STEEL STRIPS GROUP

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BSE Code: 513262

The National Stock Exchange of India Limited
Exchange Plaza,
Plot No. C/1, G Block,
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NSE Code: SSWL

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

Dear Sir/Madam,

With reference to our letters dated 16.05.2022 & 17.05.2022 regarding intimation and outcome (audio recording) of conference call with institutional investors and analysts which was held on 17th May, 2022 on "Q4FY22 Earnings Conference Call 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 Q4 FY-22 Earnings Conference Call”

May 17, 2022

MANAGEMENT: **MR. MOHAN JOSHI – EXECUTIVE DIRECTOR**
MR. PRANAV JAIN –DEPUTY GENERAL MANAGER OF FINANCE
MR. MUNISH CHUGH – GENERAL MANAGER MARKETING

MODERATOR: **MR. AMIT HIRANANDANI – SMIFS LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Steel Strips Wheels Limited Q4 FY22 Earnings Conference Call hosted by SMIFS Limited. As a reminder, all participants' 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 sir.

Amit Hiranandani: Thank you Peter. Good evening everyone on behalf of SMIFS Limited, I welcome you all to you Q4 FY2022 Conference Call of Steel Strips Wheels Limited. We are pleased to host the senior management of the company. Today, we have with us Mr. Mohan Joshi – Executive Director of the company, Mr. Pranav Jain – DGM (Finance) and Mr. Munish Chugh – General Manager (Marketing). 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, Pranav Sir.

Pranav Jain: Thank you Amit and thank you everyone for joining the call. Now I can start with the little presentation.

Last year, was one of the best year for the Company. Now, I am starting with the Q4 comparison:

In Q4 we did a sales of around Rs.1063 crores as against Rs.700 crores for the last equivalent Q4 of 2021, having a growth 52%. In the export sales is that around Rs.130 crores as against Rs.103 crores and the Mehsana Plant sale which is specifically for the alloy segment having a turnover of Rs.239 crores as against Rs.129 crores for equivalent last quarter and the EBITDA number is that around Rs.117 crores in Q4 as against Rs.92 crores in Q4 of last year and PAT of around Rs.49 crores as against Rs.44 crores, having a jump of around 10%.

Now I can start with the year-on-year growth. So, in 2021-22, we sold roughly 17.89 million of wheels **(Inaudible) 2.28** as against 13.36 million wheels **(Inaudible)** we did in 2020-21, that is the increase of at around 34% and the total turnover is that of around Rs.3,560 as against Rs.1,749 crores.

In this the major growth is coming from export. In exports, we did a jump of around 76% from 3.10 million wheels **(Inaudible) 2.28** to 5.46 million wheels. In the value term export growth hit around 206% that is Rs.829 crores as against Rs.271 crores which we did in the last year.

Mehsana plant sale which is specifically for the alloy segment – In numbers, we did 18.90 lakh sale as against 10.88 crores in the last year and the Rs.708 crores in the value term as against 338 crores which we did in the last year, that is around 109% of total growth.

In the term of EBITDA, in current year, we did EBITDA of around Rs.466 crores as against Rs.222 crores for the full last year, that is a growth of around 112% and then PAT is at around Rs.205 crores as against Rs.49 crores for the last full year vis-a-vis growth of around 317%. If we compare the total term debt from a peak of around Rs.610 crores term debt outstanding in 2017-2018. In 2021-2022 our term debt is that around Rs.374 as against Rs.548 crores in 2020-2021 and that too EBITDA also improves at 1.67 as against 4.21 in the last year. ROCE as we committed, it is more than 25% that is at around 25.93% in 2021-2022 as against 10.68% for 2020-2021 and this will complete in the EPF number. EPF is at around Rs.65.81 as against Rs.15.79 for the last year and if we compare as well as the domestic and the alloy export segment mix, then in 2021-2022, our domestic sale is 57% of the overall sale and rest 25% is from the alloy sales and exports at around 23% and we expect that there mix of EBITDA accretive segment that is alloy and exports will remain at 50% in the coming year and 50% is from the domestic sales.

Now this is from my side. Thank you everyone and now we are open for the Q&A.

Moderator: Thank you. We will now begin the question-and-answer session. The first question is from the line Pritesh Chheda with Lucky Investments. Please go ahead.

Pritesh Chheda: Sir, if you could tell us what will be now your market share in alloy wheels, the Rs.18 lakh wheels and what is the capacity utilization in alloy wheel and what kind of growth do you see in alloy wheels in 2023?

Management: Talking about, last we have sold Rs.18 lakh wheels our overall market share was close to 33% and talking about the utilization of the plant, it was close to 68%-69% and the third one, can you repeat your third question.

Pritesh Chheda: What is the growth that you expect in alloy wheels in FY2023?

Management: Going forward, on the year-on-year basis we anticipate a growth of close to 33% which is Rs.18 lakhs volume.

Pritesh Chheda: Okay, my other question is with respect to margin, when you started the beginning of the year, there was this whole idea that alloy wheels will bring us margin expansion. There was some margin expansion on YoY basis but when we look at quarterly, the margins have slided from 14% to 10%, beginning of the year at 14 and then slight down to 10, so some comments on the margin perspective if you could share and I think in the past calls, you were indicating that you will eventually reach about 15% margin at the company level, so where are we on that journey?

Management: Because in Q1, Q2 and Q3 there are some inventory gain that is of around Rs.62-70 crores which are built in, so that's why the margin are on the higher side, further all the raw material increase the moment we put into the sales figure. So that is why the denominatory is of the higher side, that is why in the percentage the margins are on the lower side. So going forward the margin will remain in the range of 11%-11.5%.

Pritesh Chheda: Company level margins.

Management: Finally, I will also give the clarification here that while the raw material, just to give an example that Rs.40 kg steel has gone, this Rs.40 gets passed on to a customer. I think the fair point is that currently as we speak over past 12-15 months, we had seen an escalation in the raw material prices which is from a Rs.38-40/kg it has gone up to close to Rs.80/kg and in April 2022 also there is a situation that you may see a Rs.8-10 kind of rise in steel prices. The same was for aluminum prices where the aluminum prices moved from close to Rs.150-160 per kg to close Rs.300-320/kg. this gets passed on to the customer and obviously the turnover gets escalated while the margin remains fixed. So, by statistical method this continues to compress the percentage wise margins but if you see these margins and you go to the working of the turnover which would have been happened without these, raw material price increases. These margins are equivalent to close to 14%-14.5% as an absolute company level, which are indicative at close to 13.1% or 13.2% for the full year. So, what we feel is that in April also there also an intent from Tata Steel and obviously, from the aluminum side that the prices will go up and we are yet to hear from them but I think 8%-10% kind of a rise on that comments will come in which will increase the sales price but keeping the margins at the same level. So, this percentage will definitely be a precursor of the that because numerator does not change materially with the raw material but the denominator changes significantly continuous to move up. So statistically it is not right to compare the first quarter 13% versus the 11% of the last quarter.

Pritesh Chheda: Now in your this answer, you mentioned we will maintain the margin, so we will maintain the exit margin or we will maintain the full year margin?

Management: So, what happens is while as I said that the prices have escalated and the Q4 number of the raw material is what we feel that is going to sustain over a period of next full year, that is where the intention is and if this margin will obviously improve if the prices of raw material goes down by 20%-25%. These 11% will look like 13%.

Pritesh Chheda: And what is the inventory gain number you said in FY2022 Rs.60 crores?

Management: Rs.65-70 crores. It cannot be ascertained because it is a rolling margin which continues to move in.

Pritesh Chheda: And my last question is Sir what is our debt repayment schedule and what is the CAPEX which planned for 2022.

Management: So, for the CAPEX side I will try to answer debt. For the CAPEX this financial year, there is no large CAPEX which is planned right now expect the AMW asset which is the already in discussion for the past 7 to 8 months. It is at the final stance where Supreme Court has given towards favoring us as a tangle and maybe it will take another 4-5 of the legal process to end up through the NCLT and that is when we have to spend these money for the asset. Otherwise, the routine CAPEX is for small capacity which are in debottlenecking, which is Rs.25-30 crores for the full year. On the debt repayment, I think Pranav can share the light for the previous year debts repayment and this year's debt repayment.

Pranav Jain: For the current year, the debt repayment will be around Rs.96 crores and last year, we have paid Rs.170 crores of normal term debt and prepaid around Rs.120 crores of term debt.

Pritesh Chheda: So, what is your gross debt now in FY2022?

Pranav Jain: It is Rs.374 crores

Pritesh Chheda: No. totally including working capital debt what it is Rs.600 crores plus, right?

Pranav Jain: Sorry, for the working capital side, total?

Pritesh Chheda: Total debt will be what? Term plus working capital.

Pranav Jain: Rs.775 crores including short term as well as long term.

Pritesh Chheda: Okay Rs.775 crores and lastly sir what is the update on pledge when will you see a complete reduction in your pledge**?**

Management: I am saying that I think last year we have significantly reduced it from close to 58% of the gross shareholding to close to may be 17%-18% and the intent is that within this financial year it is going to be further reduced by 5%-7% and in the next financial year it will be completely closed out.

Pritesh Chheda: And what is this pledge for?

Management: I think we earlier also clarified that it was invested by for this **(Inaudible) 14:02** of the contribution for the CAPEX of the sister concern and now they are paying it back.

Moderator: Thank you our next question is from the line of Sachin Kasera with Swan Investments. Please go ahead.

Sachin Kasera: Good afternoon Sir, this is Sachin Kasera here, Vishal's colleague. Two-three questions from our side Sir, you mentioned that because of the variability in the iron cost the percentage EBIDA margins may not be a right indicator. So, in that case if you could give us a boarder sense on in terms of tonnage basis like how many tons of wheels will be produced that can be better indicator or in terms of number pitches how the margin has moved because I believe if you are doing more of exports and aluminum the overall addition on our four-wheel or per ton basis should be going up. That is from this year's perspective and secondly Sir, if you look even from a 4-5 year's perspective say 2017-2018 when we had just started this alloy wheel and export story that time also the margins used to be around 11%-12% and now it's almost like 50% revenue is coming from there and the margins still remain at the 11%-12% on a full year basis. In fact, if you remove the inventory gains for the current year that you are mentioning Rs.160-170 crores. Then despite going up from 5%-7% of contribution to 45%-50% of exports and aluminum. The margins actually are seen a little lower than they were four years back.

Management: I will try to give you an answer to that in terms of the previous peak of EBITDA versus this Rs.450 crores then we are configuring the alloy and exports into the picture. Early peak was I think Rs.270 crores by worth of EBITDA on close to Rs.1700-1800 crores kind of a top-line. I think within that controls the addition which has happened over this year is obviously there is a lot of built up of the turnover from the raw material side because this gets passed on obviously these margins will remain constant. So, as a process alloy wheels and exports are high EBITDA accretive businesses but within the same gambit. If the prices move up which is obviously not in our control because steel will continue to go and tomorrow if it goes from Rs.80 to Rs.100. The turnover will increase 25% but the margin remains the same. I am again saying this 13% which you are visualizing, if I extract the entire raw material game, whatever turnover has increased because of steel and I removed that steel product because margins remain the same. You will see that this 15% for the full year is not 13%, it is between 14.5%-15%. I am again emphasizing it. So maybe people will have margins as on ton basis or per wheel basis kind of context going forward given the kind of volatility which is in the raw material. And what we feel that if these margins are to be seen and the raw material falls in another 20%-25% from the current levels of inflation then obviously this 11% where we are standing in Q4 will look like 13% in Q1 or Q2. So, on an absolute basis we see this as Rs.450 crores from the previous are of Rs.220 crores and has dipped to Rs.60 crores that we did I think 2018-19 is when that kind of number was achieved. I feel from that perspective it should be seen and how we can give a clear picture on that context should be discussed.

Sachin Kasera: Yes Sir, that is what my request is if you start sharing either in terms on a per kg basis or four-wheel basis. It will be far more helpful to analyze your number.

Management: I think what can be done is that on an absolute basis it should be seen that over, but we did an internal exercise is that the EBITDA and the volumes because volumes the keep on changing from segment to segment. Sometimes are alloys are up, sometimes exports are up, sometimes tractors are up, sometimes domestic PB is up, sometimes the CD exports are up. Based on that a blended EBITDA per wheel or EBITDA per ton can be found out and we can see a trend which I feel given that previous five quarter, we are at the highest juncture of upper wheel and I feel that is the barometer which we would like to see given the kind of volatility and low stability in the raw material prices to indicate a percentage margin in absolute terms.

Sachin Kasera: Secondly Sir, this year there is a new entry of Rs.65% crores assuming that we are at the peak of the inflation and the prices ought to correct. So, you have to assume, then if there is going to be correction tomorrow aluminum and steel will also end up getting a Rs.50-60 crores of inventory loss at the EBITDA level, when will be that this year or next year?

Mohan Jain: Okay I will tell you that within the inventory side it is because steel is lack defects for an OEM supplier like us not like the day or a spot by. So, what we get to see that we know that in April, this is the kind of increase is going to be coming in because we paying the increase after either three months or after six months of the industry. So, you can plan it out very well in advance in terms of the inventory management which is unlike in any other industry. So, the intention is that while you know the steel is scarce right now as we speak. It is really very scarce and mills are acting very weird because they have their export location and the pricing in their control. So as of now it is very important to ensure that you have always 35-45 to 50 days of raw material available because they can act finicky and cannot supply on your whims and fancies But this inventory has been already on the path of downward side movement and what we intent to come down to 15 days kind of inventory which is looking like it is going to be possible and I do not think so that the material impact on the inventory side will be anything more than Rs.10-15 crores. If their prices were to move towards the low tide.

Sachin Kasera: And sir if you look at the casual statement your finance charges have more or less limit the same for the entire year, whereas you mentioned that you have repaid quite a bit of debt this and I am sure the last year week, the average rate of interest would have also come down because in financial 2022, the interest rates were going down. Can you just help us understand despite a lower interest rate and repayment of debt the overall finance charge that we have paid is around Rs.80-85 crores.

Management: Because we have prepaid the debt in the end of the year. That is in the month of March we have prepaid around Rs.120 crores and benefit of the same will be seen in the current financial year. So, in the current financial with the increase in the pricing as well the interest cost will remain in the range of Rs.70-75 crores.

Management: Also, to add to Pranav, I think last year because of the working capital side we have managed close to 100% rise in the inventory prices which is the raw material prices within the same limits. So, there is a factor of these raw material prices which is also impacting the interest cost. So, what we feel is that while we are trying to manage it within the limit, irrespective of the kind of inventory that we are trying to manage. I feel that this year we are going to paying close to Rs.95-100 crores of the schedule debts out of our pocket and the intention is that if the cashflows which is getting generated over the last four quarters and are fairly visible over next four quarter, the similar trend of repayments will be maintained and the advantage of these repayments will be visible in the year of 2022-2023 in terms of lower finance cost.

Sachin Kasera: And Sir just lastly, would give us any guidance on absolutes for example last year s.450 of EBITDA, this with the higher sale of exports in alloy should we look it like a 15%-20% growth in the absolute EBITDA over FY2022.

Management: That is what the intent is, I think right now what is currently happening is there are so many variables as you guys are talking to many other companies where they have really no control over the inputs which are getting and hitting them. The intention is that we continue to maintain this EBITDA trend which we are trying to do for quite some quarter right now and take the advantage of obviously rightly said by you that when marketing is ensuring that there is a 30% increase in the volume of alloy wheels which is obviously in EBITDA accretive business. Then obviously absolute EBITDA should move higher, I think our business plan is under study right now and it will take another absolute EDITDA kind of a projection to the trot the way that we did last year. So, I think on a Rs. 465 crores, we are maintaining a 115-120 kind of EBITDA run rate we will try to improve it every quarter.

Moderator: Thank you. The next question is from the line of Rohit Suresh with Samatva Investments. Please go ahead.

Rohit Suresh: I just had two questions; one is if you could provide me the volumes for each of the segment for the entire year.

Management P: It is 17.9 million volumes for the entire year 2021-2022.

Rohit Suresh: No, segment wise.

Management: Okay, segment wise it is two-three wheeler at Rs.16.06 lakhs, car MUV Rs.127.07 lakhs, and OTR Rs.0.69 lakhs, LCV-SUV Rs.21.04 lakhs and tractor Rs.13.99 lakhs and total at around Rs. 178.90 lakhs.

Rohit Suresh: What was the number for alloy?

Management: In this alloy contributes around Rs.18.90 lakhs.

Rohit Suresh: Sir, in absolute terms could you the contribution broadly possible? Absolute scale if you could give me the bifurcation for each segment.

Management: For two-three-wheeler it is around Rs.55 crores, car MUV segment it is around Rs.17,00 crores, OTR it is around Rs.34 crores, LCV-SUV it is around Rs.930 crores, tractor it is Rs.382 crores and in this alloy segment contribute around Rs.708 crores.

Moderator: Thank you. Our next question is from the line of Ankur Sanwaria with Sanwaria Foods. Please go ahead.

Ankur Sanwaria: My question is can you give some guidance regarding the order book that you have because we have been getting regular updates regarding the orders that you get but off late we have not got any new orders it seems like, so can you give some idea here or regarding the order book for the next year?

Munish Chugh: In the next year order we are anticipating an overall increase of 2 million wheels. Talking about the two-wheeler segment it will be Rs.0.2 million, talking about the four-wheeler it will be Rs.0.8 and talking about tractor and trucks put together another Rs.0.15 and alloy it will be close to

Rs.0.6 million and if I talk about export, the export segment is expected to have a growth of 0.2 million. Overall, in which the major growth is towards the alloy segments that will be entering into

Ankur Sanwaria: One thing more Sir, what I feel that there has been a tiny decrease in the exports in the last quarter was it because of the logistic bottlenecks or was there a decrease in the demand in last quarter.

Management: I think from a perspective inventory adjustment which is happening there is a lot debottlenecking which is happening across the globe. People are experiencing extreme demand shocks in terms of various fitted to a vehicle. This is where it is choking issue which we are anticipating to improve going forward as the customers are highlighting that the issues were getting resolved. Suddenly, this China shock has again come in and we feel that we were anticipating by May end this should have been over but as the customers are indicating the export churning in terms of peak churning that we had is going to start from June end and they still are having close to one and half month of inventory imbalance which is going to be once settled out and then post June they are trying to indicate that the numbers are going to pick up.

Ankur Sanwaria: Okay, there has been an increase in your inventory that is due to the fact that you already have orders but you have not dispatched them because the customers have the required for.

Management: No, the inventory mismatch because of the tire maker is not taking only tire, he is taking tire wheel and various other chassis components which are coming in. He has the wheel but he does not have tires from China. He had tire and he had some other component which is missing and that is where the imbalance of the inventory has happened and it has been almost three and half months of this inventory correction which they are trying to do with the help of China and they are indicating that by June end it should be normalized and it should be going as healthy as it can be but the good news that the end demand which is at the customer end from America and in Europe, it is decent. It has not impacted by the extend of inflation and various other factors and that is the good news. So, once these inventory adjustments happen from various held parts which are getting clubbed together. Then the cycle will try to improve from June onwards.

Moderator: Thank you. Our next question is from the line of Satyan Wadhwa with Profusion Capital. Please go ahead.

Satyan Wadhwa: Can you give a brief on what square unit margin one should expect on average on alloy and non-alloy wheels. It would just make sort of thinking about the business little bit simpler than thinking of 11% or 15% margin.

Management: Current juncture of pricing of raw material the typical alloy wheel margins were between 17-19%. This increase in the raw material prices and prices have moved on from close to Rs.2800 to closer to Rs.4100-4200 so this a Rs.1000 jump and the margin remains the same. So, I think that is now between 14%-15% statistically. So that is where the alloy margins are being stated at.

Or if it is easier on per ton basis or per unit basis because raw material goes up margins come down, when raw material goes down margin go up. It just easier to think in absolute sense say okay either margin per ton or margin per unit. I stated that this kind of inflation on the raw material side is never heard of and we have also started investigating ourselves in terms of per factory obviously, and per ton both we are trying to do for each factory. Typically, if Mehsana is to be seen it is one unit, one alloy wheel, it is very easy to do. But when we go to other factories then you have margins which are factories producing 4 kind of vertical of wheels, then it becomes little tough for giving segment wise so maybe per ton and per unit will be an easier benchmark to talk about and we will try to present it that way going forward. In the meantime, we are trying to prepare that data for the full year in terms of per ton as well as per unit to sort of implicate that the Q4 margins are the best margins that the company had in the history of itself.

Satyan Wadhwa: Okay great and one last question from me. In terms of FY2023 how much absolute unit growth should one, you already guided to how much we expect in alloy wheel, so absolute unit growth and commensurate sort of guidance for EBITDA for the year, if you can. Please clarify in terms of the total numbers.

Munish Chugh: Yes, the year-on-year growth number is expected to be 2-10 which stands around 11.11% on the base of 17.88 million that we did last year and talking about the overall turnover, 17.88 will be around Rs.4200-4300 crores.

Satyan Wadhwa: Okay and margin would be around the same 11-13% range depending on where prices go

Management: It should be somewhere around 11-11.4, 11.5 that is it max. This is where the current raw material prices are so this is how it is going to look like.

Satyan Wadhwa: And I am sorry your turnover guidance was Rs.4500 crores, I missed that.

Management: It is Rs.4200-4300 crores.

Satyan Wadhwa: It will be Rs.4200-4300 crores. Okay thank you.

Moderator: Thank you. Our next question is from the line of Akhil Hazari with Robocapital. Please go ahead.

Akhil Hazari: I just had a couple of questions regarding what was mentioned in the previous con call, I just wanted to know the repayment that was mentioned in previous con call is round Rs.130 crores in FY2023 and Rs.140 crores in FY2024 but now you mentioned Rs.95-100 crores every year and that will be going forward. So, I just want a clarification on that.

Management: Yes, because we have repaid some of debt in the month of March 2022, that is why the repayment going forward has reduced.

Akhil Hazari: Right so Rs.95-100 crores will be in FY2023 and FY2024.

Management: FY2023 it is Rs.95 crores and FY2024 its around Rs.90 crores. Which we are trying to plan the way that we planned in FY2021-22, based on the CAPEX requirement and the placement of CAPEX requirement.

Akhil Hazari: Right and regarding Mehsana plant, the expansion from 3 million to 3.5 million units is going to take place, I just want to know when would that happen exactly?

Management: Currently as we speak, we are at 3 million and we are the number 1 wheel supplier in the country by the volumes. We have beaten erstwhile number 1 and we feel that going forward it is going to be very dominant by SSWL in terms of the market share which is going to be taken as in alloy side. The capacity addition from 3 million to 3.5 million or may be 4 million will take another 7-8 months based on the capacities which are getting added in terms of the machinery deliveries and the layouts. So, it may take 7-8 months from the current 3 million to add that capacity and the work on that has already done.

Akhil Hazari: How much was in the CAPEX?

Management: I think that CAPEX will be anywhere between Rs.60-80 crores and will add close to a million kind of volume which is closer to Rs.300-400 crores kind of a top-line.

Akhil Hazari: Rs.300-400 okay fine and my last question is regarding the CAPEX. The utilization of the other plant in Q4 FY2022 what was the capacity utilization.

Management: I can share the same, for the Dappar Plant, the utilization is at around 79%. Chennai Car plant at around 83%, Chennai truck plant at around 71%, Jamshedpur plant is at around 61% and Mehsana plant at 3 million capacity around 65%.

Akhil Hazari: 65% okay and also just last question I want to squeeze in, this alloy plant market share that you have increased, you have not got in Maruti as a client yet, right?

Management: Yes, so Maruti is out of it despite that having Munish shared that we at close to 30%-31% of the market and we anticipate this number to be further creeping in the current juncture of the customers and Maruti is definitely on the cart, the way that is for past 1-1/2 to 2 years, we are going to be there, being a dominant player and being a 50% share in the steel wheels side. I think, we deserve to be there in Maruti and it is a matter of time, as you will hear from us in terms of entry in Maruti.

Moderator: Thank you. Our next question is from the line of Karthik VK with Suyash Advisors.

Karthik V K: Can you clarify on the business development happening on the export side and what is driving the growth here?

Management: Okay on the export side, I think last year, we did closer to Rs.825 crores, right Pranav?

Pranav Jain: Yes.

Management: So, it was close to Rs.825 crores kind of a top-line which was driven by the US market, having a dominant share of that market which got disrupted in the month of December end because of this inventory mismatch which is happening at all across the customers. Except the PB segment, I think it has interrupted everyone in terms of the supply chain issues because of logistic issues, because of various factories shutdown in China or various parts of the world. What we feel is that the green cherry which is going to be here in 2022 is going to be alloy, that we have started dispatches of alloy to the US as well as European clients and the ramp up this year is going to be at a rate of close to 30,000-35,000 to 40,000 wheels per month that is what we anticipate in Q3 or Q4. For the full year we anticipate that the export side is going to be driven at the similar pace but with the help of alloy wheels this year which is going to be a new feature. This is where we are trying to focus and add that income bond supply which is going to be domestic plus exports where we are not having any exports of alloy wheels in previous years. So, the theme is going to be over next one or two years that we are going to be focusing a lot more on alloy steel because it is stabilized a little bit, we have shared ourselves in US as well as Europe and we have stabilized our market share there and we would like to maintain that and the next net of growth on the alloy side is going to be on the US and European alloy which we have started. We anticipate this financial year to be anywhere between Rs.72-80 crores to may be 90 crores worth of exports contribution coming from alloy side as a minimum side and further we are anticipating this growth to be engraving more and more once our deliveries go to all these customers the way that it has gone in steel side anticipate this growth all be targeting a 20%-25% CAGR over next 3 years into the alloy segment.

Karthik VK: And versus competition what exactly is the advantage you currently access you have sir.

Management: So, as we speak in the steel, steel has a very different kind of a context versus alloy. Alloy we are a disadvantage to China because China has a cheaper aluminum and we have to compete with them. So, as we speak in export side obviously it is a very large market which obviously as compared to steel it is nothing. So, alloy is very mammoth market and it can gain traction but and an export side when you are talking about alloy it is going to be competition with Chinese guys, competition with Thailand, competition with Malaysia, competition with various African countries where they are very large in size and you may have a little lower margin than the steel side. may be at 14% may be at 15% but this definitely gives you an opportunity for having a second source which is China plus one philosophy of a lot of buyers. A lot of people want to have that geographical distraction that you do not want to concentrate only one continent. Be it Africa, be it China or Thailand, they are disintegrating that kind of a supply chain because they have seen that impact coming in this third wave or fourth wave of China. They have really disturbed it. So, India has definitely an advantage to compete on a relatively better scale. It will not be a 20% kind of a margin but definitely a good team margin to sustain and grow.

Karthik VK: Would the market still be around 350 million in size Sir? That is what you had shared some time ago.

Management: I am saying that its is a 300 million kind of a market for OEM as well as for aftermarket, we as a company are at 3 million. So, it is not even a percentage of the global scale. So can we increase this 3 million to 4 million, 5 million, 6 million over next 3-4 years by concentrating alloy, the way that we had done in steel is what the intention is and this is not a market which is at 8% 9% margin. It is a decent margin and I think with a scaled as single factory we will continue to improve on the GY Technologies and newer validation for the customer to creep in the sector that we have done in terms of volumes and steel wheels so alloy wheels, we would like to add that kind of a volume over next 3-4 years is what the intent is.

Karthik VK: Your dispatch is currently would be only to OE or to the aftermarket segment.

Management: So, these are very large retailers of the American side, the way that the customers who are with us in the steel side. The same customers take the aluminum side also.

They tested the US steel wheel, they have tested the European steel wheel, they have seen the durability, they have seen the performance. Now they are seeing the alloy side and we feel that the wheels are going to be in the market for 3 months, 6 months take a feedback, and once the feedback come into their ears that it is a good quality wheel diamond cut wheels with powder-coating and everything at a decent price and competition to China why not? So, the way that we have displaced some of the market share in the steel side, we anticipate the similar kind of trend in the alloy side.

Karthik VK: One quick question on Maruti Sir, you said sooner or later you will get into Maruti, when would the market open up for you and the five-year contract for the Minda Kosei. I do not know the exact deadline for those.

Munish Chugh: I think towards the last quarter of 2022, we anticipate that we will be having some sort of entry over there.

Karthik VK: You mean financial or calendar Sir?

Munish Chugh: Yes, the financial.

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

Pawandeep Singh: Sir just wanted some clarity on Maruti because earlier there were our clients, I missed this point. So, we are out of it and your voice was breaking up so what does that mean because Maruti was on board with us earlier.

Management: No Maruti was never on board for alloy wheels it was always for steel wheels. For Maruti, we are supplying close to 50% of their steel wheel demand and as we are there for 30-35 years with them. Maruti is on a GDC process with the existing incumbent suppliers and the intention is to prove that LPDC process is equally good to benchmark it with the existing supplier is what they intent and is the deliverance by the marketing and the RNV team is. I think it is going on for three years and what we feel is that Maruti having a demand of closer to 180, 000-190,000 a month will have to look into another supplier sooner or later and given the kind of controls that we have in the steel wheels, we are fairly confident that we will get that entry. It has been delayed because of the existing incumbent suppliers being supplying to them and they are keeping us away. That is not a problem but I think the efforts on that side is not going to be stopped.

Karthik VK: And Sir, one more question before that another participant suggested that you should give segmental break up quarterly volumes and everything. If you could just give that in your presentation would be a good understanding.

Pranav Joshi: I think, we will be happy to give that in the con call instead of the presentation. Will that be fine?

Karthik VK: Sure Sir. And one question from my side, you were saying 30% is going to be your volume growth for FY2023. If I heard that correctly.

Management: In alloy wheels. Overall, it is around 11% but for alloy wheel it is 30%.

Karthik VK: Okay, so we will grow at 11-12% volume for FY2023

Management: Yes.

Karthik VK: And another thing Sir, you guided for Rs.4200 crores kind of a number, so are we assuming that our realizations would be at the same levels because if there is some cool off in inventory. Then obviously our ticket size also goes down, right? What is your expectation on that side?

Management: I think, in this financial year there will two things which is going to happen. One is obviously, some relaxation on the raw material prices will happen may be in Q1, may be in Q2 that we do not know. But the intention is that we have pegged ourselves for a top-line which Rs.4200-4300 which is where we are trying to touch every base, every customer, every region in the world where we can push out these volumes and see the opportunity that despite raw material fluctuations because that is not in our control. We commit ourselves towards that Rs.4200 crores kind of a top-line. I think that is the better way to look at it because we never knew that this pea-sizes are going to gain like this and they may further gain, you do not know that and we may end up at may be Rs.5000 crores worth of top-line. But given that we are talking about that Rs.4200-4300 crores at the current raw material prices even if the prices fall down the commitment is that we are trying to either to Rs.4200 to Rs.4300 crores. And also, to clarify, within the juncture that we are trying to talk, I do not see these commodity prices cooling off dramatically. Yes, there may be a 5%-10% cool off because they have risen up 100%. But anything beyond maybe 10%, 15% is not called for within this financial year.

Karthik VK: Sir, one last question, our capacity last I heard your interview we debottlenecked and we have around 22 million overall aluminum and non-aluminum, right?

Management: 23 million.

Karthik VK: 23 million and our CAPEX plan for this AMW acquisition will take care of all the CAPEX AMW acquisition. What is the status here Sir?

Management: I try to answer that question in two ways. I think within the CAPEX because AMW is not in our hand it is obviously in the legal hands right now within the subjective courts. So, within this capacity of this 23 million. SSWL will exhaust our capacity in FY2023.

I will try to give that answer in one way is that with this 23 million, we will be able do a peak turnover of anywhere between Rs.5500 crores to Rs.5000 crores on the current raw material basis. Rs.5500-6000 crores, okay. Then additionally this AMW asset will come in and will add close to Rs.500 crores to Rs.600 crores by a kind of a turnover incase this gets added and we anticipate that we will add this alloy capacity which will add another 300-400 crores on the current raw material basis. So, this 600 plus 600 plus 400, we are close to 6500 crores in terms of the asset base which we can create in terms of revenues with the capacity which are looking like in our sight. And steel side we are not expanding in the existing plants because we have enough on our flat rate to punchable lines to move around here and there and our entire focus on the capacity expansion will remain on the alloy side, or in peripheral side of alloys in term of other production in the same capacity.

Moderator: Thank you. Our next question is from the line of Chirag with RatnaTraya Capital.

Chirag: Just a couple of clarification questions working on the quarter the volume for the quarter could you repeat that number, I am sorry the line was a little muffled today.

Management: The volume for the quarter is 4.50-million-wheel rate.

Chirag: 4.50 correct and the export number for the quarter is Rs.126 crores is that correct.

Management: Export value is Rs.130 crores for the quarter.

Chirag: Rs.130 crores for the quarter and here in this quarter. Correct me if I am wrong, what we are saying is essentially that there was a little bit of mismatch in terms of inventory at our customer levels and that is why the exports number is a little lower than what we have had expected is that the right way to think about it?

Management: Yes.

Chirag: And just on the yearly numbers also, just a quick clarification Rs.708 crores for alloy, could you give me that same number for domestic steel. what is the total value for domestic steel wheel?

Management: Domestic steel wheel sale is around Rs.1561 crores excluding scrape sales. This is purely steel wheel sale Rs.1561 crores. And these are the domestic sale and then alloy sale is that around Rs.708 crores then export is at around Rs.828 crores.

Chirag: And the volume for domestic steel wheel?

Management: Steel volume is 105.39 lakhs. It is 10.53 million.

Chirag: And our expectation is around 17.9 million, 18 million sort of wheel that we have. We will do a volume growth of around 11% next year.

Management: Yes, overall volume growth of 11% next year.

Chirag: And for the AMW plant, does that assume any capacity coming in from the AMW plant or nothing at all. For this 11% are we thinking of any of the AMW capacity?

Management: No, we are not thinking any capacity right now.

Chirag: For FY2023, we are considering AMW to be 0.

Management: Yes.

Moderator: Ladies and gentleman that was the last question for the day and now I would like to return the call back to the management for closing remarks.

Pranav Jain: I thank Amit for arranging this call and all the participants for raising the questions and having a healthy discussion. I think over past few years, we have made our mistakes we have learned from them and the intention is that while we learn from them, we try to improve the leverage within the balance sheet and I think last year we did after a long time, and the intention is that within the financial year also with the cash accruals which are coming in. We will try to target this as a team and with the commitment of maintaining the mix favoring towards higher profitable margins views, which is alloy segment or the export side or the tractor side is what the intent is and given that we have achieved closer to our 25% kind of ROCE within this financial year, we again intent and the target for the entire management team is to maintain this theme and try to exemplify that this is not a one-off fluke and it can be repeated for complete asset utilization of the entire SSWL asset will be deliberating on the focus and we will try to update this every quarter in terms of the promises made and we will try to see where we lack that and try to improve on that. On behalf of SSWL, I thank all the participants for being a part of this journey and try to teach us and we have taken a lot of feedback over past four quarters. There are lot of feedbacks which are pending at our end for our own work to done on those things and we hope that we are going to be following right on those things and we will deliver to your promises. Thank you.

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