Q&A. Now I hand over the call to the management team. Over to you Sir!

Naveen Sorot: Thanks Amit and good evening to everybody. I will probably start with a brief on the financials for the Q1. In terms of the total income that we earned in Q1 is 1016 Crores as against 680 Crores that we did in Q1 last year. On this the EBITDA that we earned is 109 Crores versus 100 Crores that we did in Q1 last year. PBT we achieved 71 Crores in current quarter versus 62 Crores same quarter last year. PAT of 48 Crores versus 51 Crores same quarter last year. Again the important thing to note out here is in Q1 last year we had a gain from inventories wherein in current quarter there is no such gains which are there in the P&L per se. In terms of capacity utilization across the facilities that we have Dappar is around 84% utilized, Chennai is 56% utilized, Chennai's truck line is 51% utilized, Jamshedpur is 70% utilized and the alloy wheel plant which is Mehsana plant is around 86% in terms of utilization. One of the things which has picked up nicely for us for the last two years is the alloy wheel sales this quarter we have almost seen the sale of around 280 Crores in alloy wheels. Now we can start with the Q&A round on this.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line Rohit Suresh from Samatva Investments. Please go ahead.

Rohit Suresh: Good evening Sir, thank you for the opportunity. I had a couple of questions on the export front if you could just give me some details on the exposure that we have is it moved to the US or to the Europe any numbers you could give on that sense exposure?

Mohan Joshi: Would you like to understand the current juncture or would you like to expect go through the future?

Rohit Suresh: Current and even the future is possible both would be good.

Mohan Joshi: So last year I think we did close to 830 Crores worth of exports for all the segments and this year what we have recently assessed the situation is that it is looking like it is going to be lower by 25% to 30% given the pressure of inflation in the various economies and some bit of recessionary pressures are coming in. The second feature is obviously the war-led impact coming on Europe as well as in US. So in front of this 828 and 830 Crores we anticipate this year to be finishing the financial year at close to 600 to 650 Crores. We have started our exports in the aluminium wheels business in this financial year and within that the gap will be pushed up to lower the gap alloy wheel will help us to sort of cover up for the lost opportunity that we have in the steel wheel business because one quarter has already passed on we anticipate this alloy segment to grow aggressively going towards Q2 to Q4 and we will end up at close to 600 to 650 Crores of exports this financial year.

Rohit Suresh: I was trying to understand of the 600-650 Crores how much will be to the US and how much will be to Europe that is what I want to know?

Mohan Joshi: Predominantly right now also in the previous year we had European exports being lesser than the US exports and the proportion of that is not frankly available immediately, but we can share it offline also, but in FY2022-2023 US will further dominate the export region in terms of the share of business and it could be roundabout 65:35 kind of a business coming in from US to Europe.

Rohit Suresh: Of the 65% in Europe are we also exporting alloy wheels?

Pranav Jain: 65% in US.

Rohit Suresh: Yes, 65% in US apart are we only supplying to the CV segment or are we also doing alloy wheels that we are going to export alloy wheels to Europe?

Mohan Joshi: In steel wheel business we are supplying to the trailer market, the caravan market, the recreational vehicle market, and the classic type truck market. In the alloy business we are again catering to the aftermarkets, which is for traders which are smaller PV vehicles which are being used for the aftermarket segment.

Rohit Suresh: Right now we do not have any alloy wheels export to the US and the European countries?

Mohan Joshi: We have started the exports of alloy wheel business from this financial year March is when we started and this is happening for both US and Europe and we anticipate this financial year to do closer to a number of close to say 80 to 90 Crores worth of alloy wheel business on export side for both the continents.

Rohit Suresh: Just to summarize basically the demand is more to the alloy wheel segment rather than the PV segment right so that is how we should move into FY2023 right?

Mohan Joshi: Alloy wheel business from the export side will remain close to 15% of the total business and maximum 20% of the business for FY2022-2023 and balance will be all steel wheel business.

Rohit Suresh: Got it, great Sir. Secondly I want to ask on the motors business side the new segment that we are entering into who will be our biggest competitors in India like-to-like comparison is good?

Mohan Joshi: As we talk about motors I think this industry is fairly very, very nascent right now and there are more than 5000 startups which are trying to work out in this and predominantly over next 12 months to 18 months there will be any formidable player which will be left out because of fund crunch or any of those reasons. I think reliability will play the biggest role, we feel that going forward five to six players in this segment will be competing with each other and with the EV penetration going very, very hard for the two-wheeler segment we anticipate that 20%, 25% in the two-wheeler segment which is bike as well as scooter will get converted into EV segment over the next two years which I think is going to be a predominant and very formidable kind of a target for the industry to produce motors to the reliability. So if you talk about the competition it is going to be in MAHLE, it is going to be in Nidec, in terms of other guys like Sona Comstar, Bosch, so these are some of the names which are there where we are going to be competing against.

Rohit Suresh: One last question was the AMW acquisition is it expected to come through this year?

Pranav Jain: We feel that this is going to be coming in this financial year maybe towards the Q3 and it is on track.

Rohit Suresh: Great, thank you so much and wishing you all the very best. Thank you.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.

Agastya Dave: Thank you for the opportunity. One or two questions. One is can you give me the aggregate volumes for last financial year and also for this year, number of pieces in aggregate Sir.

Mohan Joshi: Last year we did close to 18 million wheels all put together and we anticipate that this year it is going to be maybe 12% to 13% higher than the previous year.

Agastya Dave: This growth that we are going to see in the absolute numbers, how much of that is going to come from alloy wheel?

Mohan Joshi: This financial year because steel is already at a very firm base, last year out of 2500 odd Crores we did close to 700 Crores from the alloy side so balance was steel, this year we anticipate the topline to be around 4100 Crores or maybe 4200 Crores out of which alloy we are anticipating between 1100 Crores and balance will be steel wheels. So alloy wheel is going to be the primest driver for growth in terms of profitability as well as the topline.

Agastya Dave: You mentioned in the opening remarks that last year same quarter we had inventory gains so I was also doing some math around the inventory gains that we probably had last year could you quantify either the inventory gains during Q1 last year or in aggregate for the entire year last year and the kind of price decline have we seen on the raw material side and on the finished goods side in Q1 and what is the anticipated number for the entire year?

Mohan Joshi: I think last year we did 465 Crores in terms of absolute EBITDA and we clarified during the last conference call of the annual call that tentatively 70 odd Crores out of this 465 Crores was the inventory gains, which we are not anticipating in this financial year which is the state of affair that in Q1 there are no inventory gains in the EBITDA working and it is purely the operational performance. So out of 465 if we delete 70 Crores you end up at close to 395 Crores and we anticipate this financial year to close around 500 Crores plus, minus 5% so I think 480, 485 is what we are trying to do it and this is how we are trying to capitulate the number of absolute EBITDA. The other factor that you are asking about is the raw material decrease, currently the raw material decrease is already it is happening but the settlements are still pending the impact of these lower raw material on steel as well as aluminium will most likely visible in Q3 of FY2022-2023.

Agastya Dave: My inventory gain question was just for the Q1 number so the annual number I have for 70 Crores number that you gave that I have, what was it for Q1 last year?

Mohan Joshi: Tentatively it should be around 20 Crores it cannot be exactly 20 Crores because it is moving inventory but on a rough calculation basis it is at 20 Crores.

Agastya Dave: I agree Sir it is very difficult to give a pinpoint number. Just to clarify once again last year we saw inventory gains but this year we would not see inventory losses is that what you are saying?

Mohan Joshi: What is happening is that inventory gains in our case and these are not speculated gains because steel cycle runs at a lag and we get to know the increases which are going to be coming in and we can plan for it. Similar ways I will not say that the inventory losses will not come, but they will come to the tune of maybe 10 Crores, maybe 15 Crores because inventory reduction on the overall inventory has been done meticulously, so map and plan for those events. Similar way when the increase has happened to plan the inventory ramp up because we are well aware before the event that the increase is going to come in.

Agastya Dave: I understand, so it is also visible from your P&L and balance sheet. My last two questions in terms of the trends in gross margins the gross profit per ton and EBITDA per ton if we exclude the inventory price volatility that we have seen and if we take out that impact what are the trends, so now this year you have to just mention that exports will be lower by 25% to 30% so what kind of changes can we expect because of this geographical mix change in our gross margins because there are like number of moving parts the alloy wheel business is obviously high margin is doing so well and yes there is export networks are hit so how do we see the entire picture in terms of trends of gross profit per piece and also EBITDA per piece how do we see that?

Mohan Joshi: We got your point, I think for FY2021-2022 I will not be able to tell you the number because of the competitive spirit of the market, but the absolute EBITDA per wheel for FY2021-2022 we are absolutely at the same level for Q1 2022-2023. This is despite the fact that there is a very sharp rise in the input cost increases, which is on the gas side, which is on the propane side, which is on the paint side, which is on the freight side there is an attempt which is happening with all the customers and we are very, very confident that these attempts are going to be getting us hefty amount of gains for covering up our lost ground on this cost increases for the next balance nine months and we will improve this EBITDA per wheel for this FY2022-2023 by a margin of anywhere between 0.5% to 1% on the upside.

Agastya Dave: Sir are you taking the base of 450 Crores is EBITDA or adjusting for the inventory gains the actual number the operating number is that what you are taking?

Mohan Joshi: I am taking care of the previous FY2021-2022 of absolute EBITDA that we generated including the EBITDA gains of inventory I will beat that number and will match that number despite having more inventory gains in FY2022-2023, that phrase of percentage will go out because now when the prices move down this percentages will move up, but in absolute terms if you see it against 400 Crores we may deliver around 480, 490 is what the attempt is, but we are targeting 500 Crores to close the financial year.

Agastya Dave: That is very good if you can do it then it will be really commendable. Sir can you guide us on the tax rate and also on the capex for the year and what would be the closing capacity total capacity by the end of the year will we be touching 4 million?

Mohan Joshi: To add on the capacity we are already at 3 million alloy wheels and we will add up close to 1 million wheels by the end of this financial year to meet the demand of the customers which is already tied up. So we will move to 4 million by March 2022-2023 and for this financial year we anticipate that we are going to run at almost 100% utilization of this 3 million that we have in our hands on the alloy wheel side, then there is going to be a capex which is going to be done for the motor side where the strategy is underway and you may get to know about this is maybe in the next one or two months wherein we have allocated close 30 to 40 odd Crores then there is certain aluminium light weighting projects where we are working out with the customers. We will update you over maybe in the next three months in terms of the capex which is going to be done for these projects and AMW is not considered right now in terms of the capex but yes as and when it comes in that capex will be additional and all these capex that we are trying to do with max possibility everything will be done with internal accruals, if there may be a chance that there may be some time difference but for the financial year we will try to target this as a base benchmark.

Naveen Sorot: The tax rate will remain at 35% for the time being till that time we absorb the entire net cash which is there in the books I guess this has already dropped down by another 20 odd Crores so we believe maybe another one-and-a-half, two years we will again drop down to 25% in terms of overall tax rate.

Agastya Dave: Cash outflow for taxes that will be at 25%?

Naveen Sorot: Only to that extent of net I guess anything over and above MAT credit this year it will be settled by the credit which is there in our books, so there will not be any cash outgo to the extent of MAT Credit which is lying in our books.

Agastya Dave: Thank you very much Sir for answering my questions. All the best.

Moderator: Thank you. The next question is from the line of Chintan Patel from Satco Capital Markets Limited. Please go ahead.

Chintan Patel: Thanks for the opportunity. Sir can you give volume breakup for Q1 FY2023?

Mohan Joshi: It was around 4.3 million.

Chintan Patel: For alloy wheel Sir?

Mohan Joshi: For alloy wheels?

Chintan Patel: Yes.

Mohan Joshi: As I said that we are already running at full capacity in alloy wheels, so it is 640000.

Chintan Patel: Can you give us volume breakup in terms of segment wise like two-wheeler, three-wheeler and MUV?

Mohan Joshi: The total number of wheels that we sold in Q1 is 4270000, the breakup for two-wheeler and three-wheeler is 5.4 lakhs, EV is 27 lakhs, PV is 5.9 lakhs, MUV is 4.2 lakhs and there is a small portion of OTR is 0.16 and the PV includes the 6.4 lakh that I told about the alloy as well.

Chintan Patel: What is the global trend in alloy wheels are they moving towards the alloy wheels in a PV segment?

Mohan Joshi: See globally as we know that market is at close to 350 million alloy wheels and this is the market for everybody and in developed world it was 90% of the wheels are alloy wheels and the steel wheel is very nascent kind of a market and we feel that the net growth led for any company is going to be the way that we are doing steel wheels it is going to be the alloy wheels for the future of the company.

Dheeraj Garg: Hello this is Dheeraj here, Dheeraj Garg, Managing Director. I just want to bring one more point to Mohan's point. What we are seeing in the electrical vehicle market is that because of the considerations of global carbon footprint a lot of companies are thinking in terms of moving towards steel wheels once again because aluminium takes a lot of energy to produce in itself so that puts a lot of carbon footprint on the global map so a lot of companies that we have spoken to recently have said that they will be moving towards steel wheels going forward for the EV market so this is a structural change that has been thought about and perhaps it will get implemented in the next couple of years.

Chintan Patel: Sir is there any difference in the technology between alloy wheels and the steel wheels?

Mohan Joshi: So as we know that steel and aluminium are both different material technology so filing at one part which is predominant in alloy wheels versus the steel wheels but there are technologies which are coming in to this segment which will be towards light weighting the wheels and giving the driving comfort to the eventual user of the car is where this shift is happening so India is at a very nascent stage of the growth and I feel within India this segment can grow at 15%, 20% for the next five years.

Chintan Patel: Can you throw some light on the realization for the first quarter of this year?

Mohan Joshi: Realization means?

Chintan Patel: The average price per piece.

Mohan Joshi: You want for full volumes?

Chintan Patel: I want our realization rate for alloy wheels and steel wheels what are the difference in alloy and steel?

Mohan Joshi: Alloy wheels will cost you around Rs.4000 to Rs.4500 and for PV segment it is going to be between steel wheels this is going to cost you maybe Rs.1000 or maybe Rs.1100.

Chintan Patel: Can you throw some light on the legacy customer for alloy wheels that is our legacy customer is Maruti Suzuki India?

Mohan Joshi: Maruti we are not supplying to Maruti where we are trying to make our inroads with Maruti right now and we feel that with the existing customer that we are already serving we are serving close to 35% of the market and we feel that with the capacity that we have in our hands we are attempting on the development side and trying our best to get into alloys also with Maruti.

Chintan Patel: Okay thank you Sir that is all from my side.

Moderator: Thank you. The next question is from the line of Aditya Velekar from Axis Securities. Please go ahead.

Aditya Velekar: Thank you for the opportunity Sir. As we see that the steel prices have come down post this export duty so with the drop in the prices the absolute level of EBITDA should it not decline I just want to understand that you said that the absolute level of EBITDA you will try to maintain or maybe even exceed as against FY2022, but with the drop in the steel prices how are we going to achieve it, is it the correct way to post a question that it will put a pressure on absolute level of EBITDA if the steel prices drop?

Mohan Joshi: When the material prices go down the prices will fall to the tune of the metals falling get passed on to the customers and the percentage of EBITDA remain same because that is a fixed amount of margin that you have agreed with the customer so percentages will increase the absolute EBITDA per wheel will remain same and I think the raw material drop or increase does not have any competition on the absolute amount of EBITDA that we are trying to target this financial year. There is nothing that we lose.

Aditya Velekar: So the next question is Sir as the alloy wheels has a higher carbon footprint so does that change any strategy for the company with respect to its expansion going forward?

Mohan Joshi: Currently as we are trying to go forward and as the world is moving I think because steel wheels growth is always going to be in single digits with cars growth in double digit so with the preference of alloy wheel is going to increase steadily going forward and the way that OEMs are looking at it is that they are targeting absolute amount of carbon footprint and not only aluminium footprint so there may be a situation that they are trying to lighten the car by aluminizing the car to counter the absolute amount of carbon which gets generated while producing a car so if you can reduce the car weight by maybe 100 kgs, maybe 50 kgs by converting some of the steels to aluminium that is how they are trying to look at it and I do not think so that there is any risk to aluminium wheels because of this.

Dheeraj Garg: Mohan let me clarify here I think what you need to look at is that the Indian market is a low cost car market and the aspiration for Indians to own cars which have aluminium wheels is still very buoyant and the entry of EV vehicles in India is going to be much lower than the developed world so in order to answer your question very fairly we do not have any fear about aluminium wheels being substituted back by steel wheels in India for the next five to six years. Of course India is a signatory to the Paris accord but they have a longer duration in time to reduce the carbon footprint. So in terms of your immediate question there is no threat of substitution of aluminium wheels by steel wheels in India and the aluminium market is going to grow at the rate of 20% every year assuming that the car business is growing at about 15% so it is going to exceed 20% in terms of growth rate.

Aditya Velekar: Perfect thanks that is useful Sir. One last question if you can just share the absolute revenue split by segment that will be useful?

Mohan Joshi: As I said that we are targeting close to 4100 to 4200 Crores this financial year out of which 1000 Crores will be allocated towards the aluminium side and balance will be the steel wheel side that is how the visibility is looking like.

Aditya Velekar: So in Q1 if you could give the absolute split of revenue between segments is it possible?

Mohan Joshi: The figure is not readily available right now, but we can share that no problems we can share it a little later.

Aditya Velekar: That is it. Thanks a lot for the opportunity Sir.

Moderator: Thank you. The next question is from the line of Jinesh Shah from Kongu Commodities. Please go ahead.

Jinesh Shah: Thanks for the opportunity. I just had one question. I wanted to know the utilization levels for steel and aluminium wheels that we expect for FY2023?

Mohan Joshi: On the aluminium side as we said that we are going to be adding capacity but this financial year we are expecting this utilization to be at closer to 90%, 95% utilization in the alloy side. On FY2022-2023 on Dappar we are anticipating it to be running at close to 92%, on the Jamshedpur which is the CV plant we are anticipating this to be running at close to 78% to 80%, in Chennai we are anticipating the blended capacity to be utilized to the tune of close to 68% to 70%.

Jinesh Shah: Understood thank you so much.

Moderator: Thank you. The next question is from the line of Pawandeep Bhatia from Electrum Capital. Please go ahead.

Pawandeep Bhatia: Good evening Sir. With reference to the question raised by one of the participants can you give some understanding on the absolute revenues and EBITDA if I am not mistaken in FY2022 our volume growth was 30% plus and our revenue almost doubled mainly due to the realization trend which is obviously because of the steel prices so if we are anticipating a 10% to 15% volume growth in the absolute basis if the realizations go down our absolute revenue on EBITDA would it be maintained I just needed some understanding on that and secondly second question is how the demand looking on the CV side because our capacity utilization on the CV is sub 50 and CV all the managements have given good guidance on the CV growth for the next two years?

Mohan Joshi: To answer your question on the absolute amount of value growth that we are anticipating instead of 3500 odd Crores we have 4200 odd Crores which is close to a 20% value growth in which we are anticipating the volumes to be growing at 12% to 13% maybe 14% and with all the segments growing versus the last year I do not think so that there is any segment barring the export for a reason which is dropping. On the CV side as we are anticipating close to 20% Y-o-Y growth and the utilization is not at 50% it is at close to 72% to 75% and this is because of the low base and the cyclicality of the business I think Y-o-Y because of the poor base we are having a 20% growth anticipation for this financial year and we feel that this 20% can be beaten on the upside with the expectation coming in from the government on the infrastructure spending and all around Greenfield expansion which is happening.

Pawandeep Bhatia: So if I can squeeze in another followup question our base of the FY2022 absolute is little high do you think that we will maintain that base and we will grow at 15%, 18% revenues?

Mohan Joshi: Yes, on the topline.

Pawandeep Bhatia: One last question if I can squeeze in I was just hearing lot of managements and they are giving demand is lacking and going down in US so what is your sense of the demand environment in US because the inflationary trend have just caught up this is the first quarter after that so are you seeing any flat in demand on the export front?

Dheeraj Garg: I think going forward as Mohan said I think your question is regarding export is not it

Pawandeep Bhatia: Yes Sir.

Dheeraj Garg: As Mohan has just indicated you that there will be a decline of 35% in exports we foresee that and mainly because the first quarter is not being so well but we are seeing traction coming back in the second quarter and you will see that in our monthly numbers when they come out this month that the overall sales picked up not only from aluminium and the other steel wheel businesses but also from exports and we were anticipating the demand will actually come up in September but we feel that we might get a pleasant surprise in the coming two months also of this quarter so this quarter should do better projection in exports than we had anticipated, but going forward to the latter half the year I feel that inflationary pressures have definitely declined, metal prices have tremendously come down and our inventory levels in the US and Europe are starting to come off simply because they have not purchased since March they have sort of cut down their purchases and so inventory adjustment is happening as the peak metal prices are coming down this should augur well for the customers who are looking for better prices for the products that how are these going to. So overall we are quite happy one month ago our position was a little bit circumspect but now we are very optimistic and going forward it may become a situation where we exceed our sales target of 4200 Crores in spite of the fact that metal prices have played a big role in the increased turnover even though the metal prices will come down as Mohan said volumes is 14% high but also we have to imagine that volume growth is going to happen in CV segment which was dormant last year and this year the CV segment is doing much better and that will add to our topline as well as profitability. Aluminium wheels again which was much smaller than what we are projecting this year so these two segments will be moving us up plus if the export pickup as we are anticipating then of course we will be close to 4500 Crores instead of 4200 Crores. A couple of investors have talked about margins coming down when the steel prices come down I do not see any logic to that question margins are dependent on the selling price and the purchase price and that difference is always adjusted by the customer so if the prices go down of the steel metal they will reduce our prices but our EBITDA margins per wheel will not go down in fact what should we are focusing on is the input cost the conversion cost like electricity, transportation, paint, staff salaries, etc., labor salaries. That compensation we are in contact with the customers and just to give you a figure we are assuming that we had cost similar to what we had in Q1 last year on an annualized basis we are going to lose about 80 Crores just in conversion cost but we are going to trying to claw back at least 50% if not more of this lost cost and in spite of this lost cost we are targeting 500 Crores EBITDA that shows you clearly that we will focus and hopeful, not only hopeful we are very clear that we will get business from the high margin business namely aluminium and CV and agriculture. These are the three, and of course general increase in volumes, so 14% increase in volumes plus a higher percentage of higher value-added businesses even though exports are still down but we are making up more than that by the aluminium and CV market so that should tell you what the strength of the business is, it is not a one pillar business it has many pillars and equally strong it was more strong than each other.

Pawandeep Bhatia: Sir one question last question if I could squeeze in thank you for such an elaborate explanation we will be waiting for your monthly update. One last question our realization I read somewhere on your past calls our realization on CV is obviously more than the conventional steel, conventional tyres of the PV what is the percentage difference Sir so if we make for example ex realization in PV?

Dheeraj Garg: It is about 5 times.

Pawandeep Bhatia: Okay Sir, thank you for the opportunity. Thank you so much.

Moderator: Thank you. The next question is from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

Pulkit Singhal: Thank you for the opportunity. DheerajJi if I look at the business for the last 12, 15 years it has been a single digit ROCE business sometimes low double digits, but I think last year when it crossed 20% and even if I adjust the inventory gains we are still at 18%, 20% return on capital, now could you just elaborate three or four things that have really changed over this entire period that has allowed you to earn such high return on capital whether you think it is sustainable?

Dheeraj Garg: I think the main reason has been the capacity utilization. Our capacity utilization was poised to have a 20% plus ROCE in 2018-2019, but further crisis that happened in the NBFC sector during that time and then the demand comes, but now by the grace of God everything is running fine all our plants are running pretty much at a strong capacity of course the Chennai plant is not running at a strong capacity utilization because the exports are down in the first quarter but if you look at my Jamshedpur plant it is much better than last year, if you look at my Mehsana plant it is doing great, if you look at the Dappar plant the mother plant is doing incredibly fine and so this is the only issue we have right now with the export and as I said this month that will pick up so that is number one. Number two reason is the mix of the business the earlier we were just dependent on the CV market, the tractor market, and the scooter market. Now what has changed is the scooter market has declined but the CV market has increased, the exports market has increased, the aluminium market has increased, so barring scooters everything else has increased so this has again pushed up our utilization rate and the value mix, the value mix has moved towards the higher profitable businesses like aluminium and CV and tractors. So these are the two main reasons mix and volume utilization.

Pulkit Singhal: So utilization and mix are the time variant so again like you can see in alloy in exports seem to be and CVs seem to be higher or better in this quarter.

Dheeraj Garg: Not to forget tractor and agriculture these are the big businesses for us. I think because agriculture everybody thinks it is not so glamorous they do not talk about it but this is a very important pillar of our business.

Pulkit Singhal: When we think about larger share of this kind of return on capital if you think about the next three to five years let us forget this year what is that we are going to focus on from a growth perspective, where do you see the opportunity to kind of expand and which businesses could become much larger in your view?

Dheeraj Garg: So we are at the moment in a very good phase of exploration in fact the company's motto is discovering opportunities and that is what we are doing very well and we are relishing the moment because we are looking at light weighting technology especially in aluminium in fact I talked about this earlier on an interview that we are looking at alternatives to import into India that are growing and we will grow at the same phase as the boom that happened in aluminium market or it is happening in the aluminium wheel market so we are looking at one odd product there plus we are looking at export opportunities in aluminium in various die casting methodologies. We are looking at the electrical motor business I talked about it we are also looking at the software IoT a part of the business so we are not just going to make a commodity product as earlier Mohan mentioned that we will be competing with MAHLE and the likes we are prepared this time with a product that they do not even have which is the software so we are working on this aspect of the business and this market is going to be huge. Everybody knows that EV market is going to explore it is like the .com of 2022 this decade is going to be defined by EV and whoever gets on the bandwagon earlier and does a good job the key is doing a good job and so we are getting into this business with the idea of being number one we do not care if there is Bosch, we do not care if there is Nidec, or there is anybody else we will indigenize the technology in India, make it suitable for India and build a software which is going to be the world's best software ever that runs the power train and the battery. So this is our focus for the next three to five years light weighting of cars again dives into EV motorizing the cars that is again is EV so our focus is here, of course the agriculture business will grow we are actually adding another segment OTR segment with the advent of AMW in our kitty we are already developing business in the OTR business now this business has been primarily run out of India by Wheels India and we have found markets in Europe from our existing customer by our other steel wheels and we are very hopeful that this segment will be a surprise kicker to our EBITDA margins going forward in this financial year itself even though AMW might not be there but we will make it in our Chennai factory but I am just saying going forward we have plans to implement full utilization of our AMW capacity through exports as well as through the domestic tractor market we are going to start supplying a tractor customer from AMW because as I said this industry is growing and we are running at almost 100% utilization in our Chandigarh plant. So there are many small niche areas within our business plus inorganic opportunities as I mentioned to you about motors and controllers and software and of course light weighting of aluminium wheels, light weighting of aluminium parts that is going to EVs and even IC engine cars and that is a very starting product that we have chosen for sake of competition protection I am not talking about the name of the product but it is a product that is an import substitute and it is going to grow at the same boom of aluminium wheels so we will be the first mover in this business and this business has an immediate potential for exports and so these are some of the areas we are focus on to answer your question.

Pulkit Singhal: In terms of alloy export because obviously India did not have method of alloy adoption till five, six years ago and now that the penetration is high?

Dheeraj Garg: I forgot about this; I am sorry I forgot to mention about this I understand what your question is. So we have a vision and it might be very outlandish but we have a vision to break into the top 10 aluminium wheel producers in the world and anybody is in the top 10 has to have at least 10 million capacity our vision is to be there much less than five years from now and for that we have tapped the European market in fact we have businesses from domestic as well as from exports that will see us through 4 million wheels next year so we will have 4 million capacity by the end of March next year and so that is sold out for next year one can safely say so and going forward as we come closer to March and we see more and more businesses we are going to expand this capacity so I am just answering your question which was earlier about that in next three to five years time what do you think so yes organically also we will grow but the other areas are inorganic.

Pulkit Singhal: Just a last question in the supplies obviously **(inaudible) 46:56** any targets that you have on this over the next couple of years?

Dheeraj Garg: As I mentioned to you I will try to make it negligible by the end of this financial year and so we are working on that and you would have seen that we have reduced the debt even in this financial year so we have a plan and let us see as it comes along it will be close to negligible level at least small single digit level if at all it remains there.

Pulkit Singhal: Understood great thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Vishal Shrivastav from Swan Investments. Please go ahead.

Vishal Shrivastav: Thank you for taking my question Sir. Just wanted to clarify you said about the capex and can you share the details about the motor capex that the new traction motor business how much you want to invest and the alloy wheel capex and general maintenance capex if you can give that number?

Dheeraj Garg: On the motor capex it is going to be a smaller change but we do not want to give you exact numbers for security reasons but it is not going to be huge as Mohan mentioned to you that we will accomplish all the capex with our own internal accruals. With regards to the aluminium business it is a very low-cost investment that we made we got a big bang for our bucks let me put it this way a normal plant for this expansion of 1 million wheels would cost you let us say x and we paid 0.25% of x so we paid a very small amount of money in this capex again for security reasons I would not want to divulge how much we are investing.

Vishal Shrivastav: The overall capex for FY2023 you are planning?

Dheeraj Garg: Around 300 Crores if not I think Naveen what is the capex numbers that we came out with?

Naveen Sorot: 52 to 70 Crores.

Dheeraj Garg: The overall capex will be more but what we will get paid out in this financial year is going to be about 270 odd Crores but next financial year we will have some carryover from this investments that we already do in 2022-2023.

Vishal Shrivastav: Just wanted one more number to clarify what would have been the alloy wheel business in Q1 FY2023 if you can repeat the number in terms of revenue?

Dheeraj Garg: Can you please repeat that?

Vishal Shrivastav: Business in terms of alloy wheel in terms of revenue in Q1 FY2023?

Dheeraj Garg: For the full year we are talking about 1000 Crores so we did 280 Crores.

Vishal Shrivastav: 280 Crores you said Sir?

Dheeraj Garg: Yes.

Vishal Shrivastav: You also said that the volume which you did last year for the whole year FY2022 was close to around 18 million units if I am not wrong?

Dheeraj Garg: Yes.

Vishal Shrivastav: This includes both alloy wheels as well as steel wheels or just steel wheel business?

Dheeraj Garg: All put together.

Vishal Shrivastav: I would suggest that if you can also share the volume breakup in terms of tonnage for the quarter if you have that number?

Dheeraj Garg: The tonnage number is not readily available right now. So we can take it offline.

Vishal Shrivastav: Those were my questions Sir thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Keval Shah from Jeetay Investments. Please go ahead.

Keval Shah: Thank you for the opportunity. First one is linked to the alloy wheel the penetration level in the markets like US and Europe are quite high for alloy wheels why is it that we despite of having a established prime set with catering to a good exports in the steel wheels we have not been able to do the same yet in the alloy wheel so is it that the key competitor in the form of players in China would be having some sort of a scale advantage or advantage in some other forms over us or if you can explain on that Sir?

Dheeraj Garg: Yes, that is a very good question you asked I must appreciate that. So the steel wheel business is dominated by maybe about 20 companies and whereas the aluminium business is dominated by 100’s of companies mostly in China but as you know there is 25% countervailing duty on the Chinese imports because of the term tariff so a lot of that market share has moved to Thailand and moved to Indonesia but we are still better off compared to Thailand and Indonesia and since the business is not so old we started production about four years ago and we could not penetrate the market otherwise but now we have got excellent traction in Europe and we have already started selling wheels for existing steel wheel customers in America and in fact we have a lot of wheels under development and you will see this whole magic unfold next financial year when we have newer capacity and we will definitely target to be number two after China in this business and that is how I am saying we will reach a level of 10 million wheels eventually it has to be export of course the Indian market will play a big role. For your information that the Chinese market is 80% aluminium wheels for pas cars the OEMs that makes, Europe is close to 75%, US is about 80%, now India is only at 36% and we have a live analysis on every single month usage of aluminium versus steel wheels and so as India **(audio cut) 53:29** more expensive cars, the smaller cars go away from the purchase insights of customers this is at least going to 50% in the next three years I am although was conservative while we are saying that it is going to be about 20% when the car market goes 15% has been corrected there, but we foresee that this market of 36% capex will go to 50% in the next three to four years and this is almost 50% more than what we are doing right now. On top of that you add another capacity increase run rate of the cars market I imagine that India is going to grow 10% every year in the car market so that is another idea so if market is going to double from here market four years time minimum Indian market is going to double so we are there and if we are doing 3 million wheels now we could be looking at just 6 million wheels in India assuming that we have the same customers and we do not lose market share if we do not lose market share I am at 6 million in four years and then by then we will add 4 million wheel export customers that is how my math reaches to 10 million wheels.

Keval Shah: Got it Sir and just second part was on the motors front what exactly so I know that we have been shouting for some acquisition or some joint ventures but what exactly would be our role in the electric motor segment what will be the contribution from Steel Strips in this division?

Dheeraj Garg: Main contribution is going to be in customer procurement, customer eyeballs, customer traction plus sourcing of the raw material, setting up manufacturing facilities at par with global standard, so two very clear things from the manufacturing point of view and from the customer point of view. Of course the R&D skill we have none so that is why we are requiring a company or we are discussing with a company for a JV to get their IP and use our India strength to sort of make it a win-win for both sides.

Keval Shah: Alright got it Sir thank you so much.

Moderator: Thank you. The next question is from the line of Radha Agarwalla from B&K Securities. Please go ahead.

Radha Agarwalla: Thank you for the opportunity. Sir I just had one question, since all the major OEMs are our customers I wanted to know what was the frequency by which that we book the sales with those customers, with the major customers is it quarterly or on a monthly basis?

Dheeraj Garg: You are trying to understand that what is the sale plan that they give us?

Radha Agarwalla: Yes, do you book the sales of the volumes with them on a quarterly basis or on a monthly basis or on a six-monthly basis?

Dheeraj Garg: Each customers are to the end of the program, the factories are still running of the program so Creta which is allocated to SSWL to be 100% sourced for steel wheel still Creta is alike the entire program will be remaining with us, so we are known of the volume for running two years at all times, yes some vibration can happen in that because of this market demand scenario but the outlook is very clear for running one-and-a-half to two years.

Radha Agarwalla: So just wanted to know this because given the volatility in steel prices what was the frequency by this we can negotiate the prices with those customers?

Dheeraj Garg: Negotiations are not happening I think they are preset non off settlement it is three monthly in alloy wheel side and typically six months in steel side and they settle formulas in which these are happening and they are completely pass through so there is no loss on those kind of transactions.

Radha Agarwalla: By what sequences do we book the raw material?

Dheeraj Garg: As I said that because of planning and understanding from the customer there is no loss on the raw material side, our large steel mills are done and they run on a just in time kind of a situation.

Radha Agarwalla: Thank you.

Moderator: Thank you. The next question is from the line of Sheetal Kumar an individual investor. Please go ahead.

Sheetal Kumar: Thank you for the opportunity. I wanted to know we are losing market share in the alloy wheel segment despite the fact that we are not able to utilize our capacity completely and on the other hand we are not able to deliver our customers on time means it is a kind of a big company so is it something that we are unable to switch our plant to do some other light segments if the requirement is for commercial vehicle and our capacity is idle for personal vehicle so we are not able to utilize that and do we have some scope of some planning to fix this? Thank you.

Dheeraj Garg: As I said alloy wheel is running at a full capacity so there is no scope of under delivering and that is our utilization of the plant I do not know there is some confusion in your question.

Sheetal Kumar: Do we have some scope of fungibility that if our plant is producing commercial vehicle alloy wheels it can be suitable to personal vehicle alloy wheels something like that?

Dheeraj Garg: Fungibility is happening between the sizes so equivalent sizes here and there can happen in steel, steel should not be fungible with alloy and vice versa.

Sheetal Kumar: One more thing that you are getting heavily on aluminium but the thing is Indian customers are known to be paying not too much means we are cost savvy and means if we go so strong on one side that we invest heavily on aluminium and for some reason it does not pickup maybe our plant and the tyre do you have some backup strategy if the aluminium does not work out?

Dheeraj Garg: As I said the industry is moving very aggressively towards aluminium side and that is the global trend so India is lagging in that despite being top five in the world manufacturing so we do not have any concerns on this demand side and as we feel that 15% to 20% CAGR on demand side will get maintained over in five years.

Sheetal Kumar: Thank you Sir I do not have more questions. Thank you.

Moderator: Thank you. Ladies and gentlemen this would be the last question for today, which is from the line of Vishal Shrivastav from Swan Investments. Please go ahead.

Vishal Shrivastav: Thank you for taking my question again. One small question regarding your debt repayment plan what kind of debt levels you are expecting in for FY2023 and going forward is it going to increase with this sort of capex?

Dheeraj Garg: If you recall I guess as on March 2022 the overall term debt was around 375 Crores as the 100 Crores are getting paid off in next two years and as Mohan pointed out earlier I guess our endeavor will be to fund majority of our capex that we are planning via our approvals. The 200 Crores in any case are getting paid out via the repayment which has scheduled in any case over the next three years.

Vishal Shrivastav: After this capex there is also AMW acquisition in line over and above this?

Dheeraj Garg: Yes, so that will be there so as Mohan pointed out earlier I guess the transaction probably will flow through either in Q3 end or maybe sometime in Q4 and then we have a 90-day window to pay it off so most likelihood that outflow for that particular facility will flow in next financial year if they are not in current financial year.

Vishal Shrivastav: Thank you so much.

Moderator: Thank you. As that was the last question for today I would now like to hand the conference over to Mr. Amit Hiranandani from SMIFS Limited for closing comments.

Amit Hiranandani: Thank you very much management team for spending your valuable time and providing us this opportunity to host the call. Sir any closing comments please.

Dheeraj Garg: I think we have summed up the whole discussion in toto unless there is any question I think the closing comments can only be that we are very optimistic of our business and we are more optimistic now when we were 30 days ago so that should give you a signal as to how where we stand and that is why we have upgraded our absolute EBITDA to 500 Crores versus 450 Crores a month ago when I made an interview.

Amit Hiranandani: Great Sir. Thank you so much.

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