STEEL STRIPS GROUP

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BSE Limited
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BSE Scrip Code: 513262

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

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

Dear Sir/Ma'am,

Please find enclosed the transcript with respect to the Conference call with Institutional Investors/Analysts held on 04.08.2025 on "Q1 FY26 Results".

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

Kindly take the above on your records please.

Thanking you.

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

Kanika Sapra
Digitally signed by Kanika Sapra
Date: 2025.08.08 17:33:34
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(Kanika Sapra)
Company Secretary & Compliance Officer

"Steel Strips Wheels Limited
Q1 FY '26 Earnings Conference Call"
August 04, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 04, 2025 will prevail.

Management: **MR. MOHAN JOSHI – DEPUTY MANAGING DIRECTOR – STEEL STRIPS WHEELS LIMITED**
MR. NAVEEN SOROT – CHIEF FINANCIAL OFFICER – STEEL STRIPS WHEELS LIMITED
MR. PRANAV JAIN – DEPUTY GENERAL MANAGER (FINANCE) – STEEL STRIPS WHEELS LIMITED
MR. ADITYA DIXIT – INTERNATIONAL OPERATIONS AND MARKETING – STEEL STRIPS WHEELS LIMITED

MODERATOR: **MR. CHIRAG JAIN – DEPUTY HEAD OF RESEARCH – EMKAY GLOBAL FINANCIAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Steel Strips Wheels Limited Q1 FY '26 Earnings Conference Call hosted by Emkay Global Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Chirag Jain, Deputy Head of Research from Emkay Global Financial Services Limited. Thank you, and over to you, sir.

Chirag Jain: Thank you, Palak. Good afternoon, everyone. On behalf of Emkay Global Financial Services, I would like to welcome you all to the 1Q FY '26 Earnings Conference Call of Steel Strips Wheels Limited.

Today, we have with us Mr. Mohan Joshi, Deputy Managing Director; and Mr. Naveen Sorot, Chief Financial Officer as well as Mr. Pranav Jain, Deputy General Manager, Finance. We'll start with a brief opening comments from the management team, post which we will open the floor for Q&A.

I'll hand over the call to the management team now. Over to you, sir.

Mohan Joshi: Thanks a lot. I think we have another member with us, which is Aditya Dixit, who heads the entire International Operations and Marketing from SSWL. We'll start now.

Pranav Jain: Yes. Good afternoon. Hope everyone is doing well. I hope everyone had an opportunity to go through the financial results and investor presentation, which we have uploaded on the stock exchange and on our company website.

Q1 FY '26 overall has been a good quarter for us. Top line recorded a robust 15% year-on-year growth. Gross profit also registered a strong 15% increase, reflecting healthy operating momentum, EBITDA stood at INR125 crores, marking a 6.1% year-on-year growth.

However, EBITDA margin witnessed a slight decline during the quarter, primarily due to increase in raw material prices and higher spend on spares, consumables and repair and maintenance.

These expenses will get normalized in coming quarters. Depreciation costs also rose during the quarter, largely due to elevated capital expenditure undertaken over the past few years to expand capacity in alloy wheels as well as in knuckles. Profit after tax increased from INR46 crores to INR50 crores, representing an 8% growth on a year-on-year basis.

The export segment delivered an outstanding performance this quarter across both steel and alloy products, continuing the strong revival seen in the previous quarter. Export revenue rose sharply by 30%, increasing from INR123 crores to INR160 crores.

Looking ahead, we anticipate export revenue to remain relatively stable in the near term. As we assess the potential impact of recently announced tariff hikes by the U.S. on Indian imports, we are currently evaluating the full implication of these policy changes on our future growth prospects in the U.S. market.

To mitigate the impact of the recent imposed tariff, we are working on derisking strategy, thereby reducing our dependence on U.S. market with specific focus on Europe and South America. The alloy wheel segment within the passenger car category emerged as a standout performer this quarter, delivering exceptional growth. Its contribution to overall revenue increased from 29% in the same period last year to 35% this year.

We anticipate this upward trend to continue with the segment share as a percentage of overall revenue expected to rise further in the coming quarters. The strong performance of this segment has been a key driver to sustain our overall business margins. We remain optimistic about its growth prospects and expect the positive momentum to sustain going forward.

Our Tractor segment also seen a decent growth primarily due to favorable monsoon and sustained export momentum in this category. The segment experienced strong traction in domestic market, driving impressive sales expansion.

On the other hand, the CV segment has not been doing well. One of the major reason is the introduction of AC cabins in all newly manufactured medium and heavy commercial vehicles starting October 1, 2025, according to the Ministry of Road Transport and Highway because of which the sales in the month of June has been bad for us.

However, we hope to see a rebound in the industry, driven by increased government spending on infrastructure, new highway projects and easier financing. Our new aluminum knuckle segment has done well for us in the quarter, which had commenced commercialization in the third quarter of last year with an initial capacity of 2.5 lakh units per annum.

In this quarter, we had been able to sell approximate 50,000 knuckles to multiple OEMs, which has generated revenue of INR13.2 crores. Looking ahead, our goal is to fully launch this business line by FY '26 and expand our customer base by bringing major OEM into the segment.

With this, we now open the floor for question and answers. Thank you.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Param Vora from Trinetra Asset Managers.

Param Vora: So what I wanted to ask was that exports revenue grew by 30% in quarter 1 of financial year '26 compared to quarter 1 of financial year '25. So due to the upcoming tariffs on Indian products, are you planning to increase the share from domestic part or you are exploring new regions for export?

Mohan Joshi: Aditya, would you like to take it?

Aditya Dixit: Yes. So if you see our split of exports geography-wise, in the last year and year before that, U.S. played a big role in our overall exports turnover. It was close to 70% in '23-'24. In '24-'25, it went down to 65%. And this year, our exports to U.S., we have already got it down to 52%.

And when I say this, it was a part of our derisking strategy not to be over dependent on just one geography for our exports outside India. So we had, in the last 2 years or over 2 years, had planned this very strongly to be present in Europe and South America.

And that is where you see the growth -- even in Q1, if you see the revenues that European region has generated, that is a key factor why the turnover has increased. And that is -- that also justifies what we thought of reducing our over dependency on the U.S. market. On the tariff perspective, yes, there will be challenges, but I think our competition is also going through the same phase, I would say.

And we have -- as I said, going to Europe and South America is one point. But we do have certain actions planned, and we will address and take them as and how we get more clarity on the tariff perspective.

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

Aditya Khetan: Just a couple of questions. Sir, first, when we look so commentary from the OEMs over the coming year like for FY '26, so they are talking of some slower volumes. And if you look, sir, the incomes on the urban side also will largely remain weak only. So how do you see the transition from the steel wheels to alloy wheels? Like so would the transition be that smooth or there will be some short-term hiccups in that -- in this transition, if the growth is slow?

Mohan Joshi: I think -- from the OEM commentary, I think we agree to that commentary from a perspective of growth in each of the segments. But as far as the alloy wheel segment goes in, I think, what is happening right now is that the pace of growth, which was at 15% plus in alloy wheel market growth, has tapered off a little bit because of the inflation, which is coming in the car, but it has completely been taken up by the export side, which has given better results last year.

And also for this year, we are hopeful that we're going to have a mid-high double-digit growth in that segment. And from the OEM side, also, the business has started for our company. And we expect that any hiccup which is there because of the product mix change or any issue on the slowdown on the domestic side will be completely taken up by the export side.

Aditya Khetan: Got it. Sir, so when we look at the volumes for this quarter, Q1, so we have grown by roughly 4% on a Y-o-Y basis. And sir, like we have said around 15%, 20% growth overall and export side to be larger. So export numbers largely look to in line, but the overall volumes in the domestic side looks to be largely on the -- so lower side. Are we sticking to over volume-wise?

Mohan Joshi: So are you talking about the full volumes -- sorry, value-wise top line growth or we are talking about volumes or something?

Aditya Khetan: Volume-wise.

Mohan Joshi: Okay. So on the volume side, I believe that -- I don't think so that we said 20% growth on volumes for the whole company? Are you talking about?

Aditya Khetan: Yes, largely for the company.

Mohan Joshi: For the company, I don't think so that it is 20%, we said that. But still, I would like to say that last year's volumes and this year's market condition, given that we are of the faint knowledge of the export impact is yet to be absorbed, I believe that the volume growth is going to be anywhere between the current -- the last year plus close to 9% to 10% in terms of the, what do you call, industry dynamics. In terms of the value, the value will be better because the alloy segment is doing better, the CV segment is doing better and the export segment is doing better.

Aditya Khetan: Got it. Sir, just one last question. Sir, on to our monthly numbers we report, so June numbers have been reportedly on to the muted side. Like on volumes, I think, it is the lowest volumes monthly, which we have reported in the last 2 years. Any outlook, sir, like why it is weak? And how is the outlook for the coming quarters?

Mohan Joshi: So I believe that you would have seen that there is -- there are 2 reasons to it. One is the June quarter shutdown, which is usually the part of the PV side of shutdown, which is one of the case. The second thing is I think there is a production output adjustment, which is happening from the OEM to adjust the inventories.

And the second factor is coming in from the CV side, which has caught everybody by surprise because of 2 things. There is an AC cabin changeover from the compliance side because of which the inventories were to be controlled.

And the AC cabin availability for doing the full production during the monsoon season was on a shorter side. So this is one of the reasons which we felt the overall volumes have been impacted. And I believe now the normalcy will come up where the confirmation of AC cabin availability for the CV cycle has been given from August onwards.

And I think the ramp-up on August onwards in terms of the typical cycle of CV uptick starting from September, October will be visible. And it will be 1 quarter knock off. I think the volumes will improve from here on.

Moderator: The next question is from the line of Gautam Rajesh from EverFlow Partners.

Gautam Rajesh: I had two questions. My first question is, what sort of growth do we expect in the alloy wheel segment in the domestic market?

Mohan Joshi: See, on the domestic side, we feel that the volumes are still great, given that our share of business is at between 33% to 35%. And with our share of customers growing better like Mahindra, I think we expect this year to be close to almost 11%, 12% kind of a growth, which we expect from the domestic side.

And export, I think, the volumes are going to be close to 18% to 20%, given the momentum we have. And we do not have a very large exposure to U.S. So we are safer on that side. European side is safer from the export side.

Gautam Rajesh: Understood. All right. So -- and then my next question was, is there any change in the growth outlook or order inquiries for the export business with the evolving situations of the tariffs you are mentioning, sir?

Mohan Joshi: Aditya, will you take it?

Aditya Dixit: Sorry, could you kindly repeat the question?

Gautam Rajesh: Yes. Is there any change in the growth outlook for order inquiries that we've gotten for the export business with the evolving situation on tariffs that you are mentioning?

Aditya Dixit: Yes. I would say Europe is definitely very strong, and it is, again, an area which we had made conscious efforts to grow our business in. So that remains pretty strong. As far as U.S. is concerned, I think all the buyers are just holding back their orders for another probably a week or max 2 weeks because I think they're all waiting for what happens on 7th of August, if at all, there is any difference between what has been told until now and how it turns out beyond 7th of August.

But I would say that it is not going to be, I would say, complete drop of orders, yes, this situation, we feel that it will remain dynamic because there are a lot of question marks yet. Not just about India, but even if you talk about Southeast Asia, U.S. is going to go very strong against transhipments.

So anybody who was buying, say, steel or aluminum on commodity from China and making them elsewhere in Southeast Asia region, where our competition also has their manufacturing plants. So they are going to go very strong against them.

So I would say that all our U.S. buyers are being very cautious, and they are operating at very marginal inventories because we also -- it also depends on how the market is going to react to all of these tariffs. At the end of the day, it's going to be a burden on the inflation. So it's a very big process, which will have much more time to make a sense out of it.

Gautam Rajesh: Understood. So basically, the Europe and -- Europe side, you see strong inquiries and growth outlook. While U.S. side, it's a hold -- like a hold until there's more clarity on the tariffs. Am I getting that right, sir?

Aditya Dixit: Correct. Correct.

Gautam Rajesh: What about South America, sir?

Aditya Dixit: South America is also strong. I guess, we are receiving healthy RFQs from the OEMs. And we have recently won a few projects in that region. So that still remains -- it holds a lot of potential to have more business in that geography.

Moderator: The next question is from the line of Jyoti from Arihant Capital.

Jyoti: Sir, just wanted to understand like on the knuckle side, with Q1 knuckle sales 50,000 units, so when do you expect full 10 lakh capacity to be utilized? And also, sir, what is the revenue potential from aluminum knuckle in FY '26 and '27?

Mohan Joshi: So as we said that the first phase of capacity is at 0.5 million, which we updated that for this financial year towards the Q3 end and Q4. This capacity will be almost at 85% to 90% utilization. And the new capacity is already up for manufacturing -- sorry, for being set up in Gujarat, which is going to be for additional 1 million, which will be coming for production by March or April 2026 and that will be having an order book of close to around 900,000 for financial year '26, '27.

So this is the outlook as we have right now. And as this part is on safety part as well as very close to the electrical -- electric vehicles, so ongoing discussions with export as well as domestic market customers are happening for getting the businesses.

And I believe that this is going to see the trajectory of alloy wheels that I've said earlier also. So over a period of next 5 years, we believe that it has a tendency to grow at close to 30%, 35%, given that the base is very low right now. And this is going to be a sunrise industry for us.

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

Saurabh Jain: Congratulations for another healthy performance. So my question is on EBITDA per wheel. This quarter, we stood at around INR258 vis-a-vis INR246 in the corresponding quarter of last fiscal. While on a sequential basis, it was down from INR268.

So excluding the impact of increase in other expenses, which you have explained in the presentation as well as in your opening remarks due to spare and all so what would have been the EBITDA per wheel? And how do you see it moving in the coming quarters?

Moderator: Aditya sir?

Aditya Dixit: I think that should be answered by Mohan or Naveen. It was particularly to EBITDA of the total company.

Saurabh Jain: Yes.

Aditya Dixit: So I think -- Mohan, Naveen, you can address it.

Moderator: Mohan, sir?

Aditya Dixit: Are they online? Is the connection good?

Moderator: Sir, I'll reconnect them. Give me a moment. Ladies and gentlemen, the line for the management seems to have disconnected. Please hold while we reconnect.

Naveen Sorot: Yes, sorry, line got disconnected. So as I was mentioning that the Q1 EBITDA number did hold at around INR261.7 versus INR260 that we had for the entire last year. The number is expected to move up based on the expectation of the volumes of alloy and knuckles moving up.

There have been some impact because of spares and repairs and maintenance expenses that got accumulated in Q1. But as we proceed ahead in the year, I guess those expenses will get normalized and we should see an uptick in this number. But it will all depend on what kind of volumes that we are seeing going forward, specifically on the domestic front. If the volumes are expected to hold the current level, I guess these EBITDA levels will also hold.

Saurabh Jain: Okay. Sir, my next question is on export realization. So realizations were quite robust at INR2,000 overall. I'm talking about -- especially alloy wheel also was quite robust at more than INR5,000, which was like 20%, 25% up on a Y-o-Y basis.

But in July, our volumes -- export volume overall were down 28%, while our value -- in value terms, there was some moderate growth of 4%. So my question is on -- how these realizations are going to pan out going forward? And was this only due to the currency movement? Or if you can just showcase the scenario here?

Naveen Sorot: So Aditya, you want to take this, up?

Aditya Dixit: Yes. So I think July -- because the volumes are going to be very consistent going ahead for aluminum wheels also, I think what you meant to say was that whether the correction on the margins was only because of currency adjustment. Was that the question?

Saurabh Jain: Sir, it's about realization. So our overall realization in this quarter was around INR2,000 vis-a-vis INR1,750 in Q1 of FY '25 and INR1,960 in the previous quarter. And also alloy wheels realization was also north of INR5,000, which was like 10% higher almost. So just wanted to understand whether this was due to currency or like -- and also like a reason of the same? And how do you see realizations going forward?

Aditya Dixit: Yes. I think for all the customers, we have got typical settlement contracts on both commodity as well as the exchange -- foreign exchange. So I do not see the realization going very differently than what you see presently for the remainder part of the year.

Saurabh Jain: Okay. That's helpful. Sir, my next question is on...

Naveen Sorot: Just to add to what Aditya has said. So when you are looking at the realization value for July, you are looking at the overall number for exports and the overall value for export, whereas there is different segments that are being catered to within that export segment. So the mix of what we have catered to in July, let's say, in PV steel, PV alloy, OTR, tractor truck have its play on the overall value as well.

So when you say that the value or realization value has moved up from some level A to level B, there is an impact of change in mix as well. So that's why you find that the drop in volumes are huge, whereas there is an uptick in the value. So there will be a factor of mix as well in this.

Saurabh Jain: Right. Understood. And sir, my next question is on this proposal to incorporate a wholly owned subsidiary in European Union. And with respect to that, there is one press release which has come post the start of this call that the company has received a nomination for close to INR300 crores business from European OEMs to European OEMs. So if you can shed some more light on the same?

Like what would be the strategy here, whether we are considering any acquisitions because on the last call also, you had indicated that many businesses are shutting down in Europe and you had some offers as well so whether we are looking at manufacturing for this new subsidiary? And also if you can talk about the orders of INR300 crores for steel wheels?

Aditya Dixit: Yes. So Naveen, shall I take that?

Naveen Sorot: Yes, please go ahead.

Aditya Dixit: So I think the first point, as far as formation of European entity is concerned, that is a part of requirement which one of the OEMs who has awarded business about a year back had clarified to us. So it was bound to happen as that is part of the agreement that we have with them.

And yes, in Europe, given the cost escalations, there have been certain opportunities which are under -- that had come up for discussions, but the matter is too sensitive to be spoken about or clarified upon in this forum. I would park it over there.

And as far as the recent announcement that has happened, yes, it is from European OEMs for the steel wheel requirement. And this, again, is part of our very, I guess, measured approach that we took about 2 years back, not to have over dependency on the United States for the export business because OEMs have their own lead time.

They have got much longer lead time to award business per se. So this is not an effort of yesterday or 6 months back. We have been working on this strategy very, very diligently for the last 2 years.

And now we see that the businesses are getting awarded in European region as well as the South America portion of the world. And these are awarded by leading European OEM. So I think we have got enough credibility in the system now that these OEMs have got confidence in our capabilities. And I think there is much larger potential that will come to SSWL's platter in the months and years to come.

Saurabh Jain: Okay. Sir, just a quick follow-up and confirmation to previous calls. So do you see achieving 15% growth for the current fiscal should not be an issue? And also, you had indicated that with the rise in EBITDA per wheel, there would be some expansion in EBITDA margin also for FY '26. So are we on track for the full year? Of course, you have achieved 15% growth for Q1?

Aditya Dixit: So is that just for exports you're saying?

Saurabh Jain: No, no, overall.

Aditya Dixit: Yes. Naveen, can you address that?

Naveen Sorot: Yes. So see, on the EBITDA per wheel, as I mentioned earlier that, yes, we are able to hold on to our EBITDA per wheel at INR261.7 levels as against the INR261.6 that we had the entire last year. Based on the expectation that alloy, knuckles and specifically export alloy will have a dominant play going forward.

These numbers are expected to inch upwards, but then it is also dependent on the overall volume that we'll be able to do for the entire year, looking at the market conditions. But if the scenario remains as is, we should be able to see a better number.

Moderator: The next question is from the line of Antima Jain from RBL Bank Limited.

Antima Jain: I want to know about the -- what impact will it cause on the company regarding the U.S. tariffs? Like I understand that the strategy is to reduce the dependence on U.S. But if at all, the existing scenario as in the some portion continues to be supplied to U.S., then what impact will it cause?

Aditya Dixit: I would say because these tariffs were up and running ever since the new President took the office early this year. So our business plan for this year had already kind of taken a note of some challenges in the U.S. portion. So I would say the existing business plan should be pretty much on track despite the existing situation on the tariff side.

And as I said, it is not just India, but all several other countries wherein our competition has got their manufacturing plants, they are also going through the same situation. If you see the differences between what India has today and what the competition has in Southeast Asia, it's hardly 4% or 5%.

So I do not think that 4% or 5% is going to be a hurdle wherein we just do not find a solution for, but as I said, we are taking things one at a time. So till we have more clarity in the next couple of weeks, we will do the needful. But all we can say at this point of time is that we do -- we are still very much hopeful that we will be able to complete our business plan for this year.

Antima Jain: Okay. So we can have the same margin guidance for this year as already informed by the company? The same margin is expected, right?

Aditya Dixit: Yes.

Moderator: The next question is from the line of Anand Kulkarni from Front Wave Research.

Anand Kulkarni: A couple of questions from my end. First one being, what is the timeline for the incremental capacity in steel wheels that we see from 205 lakhs to 270 lakhs to be operational. Additionally, what is the utilization rate we are looking at on this increased capacity?

And second one being, as alluded earlier on this call, the pace of growth in alloy wheels is higher than steel wheels. So any cannibalization or replacement demand in that segment or there are different applications, different segments being catered altogether?

Mohan Joshi: From the existing capacity, I believe that -- if I'm just trying to understand the question. So imagine that we do 20 million and we do maybe something in steel like 16 million, 17 million, you're trying to understand what to do with that AMW capacity. Is that what you're trying to understand?

Anand Kulkarni: Yes, sir. I'm looking at our blended utilization rate. How much are we targeting for next couple of years?

Mohan Joshi: See, I'll tell you, there are capacities which are being mapped segment-wise in terms of the areas. So I can give you a perspective of how the utilization is. So as far as the Chennai plant goes, I think it is working at close to 80% utilization.

As far as Dappar goes, it works at close to 70% odd. And when we talk about Jamshedpur, I think it is at close to 80% and Mehsana is at close to 85-odd percent and further capacity expansion is already happening there.

And the overview going forward is while utilizing the assets of AMW for capacity expansion in our commercial vehicle domestic business, which will be completed by September 2025 or October 2025. We'll add close to almost 0.5 million capacity to cater this derisking philosophy of 80% plus utilization happening in the truck segment.

And it will also optimize the economies of -- by the economies of scale, the margins by close to 0.5% to 0.75% in the CV segment. And in the PV side, I think, the capacities are enough, and we are completely focusing on the areas of export side where we feel that there is -- there are turbulences which are happening in the European manufacturing and where India can be a big beneficiary of that turbulence of manufacturing ability and sustainability.

So I believe that Aditya can throw some light in terms of what he sees from export steel wheel business in terms of the area of turbulence that I'm talking about.

Aditya Dixit: Yes. So I think costs have always been a big problem for steel wheel production, especially in the Western Europe side. And India per se has got the advantage definitely at a very, very considerable level.

And given these opportunities that are there in Europe, wherein even the OEMs today really are thinking aloud to get away from the European wheel makers just because they do not think that the production is going to sustain in Europe, and they are willing to move outside Europe.

And I don't think there are too many options of steel wheel producers outside Europe, who are able to meet the engineering and quality requirements and SSWL is amongst those few who can meet and come close to OEM expectations. So I think the dynamics in Europe is definitely helping us to get much more businesses, especially from the OEMs in both Europe as well as South America.

Anand Kulkarni: Okay. Understood. Sir, second question was on the -- as alluded, pace of growth in alloy wheels is higher than steel wheels. So is this on front of cannibalization in steel wheels as a replacement demand or altogether, both have different segments they are catering, different applications as such?

Aditya Dixit: Mohan, do you want to take that? I think that's for the complete industry per se.

Mohan Joshi: On the cannibalization side, I think -- my name is Mohan. So I'll try to answer that. I think from the steel wheel side, as we have said that if the industry grows between 5% to 6% on the PV side, I think the lion's share of the growth will be taken up by the alloy side because slow and steady migration from steel to alloy is already happening. We are at close to 38%, 39% of alloy penetration.

And we feel that over next 2 to 3 years, this will slowly and gradually move towards around 48% to 50% with higher weight cars, higher, what you call, the curb weight cars will be needing these alloy wheels because the spend on the car is going higher. So this is one.

The steel wheel segment, I believe that is going to grow between 1% to 2% in terms of the PV side. And there is another segment which is growing very rapidly and which can benefit SSWL is the LCV segment, which is the last mile connectivity, which is growing nicely for all the segment players, be it Ashok Leyland, be it Mahindra & Mahindra, be it Tata Motors.

And this segment has a potential, which is beyond the passenger vehicle for the steel wheel side. And obviously, there is the market of steel, which is obviously in Europe and U.S., which is being targeted.

And I fairly believe that some share of business will definitely come from the OEM side, given that there is huge issues of manufacturing cost, which is happening from the European side over the next 2 to 3 years.

Anand Kulkarni: Understood. Understood. Great. A couple of questions, if I may squeeze. In previous earnings call, it was alluded that manufacturing cost for alloy wheels is approximately 4x of steel wheels. So where do our aluminum knuckles fall on this cost spectrum? And second one being any update on proportion entry into lower and upper control arms?

Mohan Joshi: I think -- firstly, I think 4x is the raw material price, and that's why the wheel price was the context? I don't think so that somebody gave a comment on the manufacturing cost. I think steel wheel will say INR1,000 so alloy wheel will be INR4,000 would have been the discussion. But nonetheless, I think I'll try to answer that.

I think from the second part of your question on the upper and lower control arm, there are some RFQs, which are being discussed with export denominations as well as the domestic denominations where this is a concept which is getting discussed and some R&D is already working on this. And over a due course of time, we'll try to give some clarity on this subject.

From the perspective of cost metrics, I believe that we have already clarified in terms of knuckles that this is the first quarter of good working for knuckles. And by Q2, some margin clarity will come and stabilize for the plant, and we'll try to give you the clarity, which is in line with the alloy wheels, which we are trying to talk about.

Moderator: The next question is from the line of Shikha Mehta from Time & Tide Advisors.

Shikha Mehta: I just have two questions. One is on the AMW capacity. So out of the 7 lakh, how much are we currently using? And what is the timeline for the balance? And second is on the debt front, how much reduction can we expect for FY '26?

Mohan Joshi: On the AMW capacity, as I have already said that 0.5 million capacity has already been shifted from that plant to our Jamshedpur plant. Then capacity buildup in terms of the capability buildup, which is already underway in terms of the tractor capacity.

So we have added close to another 0.35 million to 0.4 million in our Dappar plant to enhance our tractor capability. Then we are left out with close to 5 million-odd smaller wheels capacity, which is not getting utilized right now.

We are not using that capacity because we are self-sufficient on those smaller wheels in our existing plants. But the machinery which is there is being utilized to increase the capability of quality and capability of manufacturing as well as capability of testing where the machinery is going to be utilized.

And maybe over the next 3 months, we will try to give you the clarity in terms of how we are going to use AMW, Bhuj for our future steps. There is some discussion which is going on right now with the -- all stakeholders, and we'll try to give you the clarity over next quarter. In terms of the second question, which is about -- what did you ask?

Shikha Mehta: Net debt reduction?

Mohan Joshi: That's right. I think Pranav will try to answer that question.

Pranav Jain: So we are doing capex of roughly, around INR280 crores to INR300 crores within this current financial year. And against that, we will be taking roughly around, I think, 50% of the debt. So net debt position, I think maybe it's in the range of INR850 crores to INR900 crores by the year-end.

Shikha Mehta: Okay. And this capex will be for?

Pranav Jain: This capex is for alloy wheel and for knuckles expansion.

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

Kedar Kailaje: So my first question is regarding your gross margins. Now I understand your EBITDA margins have dropped because of increase in other costs. But I wanted clarity on why the gross margins have dipped despite the higher contribution from alloy wheels like 29% to 35% now and exports also contributed higher in terms of percentage. So shouldn't the gross margins actually improve because both these segments are higher-margin segments?

Naveen Sorot: So see, when you're looking at the gross margin, you are looking at in terms of percentages. So what is happening with the change in mix as well as increase in the raw material prices, both aluminum as well as steel, though these are getting passed on to the customer, but because of the denominator impact, in terms of percentages, these EBITDA margins as well as gross margins tend to look downwards.

But they have not decreased. If you look at the EBITDA per wheel, that number has actually improved versus Q1 last year. So when you look at percentage, it gives you a misnormal picture.

Kedar Kailaje: Okay. Understood. My second question would be like what is the current penetration of alloy wheels? I thought you gave that number, but I missed that. And in connection to that, right now, we are selling to only 4-wheelers for alloy wheels, I believe. So is there a plan to sell to 2-wheelers as well? Or are you currently selling to 2-wheelers as well? So that was my second question.

Mohan Joshi: So currently, as I said earlier also, the penetration is between 38% to 39% for the PV segment. And we are predominantly only a PV player, which is for export as well as domestic markets. And we do not have any intent of getting into the 2-wheeler side because the margin compression is fairly in single digits and the capex needs are higher. So we will refrain from a 2-wheeler capex -- from a 2-wheeler alloy wheel entry from the current point of view.

Kedar Kailaje: Okay. Okay. Understood. And third question is regarding, again, on the European side. So you mentioned that Europe has a higher cost curve. So can you explain like which costs are higher for them? Like is it power cost? Is it labor cost? And where does India have an advantage?

Mohan Joshi: Aditya, do you want to take it?

Aditya Dixit: Yes. I think in the last 2 years or so, 3 years or so, the energy cost has gone up definitely. So be it power, be it gas. Manpower definitely is way above the Indian levels, but I think the -- all these cost escalations that have happened in Europe in the last 2, 3 years, they have put a pressure on the overall production cost of the wheel.

So -- and this has become a big, big challenge for them despite having much higher level of automation than what India does. But still, as an overall cost basis, they are not being competitive now.

Moderator: The next question is from the line of Piyush Arora from SOIC Research.

Piyush Arora: Sir, my question was more to do with the financials in nature. So last 3 years, I think, our business has changed. Basically, we are going for more geographical expansion and stuff. Yet when it comes to our PAT growth, it is flat over the last 3 to 4 years. So what do you think are the probable reasons for that?

Naveen Sorot: So if you look at even in the Q1 results, there are 2 main factors which are contributing to lower PAT. One is depreciation because there have been a back-to-back capex that we did in last 3 years. All that capex is getting capitalized, either it is in the form of alloy wheel expansion or putting up knuckles facility.

Now everything is getting capitalized, and there is a depreciation attached to it. So that depreciation number has already moved up. If you look at even in Q1, that number is around INR30 crores versus INR25 crores for March or INR24.8 crores for June. So this number on an annualized basis will be around INR120 crores versus INR101 crores. So this is one factor.

The second factor was increase in the finance cost, though it is coming down quarter-on-quarter, if you look at compare it with, let's say, Q1 last year or Q4, but that number increased because of higher capex. So capex has a compounding effect on both depreciation as well as interest, which is impacting the PAT growth.

But going forward, since now the capex is more or less normalized and there will be an incremental effect of -- on the revenue of the capex, which we have already done, I guess we should see a growth in the PAT as well.

Piyush Arora: And sir, second question is, I think this quarter, we saw a bit of expansion in gross profit margins, but our EBITDA margins were down because of higher other expenses. So question was that have we preponed some of the expenses? And as the year goes along, do we see some benefits from operating leverage kicking in when it comes to your overall EBITDA margins on the reported financials?

Naveen Sorot: So what has happened, there are certain expenses that otherwise would have been spread over the entire year. But looking at the demand-supply scenario, there was opportunity which was available to us to prepone some of these heavy repair and maintenance expenses. And we did it in Q1 itself and save ourselves with any line stoppages going forward. So these expenses will get normalized as we move forward.

Piyush Arora: And we do expect like 15% type growth this year, top line?

Naveen Sorot: 15% growth in top line? See, it all depends on what kind of volumes which are there on the table. And sitting at Q1, I guess -- so we did have a 15% growth in Q1 versus Q1 last year, but it is now all depend on what kind of volumes which are on offer from the customer in Q2 and going forward. So if the volumes remain so, I guess, yes. But if there are any changes in the volume from the customer side, that will have a direct bearing on the growth that we see.

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

Saket: Sir, firstly, sir, can you give the sales mix for the export part between U.S. and Europe? And with the tariffs now in place and the uncertainty and the confusion around it, are we looking for this INR1,000 crores revision for the INR1,000 crores export target that we have set up for this financial year '25-'26 earlier?

Aditya Dixit: Yes. So as far as split of exports between Europe and U.S. is concerned, I think we are fairly about 45% Europe and little close to about 50%, 52% U.S., balance is the rest of the world. But that's the split that we see and that should amount exports for this year to hover around INR600 crores. That's the number that we have. And that's what we had even planned for this year.

Saket: Okay, sir. Because last -- in the last call, our MD, Mr. Garg, was addressing the investors. And if you look at the transcript, maybe I may stand corrected also, but he gave this INR1,000 crores number for '25, '26. That is from there I have come across…

Aditya Dixit: No, I think it must be a number for the growth that -- or the potential that we have. I do not think that the number of INR1,000 crores was planned for this financial year. Mohan, you want to comment more on that number?

Mohan Joshi: I think the clarity on the tariff side was very -- fairly very clear. And I think that the volumes based value growth would have been around INR600 crores. I think the discussion would have happened while what do you see in terms of the potential of this effort going from this to what? And in that context, maybe he would have said that this INR600 crores, he sees over the next 3, 4 years to be reaching INR1,000 crores. I think that's what he would have meant.

Saket: Okay, sir. Secondly, sir, when you were mentioning about the July volumes and is it mainly on the impact of this cabin part of the story that has led to the lower dispatches for the month of July? Or what was the explanation given by you? I missed your comment.

Mohan Joshi: Can you please repeat that question, please?

Saket: Sorry, for the month of July, our revenue and our dispatches were down. So what were the reason why that the July numbers were softer, sir? And what does it indicate for the ensuing quarter, sir, in terms of the business sentiment?

Mohan Joshi: So I'll try to share that. I think this first impact was coming from the CV side, wherein I gave the clarity that the AC cabin got introduced and it got a bottleneck from the manufacturer side to meet the demand of the customers. So there was a little bit of sharp shock, which came to the industry. And the inventory of the pipeline got cleaned up in that context.

The second thing was from the export side, where the anticipated tariffs, which were not known and people are in that question mark whether what is going to happen. A little bit of pause came in there in terms of the clarity that, "let me see the order and let me see what he does and then I take a decision.

So there was a lot of indecisiveness in this process, which got these volumes in the month of July. And I think -- in the month of August, I think, the situation looks a little better. And the situation of U.S. still remains very uncertain because people are still waiting that you have 7 days of negotiations or something and something comes up, then the ships will move here and there. But until that time, clarity is not there. It is very tough to give you a very concrete answer that this is how it is going to be panning out. Aditya, am I correct?

Aditya Dixit: Correct, Mohan.

Saket: Okay. So as of now, we are not sure how and who is going to bear the impact for the tariff part also. Since we have already built and the dispatches must have happened for the month of July, which will be reaching the customer somewhat in August. So in that case, how will tariff be shared and what would be the impact on margins? So we hardly...

Aditya Dixit: No, I don't think there is -- there won't be an impact on the -- there won't be an impact...

Mohan Joshi: Aditya, you give a clarity on that.

Aditya Dixit: Yes, because it is very well understood and that's a part of our pricing that we submit to the customer that whatever tariffs are applied when the goods arrive at the port, U.S. port, those tariffs will be borne by the customer. So there won't be any impact on...

Mohan Joshi: Also, Aditya, I will try to give you some clarity more here that the tariff system works like that the day it gets into effect. From there, the transit time has been covered because obviously, there is a lot of transit time, which is considered. So bill of lading, which is the base document, will be considered for the tariff execution.

And we have another maybe 3, 4 days when this diplomacy has to work. And if it doesn't work, it's okay. From 8 onwards, whatever goes to the ship and reaches America will be participants to the tariffs that they have implemented.

Saket: Right, sir. Sir 2 small points. Firstly, on the aluminum knuckles, what are we envisaging in terms of capex that we'll be spending for this year? And by the end of this financial year, what would be our capacity for the aluminum knuckles part?

Mohan Joshi: So as I said, the capacity in the first phase is at close to 0.5 million, which is already under production. And by Q4, we expect this 0.5 million to be utilized close to the tune of almost 0.4 million kind of a pace.

And there is an expansion which we have discussed just now, some questions back, that another 1 million knuckles is getting conceived where we expect by next financial year-end, the Q4 of '26, '27, we see the pace of close to 0.8 million to 0.9 million knuckles per month in terms of the pace.

And further, the order book and the development is already getting discussed domestic as well as international market customers. And as and when the capacity will be needed to be expanded beyond this 1.5 million, we will let you know.

Saket: Sir, 1.5 million is the annual or the monthly?

Mohan Joshi: No, no, it is annual capacity.

Saket: But you are mentioning 0.8 million for -- 0.8 million will be...

Mohan Joshi: That is the pace that I'm trying to talk about. The pace of month will be reaching that capacity because the capacity gets utilized month-over-month in terms of ramp-up. So by January, February, March of '27, we should be reaching around 65,000 to 75,000 numbers per month kind of a pace. This is what I meant.

Saket: Okay. And on the debt number, sir, what was the -- as on March, I think so there was some reduction in debt. So what are we guiding to close the year in terms of the long-term debt with this aluminum metal capex?

Pranav Jain: It will be in the range of INR850 crores to INR900 crores.

Saket: That is the combined one, sir, the long term and the short term...

Pranav Jain: Yes, yes, the long term and the short-term debt, combined together.

Saket: Okay. Can you give the split between the same, sir, and the cost of fund?

Pranav Jain: Long-term debt will be in the range of maybe, I think, INR450 crores. Cost of debt will be in the range of roughly 7% to 7.5%.

Saket: Okay, sir. And lastly, sir, as investors and shareholders, our AGMs and all are just held on the last day of the statutory limits. So we will request the Board and the secretary department and all to take note that 30th September being the last date, there should be reasons why AGMs and that too also on a physical mode. So the participation is also lower and I just kept on the last date. So any reference for what -- why is it done...

Mohan Joshi: Can you please repeat that question? What is the statutory thing that you want to know?

Saket: Sir, 30th September is the last date for holding AGM. And our company being in such a large investor base is holding the AGM on the last date of the statutory requirement. That is the 30th September. So any reasons why we are holding our AGM absolutely on the last date of the statutory -- as per the statutory requirement by MCA.

And that too also in the physical AGM has been envisaged. So the participation for investors through the OVM platform would have been much better, had it been on a hybrid mode and that was my observation...

Mohan Joshi: It's an out of syllabus question, so we were not prepared for this. So let me just take it up with...

Saket: It's an observation, sir. It is an observation that...

Mohan Joshi: I know. I've taken the observation. Let me just take it up with this, yes.

Saket: Okay. And one more observation would be, sir, that our MD, Mr. Dheeraj Garg, would also be participating during the con call. So that would be -- on a continuous basis in continuity would suffice a lot of things. His participation is also very well needed for an elongate and insightful discussion. That is also a suggestion being an investor, sir, from my side.

Mohan Joshi: Sure. Thank you for repeating that.

Moderator: Ladies and gentlemen, due to interest of time, that was the last question. I now hand the conference over to management for closing comments.

Pranav Jain: Yes. I hope we have been able to answer most of your queries. We look forward to your participation in the next quarter. For any queries, you may contact SGA, our Investor Relations Advisors. Thank you.

Moderator: Thank you, sir. On behalf of Emkay Global Financial Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.