



**“Steel Strips Wheels Limited  
Q1 FY27 Results Conference Call”  
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**MODERATOR: MR. SMIT SHAH – ICICI SECURITIES**

- Moderator:** Ladies and gentlemen, good morning, and welcome to the Steel Strips Wheels Limited Q1 FY27 Earnings Conference Call hosted by ICICI Securities. 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 the conference call, please signal an operator by pressing star then zero on your touchtone telephone. Please note that this conference is being recorded.
- I will now hand the conference over to Mr. Smit Shah from ICICI Securities for opening remarks. Thank you, and over to you.
- Smit Shah:** Thank you, Ryan. Good morning, everyone. On behalf of ICICI Securities, I would like to welcome you all to Q1 FY27 Earnings Call of Steel Strips Wheels Limited. Today, we have with us Mr. Dheeraj Garg, Managing Director; Mr. Rahul Kumar, Chief Financial Officer; Mr. Aditya Dixit, Executive Director, International Marketing and Operations; and Mr. Pranav Jain, Vice President, Finance. We will start the call with brief opening remarks from the management team about the quarter gone by, and then we'll proceed to the Q&A session.
- Thank you, and over to you, Dheeraj Sir.
- Dheeraj Garg:** Good morning, everyone. Hope everyone is doing well. And I hope that everyone has 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.
- I'm pleased to share that we have delivered another healthy quarter, reflecting the strength of our diversified business model, continued focus on premium products and improving operating efficiencies. Despite the war in West Asia and the volatility in commodity prices especially, our business has continued to demonstrate resilience across key segments.
- Now coming to the quarterly performance for Q1 FY27, the company reported a revenue of INR1,509 crores. This is a growth of about 27% year-on-year. The quarter witnessed healthy momentum across alloy wheels, tractor wheels, commercial vehicle segments, supported by improved domestic demand.
- Standalone EBITDA with other income for the quarter increased by 32% Y-o-Y and stood at INR165.17 crores. EBITDA per wheel for current quarter stands at INR314 per wheel as compared to INR262 per wheel in the Quarter 1 FY26. Margin percentages expanded during the quarter by 40 bps, driven by input increases received from OEMs other than raw materials, operating leverage, a favourable product mix and an increasing share of premium products and continued cost optimization initiatives across manufacturing facilities.
- The profit after tax grew 43% Y-o-Y to INR71.51 crores with PAT margin improving to 4.7%. This performance reflects the combined benefits of robust revenue growth, margin expansion and operating leverage.
- Our alloy wheel business, which contributes 35% continues to remain one of the strongest growth

drivers of the company. The increasing penetration of alloy wheels across passenger vehicles, coupled with a leadership position in the domestic market enabled us to further strengthen this business.

Our aluminium knuckle business is progressing in line with our expectations. Capacity expansion at our Bhuj facility is progressing as planned, and we remain focused on increasing customer approvals and commercial supplies. We believe this business will become an important growth engine over the medium term as lightweight aluminium components gain wider adoption across both ICE and electric vehicles.

The Tractor segment continued to perform well during this quarter, supported by robust rural recovery, the shift towards higher horsepower mechanization, increase in healthy rural cash flows and stable replacement demand. This remains one of our highest value-added businesses and continues to contribute positively towards our overall profitability.

The Commercial Vehicles segment also witnessed gradual improvement, supported by replacement demand, infrastructure-led investments and improving freight movement. While industry demand continues to remain uneven across certain categories, we remain optimistic about the medium-term outlook supported by increased government spending and improving economic activity.

Over the last two years, we have consciously diversified our export portfolio by expanding our presence across Europe, Latin America and other international markets, thereby reducing our dependence on one single geography. This strategy has shown clear green shoots for exports market. Demand for the exports have started showing recovery yielding to positive results and improved business momentum. We continue to witness healthy traction from both existing and newly nominated customers.

The normalization of global trade conditions, along with increasing customer confidence in India as a reliable sourcing destination continues to create new opportunities for us. We remain confident of further improving our export performance over the coming quarters through higher volumes, better customer mix and continued geographical diversification. The manpower challenges experienced during the previous year have now been fully resolved, enabling smoother production planning and better execution. Higher utilization across all our plant continues to improve operating leverage and supports margin expansion.

Now as already conveyed, we are setting up two manufacturing facilities in Bhuj. The first is an aluminium wheel plant with an annual capacity of 1.2 million wheels, while the second is an aluminium knuckles facility with an annual capacity of 1.1 million units. We will be at about 6.2 million wheels in the aluminium segment and trial production is expected to commence in the fourth quarter of this current financial year.

Looking ahead, we remain optimistic about our outlook for FY27, targeting a top line growth of 20% plus. We remain focused on enhancing profitability by increasing our EBITDA per wheel from around INR262 in the previous financial year to more than INR310 through this financial year. Improved utilization of capacity and growth in the exports market are reliable reasons why we

say so.

Our focus will continue to remain on operational excellence, expanding our premium product portfolio, improving exports, enhancing customer relationships and also investing in AI, thereby delivering high productivity gains in labour, and delivering overall long term value for all stakeholders.

With that, I would like to thank all our employees, customers, suppliers, shareholders and business partners for their continued trust and support. Now we are open for your questions and answers. Please go ahead.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. We take the first question from the line of Aditya Khetan from SMIFS Institutional Equities. Please go ahead.

**Aditya Khetan:**

Yes. Thank you for the opportunity and congrats on a good set of numbers. So my first question is on to EBITDA per wheel. Sir, when we look at this quarter, INR309 versus our stated guidance for FY27 of INR300 per wheel. Any idea, sir, like -- so should we like assume that for the next 3 quarters it will gradually reduce, or are we upping our guidance on EBITDA per wheel?

Consequently, on EBITDA number which you've stated, that looks fine, like, some INR650 crores guidance which we have stated that should be met. But on EBITDA per wheel, how should we look at going ahead?

**Dheeraj Garg:**

So, if you recall my conversation since the last 2 years, I've been harping on the issue of getting input price increases from customers. So this is a culmination of all that effort. We got some increases last year, but now we've got almost all our increases and still more to come. So that itself has it added more than 1% on the margins. And that kind of explains the jump from INR280 to INR314 now.

So going ahead, I think, you know I don't want to jump the gun and say that we will do INR325 or INR350. But all I can say is that this should be a benchmark in our minds. And perhaps after the second quarter, we can review where we are headed. But I can say that we have an upside bias on the INR314 number.

But let's see how the product mix stands out, what happens in West Asia, what happens with commodity prices. There's a lot of things but we are very optimistic about this current quarter that's ongoing right now.

**Aditya Khetan:**

Got it. Okay. Sir, on to the export side, we still see a dip on Y-o-Y basis. I believe, sir, now all the tariff-related uncertainties behind. So this quarter, so generally -- so there shouldn't be any sort of a tariff component. So what explains this dip from INR160 crores last quarter to INR127 crores this quarter?

**Dheeraj Garg:**

I think hold on one second, I'll tell you. So I think you're comparing the Y-o-Y number, right?

**Aditya Khetan:**

Yes. Yes, sir, Y-o-Y. Correct.

**Dheeraj Garg:**

After that, the Trump tariffs took place and there was a lot of bickering with India over tariffs. So we were sort of at an awkward position against Vietnam and Thailand for extended periods of time, which led to a decline in exports. And so now with the tariffs coming down to 10%, and now we feel that it's a level playing field for everyone, so that's why you will see that in the month of June, we have shown a 7% increase in exports.

So after a long 2 years, I think it is the first time we have shown an increase in exports. And that is the reason why in my speech, I'm highlighting that the uncertainties regarding tariffs have sort of stabilized or not fully gone away, but they have stabilized at a level playing field for everyone. That's what I mean by that.

And so you will see increase in exports now. And also, we've also mentioned about the diversification of exports. I think on this export question, I'm sure other people would also like to ask questions.

So I'll let Aditya speak about the exports. Aditya, go ahead.

**Aditya Dixit:**

Yes. On a year-over-year basis, as Mr. Garg just now explained, that is the reason why we see a dip on a year-over-year basis. But if you compare what has happened in the last quarter and where we are talking about this quarter, Q1, so you will see there is a recovery of almost 37%. And that is why we are coming from that.

Yes, we do see that the impact of the tariffs are going away. Now that we are at a level playing field with our competition, which is in Southeast Asia. So we expect that the remaining 3 quarters of this financial year, we don't see the headwinds coming back on the tariff side. And at the same time, we expect a ramp-up of all our OEM awarded businesses to happen in these 3 quarters and which are not in the U.S., but they are in the other geographies of the world.

So we do not have that ambiguity of whether the tariffs are going to impact that ramp-up of these OEM programs. So I think we are very well on track in terms of our overall annual number, which we have set a target of around INR600 crores. We are on the right track.

**Aditya Khetan:**

Got it, sir. Got it. Sir, onto the knuckles business, when we look this quarter, some INR23 crores of a top line. Looks similar when we compare it with your Q3 numbers. Although I know on quarter-on-quarter basis, there is a good jump.

And sir, on to the customer side also, like there has been no meaningful ramp-up, like, we are working with 2 customers for over the last one year. Any sort of a meaningful uptake we can see, sir, in '27, '28 that we can quantify?

**Dheeraj Garg:**

Yes, I think it's a great question you've asked. I'm glad you can do that. So we started out this business with Mahindra, and that was meant for the electric vehicle program. But since then, you've seen the ups and down in the EV market. So you can understand what I'm talking about. But since then, we have acquired another customer.

And within these 2 customers that I talked about earlier, we have got new businesses awarded now, so much so that now we are absolutely running at the moment as we speak at 100% utilization. And our expansion in Bhuj has become extremely important and necessary. And it's the perfect timing for us because that order book is almost completely sold out.

So whatever I'm planning to produce in Bhuj, that's been sold out. So you will see great, great numbers coming from the aluminum side -- knuckles side. Thank you for asking this question.

**Aditya Khetan:**

Got it. Sir, just 1 last question. On to the capex program, sir, like, we have an ambitious capex program for expanding in capacities, alloy wheels and steel wheels. If you can -- I see that number of INR200 crores capex incurred in FY26.

How should we see like what was the total capex program, if you can highlight? And how much has been completed and breakup, sir, if you can provide like business-wise, knuckles wise, and alloy wheels, that would be helpful? Thank you.

**Dheeraj Garg:**

I think, Pranav, you can go ahead.

**Pranav Jain:**

Yes. Total capex, which we are planning in the current year is from the Bhuj plant where we are expanding our alloy wheel capacity by 1.2 million and knuckles capacity 0.6 million. And the total capex in both these are around INR420 crores. And as conveyed in last call, we are also doing some replacement and other plant capex of around INR80 crores. So total capex is around INR500 crores.

**Dheeraj Garg:**

So now in addition to that, we are, as I have mentioned to you in the last call that we are working on expanding our agricultural wheel capacity. So in line with that, we are going to spend about INR150 crores to set up this line and it's a Brownfield expansion. It's not a Greenfield expansion.

And so we reckon that this would also come in partially this year and partially the next year. So in all, as Pranav said INR420 crores for these 2 plus INR80 crores for the Brownfield, INR500 crores. So let's say, INR600 crores plus/minus, you could sort of benchmark this as a capex for this year.

**Moderator:**

Thank you. We take the next question from the line of Nishita Shanklesha from Sapphire Capital.

**Nishita Shanklesha:**

So just if you could -- your voice was actually not that audible. You said that they are doing a Brownfield expansion. What is that expansion for? Like what product is it for?

**Dheeraj Garg:**

Yes. So it is making agriculture wheel. So the thing is..

**Nishita Shanklesha:**

Agriculture wheel.

**Dheeraj Garg:**

Agriculture wheel, but also it will be a fungible line to make a car wheel, passenger car wheel. So in a way, it's an augmentation of both our mother plant near Chandigarh and this is an augmentation of about up to 2 million wheels, both put together small as well as agriculture.

So this expansion -- because we see a tremendous traction for steel wheels also in India. And I would like to talk about that also, in fact. So if investors here probably a few of us will recall that I had

always mentioned that the steel wheel business is a declining business and it's been taken over by aluminium.

But now we see not only is aluminium growing, but also steel has started to grow. And this has happened right after the GST cuts in India. And I think this trend is going to continue because the industry is absolutely sold out of capacity. I mean all the 15, 20 years of problems this pass car steel industry had, have come to an end.

We started a new chapter. I've already spoken about 2 years ago that we are getting input price increases. But on top of input price increases, now we are talking about increase in volumes, and increase in volume means that we need to expand capacity. And we are expanding capacity in the agriculture space where there is a generic growth every year because -- simply because of the mechanization necessary in the country as well as the number of people that need to be fed.

So this is a hedge, but we are very optimistic that the steel pass car business is also going to grow more than 5%. And that is great for us because we also have a lot of export business now. So we are actually short of capacity. If you really ask me, all my business units are running at more than 95% utilization.

I mentioned this last time also, and that's the reason why we have operating efficiencies also. So -- and this has happened after maybe 30, 40 years. It has never happened with us. And I've been saying this since last year, except for the first quarter last year, which was a demise because of the truck wheel business. But now we feel that everything is very steady and it's growing very smartly.

**Nishita Shanklesha:** Right. So with this brownfield expansion, our steel wheel capacity will go up to 29 million, right?

**Dheeraj Garg:** Well, it's Overall 24 million. So I think that'll go up to 26 million.

**Nishita Shanklesha:** Okay. Understood. And when will we commercialize this?

**Dheeraj Garg:** I think we are very optimistic to commercialize it before the end of this calendar year, definitely. I think you will see the results of this in the fourth quarter, for sure, in this year, because there is demand. There is huge demand that the industry is projecting and experiencing as we speak right now. It's a good situation to be in.

**Nishita Shanklesha:** Okay. Understood. And you mentioned that our new capacity of aluminium wheel, that is also completely sold out. So what are our further capex plans? Because if that is also completely sold out, we need to do further expansion, right?

**Dheeraj Garg:** Yes. So we have many ideas on that, many things on drawing board, nothing firm. But obviously we will see next 3 months, 6 months how our export profile looks. If the export profile looks the way it's looking, then for sure, we will be looking at expanding further on in aluminium, further on in knuckles.

So these are the growth areas where we strongly dominate the market. So we want to have a market in the export segment to grow for us and make it as -- substantially bigger than the domestic market

in the long run. So the next 10 years, we want to sell more wheels in the export market than we sell in India. So that's our strategy going forward. So we want to be a very big global player in this business, leveraging India's top manufacturing base.

**Nishita Shanklesha:** Okay. Understood. And my next question is, - in the earlier call, you mentioned that in FY '27, we can do a top line of around INR6,500 crores. So that makes our top line growth at around 25%. So are we confident on achieving that?

**Dheeraj Garg:** Yes. I think you can see the current run rate also. And so we are at INR1,509 crores, that's about INR6,000 crores run rate. But there will be growth in this quarter -- all quarter. And then of course, an expansion happens and we are able to fully utilize our aluminium plant like we are doing right now, you will see a very different set of numbers. In fact, you will start seeing different set of numbers for the month of July itself. That will give you an idea as to where we are headed.

**Moderator:** We take the next question from the line of Aditya Jhavar from AK Investments.

**Aditya Jhavar:** Thanks for the opportunity. Great set of numbers, team. I have one question. When I see the borrowings and interest cost, can you just help me -- how much percentage it is?

**Pranav Jain:** Yes, the total borrowing as we conveyed in last year is around the same number. That is total long-term and short-term borrowings are around INR826 crores in FY '26. And the interest cost on that borrowing is ranging between 8% to 9%.

**Aditya Jhavar:** Then why in our P&L it is a little higher, I mean, 120 to 130?

**Pranav Jain:** I already told you in last year call -- I think last quarter or maybe last to last quarter that there are some factoring limits which we have taken, when the demand needed and when the funds are required, we use that factoring limits. And that are in the range of INR400 crores to INR500 crores. These are factoring limits.

**Aditya Jhavar:** Okay.

**Dheeraj Garg:** And you would have noticed that raw material prices in aluminum jumped up by more than INR150 crores. There was an excess pressure of INR150 crores just from the increase in commodity prices, which, of course, we have passed on to the customer, but it takes time for the money to arrive from the customer to us. So, we've run a very tight ship on very extreme high aluminum prices.

**Aditya Jhavar:** Understood. Okay. And next, last question I have is, how much of the revenues are we thinking for this year from alloy business percentage of revenue and overall?

**Dheeraj Garg:** So, if you assume INR6,500 crores as a top line and you assume 35% as a benchmark or 37%, I think something like that it should show up.

**Aditya Jhavar:** And among all the businesses, we have more EBITDA in the alloy business, right? That's how...

**Dheeraj Garg:** That's why the absolute EBITDA per wheel is increasing. So, the more I sell aluminum wheels, the

more I sell truck wheels, the more I sell tractor wheels, the more I export, you will see increase in EBITDA. Even now as I've been saying for the last 2 years that we are getting input price increases, and we've gotten them.

So, we've got increases of 1% to 5%. So, and some of them are yet to flow. So, I think you will see a very healthy set of things happening from the margin expansion side as well as volume side.

**Aditya Jhavar:** And when I say when you talk about alloy, tractor and this, so how much percentage of revenue comes from the I mean, when you categorize as premium, so how much percentage is that? I understand 30% is alloy, but rest all, if you...

**Dheeraj Garg:** Well, there is a look on knuckles 2%, and then truck and tractor -- I'll give you the number -- 34% is truck and tractor. So, it's a pretty good state of affairs.

**Aditya Jhavar:** So overall, 35% is value-added now?

**Dheeraj Garg:** Overall, 70% would be value added.

**Aditya Jhavar:** Okay, 70%. Great. And also, one suggestion, I mean, if you can lighten the balance sheet by doing some equity, I mean, that would be helpful for the minority shareholders? So that's all from my side.

**Dheeraj Garg:** Okay.

**Moderator:** We take the next question from the line of Madhur Rathi from Counter Cyclical Investments.

**Madhur Rathi:** If you could help me understand our steel wheel EBITDA per wheel, what it is today, and what it was maybe 2 or 3 years ago? And how has this industry consolidation and price hikes helped us?

**Dheeraj Garg:** I think you asked a great question. I don't have the data right now with me to tell you how much comes from steel. But the next time, I will prepare this statement for you. Please remember to ask in next -- I will give you the breakup of aluminum wheel etcetera, as much as I can give you, because you are obviously secret -- proprietary information, I can't divulge, but I will give you some ideas to how this works. I will relativize margins for you.

**Madhur Rathi:** I'll do that, sir. Sir, one question. So, are we the lowest cost steel and alloy producer in India and globally currently? Is that a fair understanding?

**Dheeraj Garg:** That will be a great assertion. And I believe that it's about 80% to 90% true. I don't know what the costs in China are because a lot of Chinese companies have subsidies. But if you look at ex China, then hands down, we are the lowest cost producer.

**Madhur Rathi:** Got it. And sir, just a final question from my end. Sir, if I look at our business going forward, how should we look at a new product addition with the -- and how much of the Bhuj land is currently unutilized that we can utilize later. So, would we like to stay in the steel and alloy -- aluminum segment where similar to wheels will be adding more products like knuckles going forward? Or we will focus on wheels and knuckles only right now?

- Dheeraj Garg:** I think I've answered this question earlier, too. We are looking at other product ideas and 1 of them is hot stamping. At the moment, we are discussing setting up our stamping projects for our OEM relationships that we have very strong relationships with. And that, as we speak, is ongoing. But we're also continuously looking at other ideas. Like right now, there's a very good feel-good factor in the auto industry. And more and more technologies coming into India.
- So, we are evaluating anything. But to put a substantial name, I would say then a hot stamping is one thing. And of course, we are going to expand our aluminum and knuckles capacity, as you already know. And even further on, from there on, our target is to become a very dominant player of aluminum wheels in the world. And the way we are going, if we achieve that, you guys will be very happy, and I will be very happy.
- Madhur Rathi:** Yes, sir. Sir, and are these conservative because on a INR6,500 crore revenue, we are expecting around INR650 crores EBITDA. So is this because of higher raw material -- so the higher cost of raw material, because of that, this number might look compressed. Is that understanding, correct?
- Dheeraj Garg:** Absolutely correct. And you should always look at the EBITDA per wheel, because that's the cleanest way to look at the whole thing. Otherwise, we will be in circles.
- Moderator:** We take the next question from the line of Hitaindra Pradhan from Maximal Capital.
- Hitaindra Pradhan:** Just to confirm we didn't disclose the EBITDA per wheel or the EBITDA dilution for steel versus alloy, right? I mean...
- Dheeraj Garg:** Sorry, what are you saying? EBITDA per wheel, for what?
- Hitaindra Pradhan:** For the steel wheel versus the alloy wheel, we didn't disclose that split, right?
- Dheeraj Garg:** No. We'll talk about it in the next call. I will try to give you some -- I cannot give you exact numbers, but I can relate the differences and you can understand from that how it works.
- Hitaindra Pradhan:** Yes. Okay. Sir, because that would be helpful, sir, because there are two things happening there. I mean, if I look at the alloy wheel percentage contribution to the revenue, that has remained somewhat same, I mean, in the 35% range. So is that, I mean, because the adoption is kind of slower in the market because if I see our steel wheel market share is very high, I mean, it is 40% to 50% depending on different segments. And that means we are somewhat of a market leader here. So, I mean the adoption is lower. Hence, the alloy wheel like the contribution is not increasing.
- I mean, is that -- does that explain the EBITDA margin not improving? Or is it more due to the steel and aluminum prices, raw material inflation that is happening, and we are not able to pass it on to the clients. I mean, if we have the numbers, that would be for us, it would be easier to understand that.
- Dheeraj Garg:** Right now, I don't have the numbers. But all I can tell you is that margin in every segment of the business is improving. Okay? So, the steel wheel business...

- Hitaindra Pradhan:** Because sir, the revenue growth that we are achieving...
- Dheeraj Garg:** I am talking about per wheel EBITDA, boss. I'm talking about per wheel EBITDA which has not gone up just because of aluminum wheels. As I've told you in my speech in the beginning that we have got input increases, and that is reflecting in the EBITDA per wheel. In the last meeting also I mentioned this, that we will reach INR300 just from the input increases. And that's exactly what has happened.
- It has exceeded my expectations, but because we've got better increases. I was being conservative then. And I'm telling you more increases will come from inputs. So don't say this, that a steel wheel business is a laggard and aluminum business is not getting adopted as much. So, I don't understand this logic.
- Hitaindra Pradhan:** No, no, I'm trying to understand the EBITDA margin expansion, like, what is our...
- Dheeraj Garg:** It is expanding at every segment. Every segment is contributing to the expansion.
- Hitaindra Pradhan:** Okay.
- Moderator:** We take the next question from the line of Yash Jhurani from Qode Advisors. Please go ahead.
- Yash Jhurani:** Great set of numbers. I just wanted to ask one question. So, we are focusing towards the alloy wheel imports have been rising to other players have also been increasing their capacity. What gives us the confidence that alloy wheel margins will hold and may not become commoditized like steel, say, going in the future? And also, are we winning our alloy wheel orders and our market share, say, on price or capability? Just wanted to know your thoughts on that?
- Dheeraj Garg:** Brilliant question, congratulations for that. So, the thing is that there are only 2 serious players in the market that are dominating the business. I'm talking about aluminum wheel. You can figure out who the other guys. So, the thing is that, yes, prices have gone down, but we being a technically superior producing -- aluminum producing company, we get a premium. In some cases, not in all cases, in a few cases, let's put it this way, a few cases.
- But the reason why we are confident on our margins to expand is because we have chosen different geographies to sell our wheels. We are no longer dependent on the Indian market. And I've sort of mentioned this before obliquely in the last 1 year, but this is coming through, and Aditya just pointed it out in his speech that, he's got new geographies and he is focusing on them.
- And as they materialize, more will materialize, and that goes into our strategy of being the dominant player in the world. So that is how we are focused on it. You don't worry about margin. Yes, the domestic margins are crashing, and -- but we are not taking -- our competitors are taking businesses that are below cost margins. So let them be. So, it sorts of shows -- it will show them how it painful it is to burn cash. We are not in the cash burning business at all.
- Yash Jhurani:** Understood, sir. Also, just 1 more thing. For aluminum and steel prices, what are the -- what is the contractual pass-through lag that we say give to the end consumers. And by how many months are

the price hikes generally delayed?

**Dheeraj Garg:** So aluminium is done on a quarterly basis. But because of the West Asia crises, we've gone on a monthly settlement. So, for us, it's an absolute pass-through. We don't lose nothing in this. Earlier, had we worked under the previous regime, we would have lost millions of crores. We would have lost a lot of growth in this. But we stuck our foot down.

We got -- as the whole industry acted cohesively. And now, we get reimbursed within a month. So, 30-day lag, but we are covered with that story because that's how much lag we get from our suppliers also. So, we are back-to-back neutral on aluminum. Yes, the prices have increased tremendously, but now they've come down also. So, it's the topsy-turvy market, but we are fully insulated on both the downside and the upside.

**Yash Jhurani:** Understood. Thank you so much.

**Moderator:** We take the next question from the line of Saket Kapoor from Kapoor & Company.

**Saket Kapoor:** Yes. Greetings. And thank you for the opening remarks and the explanation. With the type of transformation that we are anticipating the volume increase, how should the EBITDA margin trajectory be shaping up going ahead? And sir, on -- at its peak utilization levels, what would be the contribution from the aluminum metal vertical to the top line of the company?

**Dheeraj Garg:** Okay. I think on the margin expansion, I've already spoken about it. When the utilization increases, the margin increase, and also because we've got input increases. And I've given in my speech also a reference of at least INR315 going forward. So, I think we should not jump the gun or be very aggressive in this. Next quarter I'll come and talk again. Let's see how this quarter pans out.

We are experiencing a better utilization than the previous quarter, better sales traction. Let's see how the margin expansion occurs from this. And also, a few input increases are yet to be settled. So, I'm very positive. All I can say is rather than giving you numbers, I'm telling you that we are going to see a better set of numbers. I don't want to guide the market any more than what I've guided right now.

**Saket Kapoor:** Your point is well taken because we have remained stuck in this 10.2% to 10.7% or at a peak of 11% in terms of EBITDA margin. And so, with the type of product profile change and the higher contribution from the alloy wheel segment and then aluminum metal contribution. Can we look forward for the bracket to move up?

And again, on the PAT margins also similar to what the EBITDA margin trajectory has been. We have remained in the sub-5% for us, a longer bit of time. So that was my question. And whether these improvements will take the trajectory to 6% level on a conservative basis also going ahead? And my question to the aluminum knuckle revenue extended...

**Dheeraj Garg:** I think we'll just work this out, allow me one second. How much is it? I think we projected about INR110 crores. It should be a little bit more than INR110 crores. About INR125 crores, INR130 crores. So that's I would put it in a ballpark of INR110 crores to INR130 crores, which is substantially up more than last year. Last year -- it's almost doubling from last year. It's doubling from last year.

And so, what was the margins, PAT of 6%. You know these are numbers that I have not worked upon. Frankly, I think this is something that the financial analysts can do better than me. But all I can tell you, increased volume, increased margins means that we will head toward that kind of number.

And please don't count EBITDA percentages because raw material prices are so volatile that they skew our thinking. Okay, 11% looks good than 10.7%. But at 10.7%, I may be making more money if the raw metal prices are higher. So, on an absolute -- I declare a number, and I declare a per EBITDA number. So, you can assume what kind of overall EBITDA in the end PAT will come.

**Saket Kapoor:** Just a small point to add, sir. We spoke about some duty advantages of some cases from -- for the Vietnam geography, which were coming to an end and then the advantage -- they're losing the advantage. What is the update on the same?

**Dheeraj Garg:** Aditya, go ahead. Aditya? Aditya, are you there?

**Aditya Dixit:** Yes, I am here. So, as we speak, there is no differential advantage that Vietnam or Thailand has today as of compared to India. And so, we are at a level playing field, absolutely. And I think if the field remains this way, then, of course, since we have the cost advantage, we will be able to maintain our current share of business in the market that we compete.

**Saket Kapoor:** And my last point will be on the participation of this Chinese player. Correct me here. I think so -- Arays are the one who are helping us and facilitating the setup of the plant at Bhuj. And sir, you have also mentioned that this will be a very unique plant catering to a specific product profile, and it will be a global facing entity. So, if you could just give us some colour of how this major player, Arays, is helping us out? And what exactly are we eyeing in showcasing this facility going ahead?

**Aditya Dixit:** So, shall I address that?

**Dheeraj Garg:** Aditya, please go ahead.

**Aditya Dixit:** Yes. So, I may not divulge the greater details. But all I can tell you is that there is going to be a kind of technical support and this plant in Bhuj is predominantly coming in for market outside India to be catered and more so on the aftermarket side. Some capacity of that plant will also be utilized for the OEM markets. But yes, since the aftermarket wheels call for a different kind of capabilities, that is where Arays is going to support us.

**Saket Kapoor:** Okay. And lastly, on the aluminum metal business, what is the total market size addressable domestically and also on the export segment. And what is our vision in this segment? Is this new product introduction we have done over the past few years. So, if you could just give us from 6.2, which we will hit for this financial year, what would be the next trajectory? Or how should this vertical be, say, 2 years or 3 years down the line contributing and the EBITDA margin percentage also affected. If you could just throw some light.

**Dheeraj Garg:** I think on the export side, Aditya, could you just enlighten them as to what we are looking at?

- Aditya Dixit:** Yes. So yes, so this product per se, we are, I would say, in discussions with all the OEMs where we cater the wheels as product today. And it will be a gradual growth as far as knuckles entering into the export segment for SSWL. But good thing is that since the OEMs know our capability based on our service for the aluminum wheels, we will get a traction in the next 12 to 18 months, that is what my viewpoint is.
- Dheeraj Garg:** And also on the domestic front, this is just opening up. So, you will see quite a revolution in this space. I don't want to add a lot of colour to it because I don't want information to sort of reach out to competition. But this is a business that we are very serious about, and it will get a serious market share in this country also.
- Moderator:** We take the next question from the line of Ankur Kumar from Alpha Capital.
- Ankur Kumar:** Sir, I wanted to understand, on the export side, you said INR600 crores this year. So that is quite a good growth versus the last year when we had issues. So, do we expect the numbers to continue to improve going forward? And how are the domestic side you're seeing? Because in CV side, there is some -- CV as well as tractor side, there is some issue in terms of growth in terms of domestic side.
- Dheeraj Garg:** As I said, it's too presumptuous to say that we will do INR1,000 crores next year. But I said it in the last call also that there is a potential -- if I have capacity -- right now I'm short on capacity to sort of reach that kind of number. But as soon as my capacity is coming on stream, you will see that next year or this financial year last quarter, you will see a substantial increase next year.
- So, I wouldn't put a number to it, but I will give you -- at least we should try to do a 20% increase, if not more, in that number going forward. With regards to -- what was the other question, on aluminum percentage, what was it?
- Ankur Kumar:** Domestic side, there is some...
- Dheeraj Garg:** I think we're talking a very small blip in the Truck segment, but I don't see it derailing the tractor segment, by the way. The only blip we've seen is in the truck space. That happened last month itself. So last month, we could have done even better than we did. And we see a carryover of that effect, but still improvement from last month. And as soon as the monsoons end, I think the truck market is going to be very buoyant.
- As I said, because of replacement demand, because of investments in infrastructure, and this is going to carry on. I think we are in the midst of a good structural boom in the CV market and the agriculture market. What the price reduction has done in the tractor space is unbelievable. Suddenly, there are so many more farmers who can afford tractors now. And this boom has not died.
- This is a boom for the next 10, 15 years without a stop, I think, barring some exceptional bad monsoons or something else happening. But even then, so this is a great segment to be in. And similarly, the CV segment is at least going to have a good run for 3 to 5 years. And normally, the bull runs are not more than this number of years.
- So yes, so don't worry about the split. It is very, very temporary. And we are making it up with

exports. I mean, you will see that in our numbers this month. So, whatever we were not able to sell in the domestic market, we are sort of repurpose the line to export truck wheels. So, you'll see good numbers of exports this month also.

**Moderator:** Ladies and gentlemen, due to time constraint, we take the last question from the line of Ksush Nahar from Electrum PMS.

**Ksush Nahar:** I just had one question. When do we expect these new capacities to run at optimum utilization?

**Dheeraj Garg:** I think the way we are, maybe in the first quarter of next financial year, that will be very optimistic and that's what we need to do, because that's how much we have to service the customer. So there's no choice for us. We have sold out, as I mentioned to you earlier, and we have to be there at that level, at least 80% in the first quarter of next financial year we have to run both the units. Maybe more. Maybe earlier. Knuckles, for sure, it will be earlier.

**Ksush Nahar:** So then again, we'll go through a capex cycle in terms of capacities in...

**Dheeraj Garg:** I think you are jumping the gun. We will see when we sell that kind of capacity and how the market looks. It's too presumptuous to say all that. Then it's a never-ending cycle. This kind of bull run, of course, has come after 30, 40 years. I've never seen such a bull run in my business. So, we'll see how this goes.

**Ksush Nahar:** Right sir, thank you.

**Dheeraj Garg:** Thank you, all investors. Thank you.

**Moderator:** Thank you. On behalf of ICICI Securities Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.