"Nelcast Limited

Q1 FY27 Earnings Conference Call"

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**MODERATOR:** **MR. ABHISHEK BHATT – E&Y INVESTOR RELATIONS**

**Moderator:** Ladies and gentlemen, good day, and welcome to Nelcast Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Bhatt from EY Investor Relations. Thank you, and over to you, sir.

**Abhishek Bhatt:** Thank you. Good morning, everyone, and thank you for joining us. On behalf of Nelcast Limited, I extend a warm welcome to all the participants on the Q1 FY27 Earnings Conference Call. The results and investor presentation have already been shared and are available on our website as well as through our filings with the stock exchanges.

Joining us today to discuss the company's performance and outlook are Mr. P. Deepak, Managing Director and Chief Executive Officer; and Mr. S.K. Sivakumar, Chief Financial Officer.

Before we begin, I would like to draw your attention to the standard disclaimer. Please note that any statements made during this call, including those in our presentation materials that reflect our outlook for the future or may be construed as forward-looking statements should be considered in conjunction with the risks the company faces.

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

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

**P. Deepak:** Thank you, Abhishek. Good morning, everyone. Thank you for joining us today. Q1 FY27 was another important quarter in Nelcast's growth journey. We delivered a revenue of INR 345.4 crores, representing a growth of 2.8% year-on-year, which was supported by healthy demand across our key end markets.

The tractor and commercial vehicle segments continue to witness strong growth momentum, while exports recorded a sequential improvement during the quarter, reflecting encouraging customer activity and demand trends. While profitability during the quarter was impacted by elevated raw material costs, labour availability challenges and a lag in passing through the higher input cost to customers, we view these as largely temporary factors.

We have already initiated customer discussions for price revisions and expect all of those to happen shortly. Importantly, the demand environment remains healthy across both domestic and export markets, giving us confidence in the underlying strength of the business. One of the key highlights for the quarter is the commencement of production for new products in Q2 of FY27.

These programs are expected to ramp up progressively through the year and contribute meaningfully to volumes and revenues during the second half. Beyond supporting growth, these products are expected to improve our product mix, enhance profitability and drive higher capacity utilization as the production scales. Exports remain a key strategic focus area for Nelcast. Export revenue improved sequentially to INR 113.3 crores during the quarter, supported by improving customer activity and encouraging demand levels.

We continue to see opportunities in global markets as customers diversify sourcing strategies and increasingly look towards India as a reliable manufacturing partner. Nelcast remains well positioned to capitalize on these opportunities through its established customer relationships and manufacturing capabilities. We are also making steady progress in expanding our customer relationships and strengthening our presence in international markets.

Our efforts in Europe continue to advance, and we have secured additional business opportunities that support our long-term growth ambitions. More importantly, our customer engagement across segments continues to deepen, creating a broader and more diversified growth platform for the company.

Looking ahead, we believe Nelcast is approaching an important inflection point. The foundations laid over the last several years through product development, customer diversification, operational improvements and investments in manufacturing capabilities are now beginning to translate into visible growth opportunities.

New product launches, improving utilization at Pedapariya, strengthening exports, a richer product mix and continued customer additions provide multiple levers for growth. We are increasingly shifting from a cyclical recovery to a structural growth. We are evolving into a more diversified value-added globally relevant casting company with stronger earnings potential than in the past.

The progress achieved over the last 5 years provides a strong foundation for the future with revenue, EBITDA and PAT growing at CAGRs of approximately 17%, 19% and 40% between FY21 and FY26. Coupled with a stronger balance sheet and lower leverage, this positions us well for the next phase of growth.

Our focus remains clear, driving growth through new product development, operational excellence and prudent capital allocation. With multiple growth levers now coming together, we believe Nelcast is well positioned to deliver sustainable growth, improving profitability and long-term value creation for all stakeholders in the years ahead.

Now coming to the Q1 FY27 performance. Revenue grew 2.8% year-on-year to INR 345.4 crores, supported by healthy demand across key end markets and improving export momentum. EBITDA stood at INR 20.1 crores and PAT at INR 5.1 crores, with profitability temporarily impacted by higher input costs and labor availability challenges.

Exports improved sequentially to INR 113.3 crores, while customer price revisions, new product ramp-ups and improving utilization are expected to support margin recovery in the coming quarters. The company's strong balance sheet and disciplined capital allocation continue to support its long-term growth strategy.

Now I would like to open the floor to the Q&A session.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question comes from the line of Mr. Praneeth from SJ Investments.

**Praneeth:** Sir, you mentioned regarding a large order, I think, starting production right now. So, when do you expect to ramp it up to the full-scale capacity that you are expecting?

**P. Deepak:** Yes. The volumes are just starting. The first orders are going out in the current month. And we expect that we'll be fully ramped up on these businesses probably within the next 9 months or so. So probably by Q4, we expect that these businesses that we are starting to ramp up now will reach mature volume.

**Praneeth:** But how many pieces are we expecting at peak volumes when you are supplying?

**P. Deepak:** Sorry, can you repeat that? How many?

**Praneeth:** How many pieces. I think it's partial assembly of like 750 kgs what we are doing. So just to understand how many pieces would be supplying to the customer at our peak volumes?

**P. Deepak:** So, rather than pieces, I think pieces might be a misrepresentation because it is actually three different programs that we are referring to and multiple parts that have different sizes. So, in terms of the revenue potential once the ramp-up is completed, we believe that number is in excess of about INR 200 crores a year. That's what we expect to get to that run rate towards the end of the financial year on these businesses.

**Praneeth:** Understood. So, you also mentioned some more order wins in Europe. Are they in the line of these large castings? Or are they more traditional in terms of a commercial vehicle segment, maybe what we are looking.

**P. Deepak:** The order wins from Europe are more traditional parts. These are not yet the larger casting parts.

**Praneeth:** So, in terms of, let's say, order demand generation for these large parts, where would we be looking next? Like would it be continuing to be in agri space in the U.S.? Or would it be somewhere else that would be looking?

**P. Deepak:** So I mean, the order book actually for the large parts is shaping up quite well. So, the agri space in the U.S., where they have the largest tractors, is a great opportunity that we are, I think, in the process of becoming well entrenched in. I think other than that, there are large castings even for the European market that we're starting to do, but I would say that those are probably not in as large volume.

But we are also getting more and more of the truck axle parts for the Indian market as well. And so, there will be a very good diversification across geographies on these larger parts going forward. But at the moment, Europe doesn't look like it will be a very large percentage of it, but there are certainly opportunities we are exploring as well on the larger parts.

**Praneeth:** Sir, you mentioned that axle parts are getting more incremental share. But I thought we were already supplying a large share to most of these customers, for most of them we are probably the largest source of 80%-90%. So, what are these additional parts that we are able to supply to them?

**P. Deepak:** So if you look at axle specifically, we can break axles probably into 2 separate segments. So, one segment is the front axle of the 4-wheel drive tractors. This is a segment where the entire market itself is just blowing up. The growth in the 4-wheeler drive segment in tractors has really taken off. And part of the reason also has to do with the structure of the market.

So, if you have a tractor that is higher than 50 horsepower, the requirement of the emission norms is much more stringent, and it requires obviously more expenditure. So, the cost of the tractor goes up. And what people have realized is that you can do the work of a 50-plus horsepower tractor with a 45-horsepower tractor with a 4-wheel drive because the application of talk is better.

So, we've seen actually a fairly dramatic shift in the Indian market towards 4-wheel drive in the last 4 years. So one, there is a market growth happening in the tractor segment of 4-wheel drives that we are referring to. The second thing that we're talking about is on the commercial vehicles, which is the heavy trucks, right, typically the large tippers that are there and conversion of these from fabricated housings to cast housings.

So, a year ago, we had probably developed our first of these parts, the first couple of parts that were going into the Indian market. Today, we're in the process of completing the development for all the OEMs that are there in India for their high-end tippers. So, this is a segment that we expect to grow.

So from about 2-part numbers that we had developed a year ago, we've got some samples that will be going out in the next couple of weeks. When I add all that up, we'll actually be at about 12-part numbers that we've developed, and many of these will go into production also in the next few months once the validation trials are done.

**Praneeth:** So the basic increment is from 2 to 12. So, like you increase 10 more parts. Is that right?

**P. Deepak:** Yes. Exactly. We're only catering to one of the truck OEMs in India. At 12, we cater to everyone.

**Praneeth:** Is it the fact that they ask for a single source or we're just increasing our portfolio of them going to the customer, like just trying to understand because getting share would be difficult if we are developing it right.

**P. Deepak:** All of these parts are single source. So, this is sort of an extension to their product strategy. So fabric axles that were previously fabricated are being converted to casting because in a casting, you can do a lot more in terms of section thicknesses in key areas where the stresses are high, which you typically cannot do with a fabricated axle because you have to select the standard section thickness across the entire axle.

So therefore, on heavy-duty applications, casting is much more resilient to abuse and heavy loads. So therefore, on the higher end of the market, all the larger tippers that are there in the market are moving towards cast axles from fabricators.

**Praneeth:** But in terms of the final demand, do you see the…

**Moderator:** Sorry to interrupt, sir. The line for the management has been disconnected. Please stay connected while we reconnect the line. Ladies and gentlemen, the management line is reconnected, and you may go ahead.

**P. Deepak:** Apologies for that. Technical issue. I hope you were able to get everything.

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

**P. Deepak:** Yes. I think the offerings that are there today are actually quite low. And with these products that are being developed, it is going up quite a bit, and it will continue to go up.

**Praneeth:** And one question I wanted to ask in terms of order visibility. So, say, with castings, it depends on offtake, right? So, over the last 5 years, how has the order visibility and resilience of orders changed over the last few years? Could you give some idea on like how did it work out so far? So, are we able to forecast for the next 6 months? Or how is it 5 years ago versus now?

**P. Deepak:** So, I think order visibility is a challenge. I think over the last probably decade, 1.5 decades, the volatility in the market has gone up quite a bit. So, while there is order visibility that is there. So typically, there's a lot of variation that does come with that order visibility that's there.

So, a lot of this is schedule based. I mean we get typically a firm schedule for about a month or so and some order visibility beyond that. But both of these are subject to change. For example, even in this current month, one of the truck OEMs increased their production plan by about 10% sort of a week into the month.

So, based on the market scenario and the demand scenario, there is a degree of adjustments that keep happening in the schedules from time to time. We do get visibility. I mean, usually, we get much longer visibility when the market is looking good, and the visibility is a little bit more short term and there's a lot of question marks that are in people's minds.

**Praneeth:** So by the end of the year, where do you think we might end up in terms of tonnage and revenues? Because the last 3 years have been, even though the product mix is changing and getting more profitable, it has not shown up in any of the numbers because I think the costs have been going up equally during the time and revenues have not grown. So, by the end of the year, where do you think you'll end up in terms of the top line and profitability-wise?

**P. Deepak:** So I think tonnage point of view, we believe that about 1 lakh tons or so this year is what we are expecting that the year will end up. Obviously, we'll have to see how we do depend on the market and how that moves. But we believe at this point that achieving 1 lakh tons this year is certainly in line with what our expectations are as of the moment.

And then from a revenue perspective, I think the number is somewhere around INR 150 a kilo type of thing. So, it should be a little over 10% growth given the current cost scenarios and the cost pass-throughs that are happening as we speak.

**Praneeth:** And during our last 2 con calls, you mentioned the fact that we are putting some effort into reducing the working capital, let's say, receivable days from our exports. So how did the market receipt to that? And what -- how has it been so far from the customer side?

**P. Deepak:** So, what we're doing is with the new contracts that we're getting, we are actually spending a lot of time in making sure that we are negotiating this and that we are getting a lower number of days of credit. So, it's a lot harder to change existing contracts and existing agreements that we have with customers.

But for all the new ones that we're getting, this is an area of focus, and this is something that we are actively ensuring that we discuss and negotiate. So that's something that as we see the new products come in and ramp up, we will see that number of days also come down on the exports.

**Praneeth:** And regarding the profitability wise, I think it's been up and down very drastically, and it's to be expected with that type of industry. But on an average basis by the end of the year, where do you think you might be ending up at average for next year?

**P. Deepak:** I'm confident this year that we will get to INR 15 per kg. I think the results of this quarter are more of a blip than anything else. And we are quite confident that we'll be able to recover that and get to about INR15 per kg type of a number for the year.

**Praneeth:** So, you'll be able to likely to meet your milestone of INR 15 this year. Is that fair understanding?

**P. Deepak:** That's what we believe. I think certainly by the end of the year, we will be well and truly in that track.

**Praneeth:** So, does that mean that you already started working…

**Moderator:** Sorry to interrupt, sir. May I request you to please rejoin the queue for the follow-up questions? The next question comes from the line of Abhishek Chowdary Kanithi from Nivaka Ventures Private Limited.

**Abhishek C. Kanithi:** Sir, I just wanted to understand what are the tailwinds you are seeing in this industry? And are you trying to move your product base up the value chain in the future?

**P. Deepak:** Yes. So, when we look at the tailwinds that we're seeing in the industry, One, overall, the domestic volumes are looking quite strong. So I think if you look at Q1 performance on tractor, the tractor industry has done very well in Q1. The commercial vehicle industry also, albeit on a lower base of last year's Q1 has done fairly well. And we expect that these two segments for the year as a whole will grow.

So that's the general on that part of the market. Then coming to exports, whatever dips we saw last year, which were primarily driven by tariffs, right? And the tariffs didn't really impact us. The tariffs really impacted our end customers to the point where the sales of heavy trucks came down.

So now with a lot more clarity and a lot more stability on the tariff regime, we're actually seeing a fairly good amount of both pent-up demand as well as a little bit of a prebuy effect for emission norm changes that are coming in January. So, I think even on the export front, we expect to see a strong next couple of quarters to remain fairly strong.

Then coming to more specific tailwinds to the company beyond the market, there are maybe three things, two of which I already touched upon, which is the growth in the 4-wheel drive segment. The second is the growth that's happening domestically within the commercial vehicle industry for cast axles.

And the third is the overall growth in exports and the new products that we've actually worked hard to win over the last year, many of which are going into production now. And of course, there are many more projects are there in the pipeline, which go into production gradually over the next 2 years. So, we've got a very robust pipeline of new business as well, driven by either direct or indirect exports that are there. So, these are the tailwinds that I can sort of point towards.

**Abhishek C. Kanithi:** So sir, can we expect the EBITDA margins to remain in the similar range?

**P. Deepak:** So, like we said, our EBITDA margin, if you look at for the last quarter was at about INR 9.48 per kg. We believe that that's actually an aberration, and we should be back towards our stated goal of about INR15 per kg.

**Moderator:** The next question comes from the line of Rohan Shah from RS Investments.

**Rohan Shah:** I just wanted to understand and get some sense on the new product portfolio. How will it improve the company's profitability, for example, EBITDA per kg and revenue? And also, is there any revenue contribution expected from these products in H2 FY27? Any ballpark range could really be helpful.

**P. Deepak:** Yes. So, the new products that are coming in are larger castings, castings which has really not much competition domestically within India.

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

**P. Deepak:** I'm still on the line. Sorry, I lost my chain of thought a little bit. So, the new products are larger castings, more heavier, more complex. And that helps us with a little bit more of a premium on those castings. That's very much, what's going on. I think in terms of the guidance on the new products, like I said, the mature volume that we see in terms of revenue is will be something in the range of about INR200 crores to INR250 crores a year.

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

**Rohan Shah:** Also, sir, can you throw some light on how the scenario from global customers looking to diversify sourcing towards India? And also, what progress has been made in Europe in terms of new customer wins, if you could highlight?

**P. Deepak:** Yes. So, in terms of customers, there is a very good order book in terms of RFQs that are flowing through, good technical discussions that are happening. So overall, the scenario is very, very positive for the industry as a whole and certainly for us specifically, I think this is a very good scenario that's there.

More specific on Europe, the challenge has always been people have been a little slower to move. I think people in the U.S. are quite aggressive with taking these kinds of business decisions and growing, when they see the right opportunities. I think Europe is a little bit more circumspect. They like to take their time.

We've won a couple of orders from European customers because their existing source in Europe was in the process of going bankrupt, and therefore, they needed to sort of make a decision rather than take a little bit more time. So as a result of that, we have won some business. And for us, the way we look at it is, the goal is to get the foot in the door. Once the foot is in the door, then the space at which they work is much better.

Because the perceived risk and all the analysis that they do is sort of replaced by performance. And I think that's our opportunity to shine. So we've got from one of the large truck OEMs in Europe, we have won some business, not a sizable business, but like I said, it's a foot in the door, and it's an ability to prove our capability wherein we're just another supplier, not a risky new overseas supplier as they view it.

**Moderator:** The next question comes from the line of Ankur Gulati from Genuity Capital.

**Ankur Gulati:** Two questions. Can you quantify plant-wise production this year? And any specific reason for production volumes to be slightly lower year-on-year and quarter-on-quarter?

**P. Deepak:** Yes. So, Q1, there was, two reasons why there was a drop in production volume. One, because there was a challenge in manpower availability across the industry. So, we did get impacted a little bit in April and May, and we started to see it recover in June.

So that was one of the impacts. The other thing is specifically in our Pedapariya plant because of all these new products that are coming in, we did take a short shutdown to make some improvements to the plant so that we could meet these requirements for these ramp-ups that are coming up now.

**Ankur Gulati:** And can you give plant-wise production for the quarter?

**Moderator:** Sorry to interrupt. The line for the management is disconnected. Please stay connected while we reconnect. The management line is reconnected, and you may proceed.

**P. Deepak:** Yes. So, in terms of capacity utilization, our Gudur plant was at about 53%. Our Ponneri plant achieved 100% utilization and our Pedapariya plant because of some of these stoppages that we had for improvements, we were at 21%.

**Ankur Gulati:** And the realization went to INR16 per kg. Is this because of repricing?

**P. Deepak:** Yes. So, the realization actually did go up because there was some price increase that was passed through to customers. So, for the quarter, it was about INR 152 as against, fourth quarter was about INR 146 and the first quarter of last year was about INR 150.

**Ankur Gulati:** So, let's say, next quarter, Q2, once a full pass-through has happened, that's where you will start hitting at least INR 14 per kg EBITDA in a quarter or so? So, once you get the full pass-through in this quarter or next quarter, that INR 14 per kg will come back, right? That's what you're guiding for.

**P. Deepak:** Yes.

**Ankur Gulati:** Last question, this INR 200 crore is achieving annual run rate sort of thing by Q4? Or do you think you will be able to get the entire incremental INR200 crores this year from new orders?

**P. Deepak:** Sorry, the INR 200 crore ARR is what we're talking about as it's an ARR that we believe towards the end of the year, we will achieve. I don't know if it will be the entire fourth quarter or at least part towards the end of the fourth quarter, but that's what we expect to achieve from these new product development in addition to the existing business.

**Moderator:** The next question comes from the line of Gyanesh Munoth from Motilal Oswal Financial Services Limited.

**Gyanesh Munoth:** So, I have got two questions lined up. The first one that you flagged regarding the labour availability as an operating challenge, which affected the Q1FY27. So, can you elaborate on the nature and scale of the issue and expected timeline for improvement or to normalize?

**P. Deepak:** Yes. So, we are actually already seeing that it's fully normalized in July. The impact was really only in April and May. And really, we started to see recovery in June and now in July, it is fully normalized.

**Gyanesh Munoth:** All right. That was helpful. And the other question, I would like to ask that given the Q1 margin, so can you guide us on the basis of realistic floor of FY27 margins. So, should we expect further compression before improvement begins or how it is, sir?

**P. Deepak:** No, we don't, again, a little bit of this depends on Mr. Trump and what's happening in terms of the prices. But from what we can see, we expect that Q2 itself should be back to normal levels. This is at least based on what we see today.

**Gyanesh Munoth:** All right. And any specific percentage you see forward, sir?

**P. Deepak:** So, I think like what we had mentioned, to around that INR 15 a kg number.

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

**Saket Kapoor:** Sir, firstly, as you were alluding to the fact that there was a confluence of two, three factors that led to this lowering of EBITDA per kg below the sub-10 level. One was the labour issue, then the RM cost and also with the shutdown we took. So, is this understanding, correct? These were the one-off items or events that happened for Q1 and are not to be…

**P. Deepak:** So, it's not exactly a shutdown. It was more of just a temporary stoppage for making these plant modifications, right, and improvements. I didn't use the word shutdown. And in addition to that, not just the raw materials, but also the sea freight cost, right, when we talk about impact. So some of that gets passed through into this quarter's pricing.

**Saket Kapoor:** You mentioned the freight cost?

**P. Deepak:** The freight cost, yes.

**Saket Kapoor:** Yes. So, sir, can you just for our benefit, quantify to us in an absolute number, what would have been that ballpark number because the other expenses are up, I think, June versus June by 10%. And also, sir, I missed the tonnage number. What was our total tons production and sale for Q1?

**P. Deepak:** The total tonnage on production was about 21,184.

**Saket Kapoor:** 21,184 was the production number and the sales?

**P. Deepak:** 22,442.

**Saket Kapoor:** And the comparative number, sir, the last year June quarter?

**P. Deepak:** Last year June quarter, production was 22,038 and sales was 22,073.

**Saket Kapoor:** Okay. So, on a sales basis, we are in the like-to-like basis, the numbers have been flattish number only?

**P. Deepak:** Yes.

**Saket Kapoor:** Okay. So, sir, are you in a position to quantify to us that this was the one-off item in terms of the freight and the other issues that led to the lowering of EBITDA and that will gradually or more likely to get reversed in Q2?

**P. Deepak:** I can give you a very rough number based on our cost inflations and what we are expecting recovery in the current quarter. So that would be an addition of about INR 4 a kg is the raw material effect that we are seeing that we expect will get passed on into this quarter's pricing.

**Saket Kapoor:** Sir, as you mentioned in your press release part and I quote you that we are at an inflection point beyond the near-term operating environment, we believe the company is an important inflection point. So on the premise of that and also when you gave the competitive number of growth in tons putting a number of, say, 1 lakh tonnage, the 9% growth was there from FY24 to FY25 also without the introduction of the new product and the product ramp-up which we are anticipating for this year.

So, are we much more conservative on this 1 lakh number and that we will be more comfortable on exiting at a higher level? Or you have factored both these aspects? I'm just trying to put the comparative numbers. FY24, '25, we had a tonnage of 83,637 and that moved up to 91,304, that was about 9%. For this year also you are saying the same 9%, with the introduction of new ramp-up of product at Pedapariya, where is my understanding incorrect?

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

**Saket Kapoor:** Your voice was not clear to me. If you could just complete the sentence.

**P. Deepak:** So, because of the new products that are launching, there is a ramp-up phase that's happening. So, we are trying to be a little cautious on that on those numbers, mainly because we do know from past experience that there is some risk of things taking longer on ramp-ups than what is expected, both from our side as well as on the customer side. So, we're just being a little conservative on that just based again on past experience.

**Saket Kapoor:** Because sir, if I correct me here also that you mentioned the number of INR 200 crores as the new business addition, so in that understanding, what is the additional tonnage from the new set of businesses that we are going to ramp up for this year that is the additional tonnage and the natural growth in the tonnages. So, if you could just bifurcate for us because last year, we did not have the benefit of Pedapariya contribution, and we grew by 9%. So I'm just trying to make that sense, help me.

**P. Deepak:** I don't have that data with me at the moment in terms of how that translates into tonnage, but we can work that out and share with you.

**Saket Kapoor:** Two small points, I'm joining the queue. On the EBITDA front also, sir, when we look at our 2023 to FY24, the EBITDA was flat. But from FY24 to FY25, I think the rupee depreciation and other RM prices and other benefits also, we grew from INR 106 to INR 124. So, taking into account the higher run rate for the EBITDA per kg and the improved tonnage, it is very likelihood that the growth in EBITDA for FY25 to FY26 should be repeated in the same percentage or in fact, better than what the percentage growth have been? Is that understanding, correct?

**P. Deepak:** Yes. I think we do expect that this year, we will have a reasonably good double-digit EBITDA growth, right? I think that's our expectation for sure.

**Saket Kapoor:** And lastly, about our investment in the renewable segment and I think so our investment, some non-core investment also which we were about to invest in the solar facility in the open source.

And now with so many policy changes with battery storages also being mandatory, how are we aligning ourselves to improve this renewable share from 70% to a higher number? What would be the exit for this year? And what is our plan and investment for that?

**P. Deepak:** So, our long-term goal is at 80%. Right now, we are somewhere between 65% to 70%. Our long-term goal is 80%. So, I think we've done, I would say, globally speaking, we would certainly be a benchmark in this metric. And this is something that we're particularly proud of.

We do have strategies to get to 80%, in the sort of medium to long run. That's part of our plan. But I think at the moment, most of the investments and commitments that we've made, we've now completed. So, this year, we might probably just let it stabilize for a little bit before we chalk out the next steps of the strategy.

**Saket Kapoor:** And on the land bank part, any new thought process on the land bank utilization or monetization?

**P. Deepak:** So, we're waiting for the right kind of opportunity. I think this would be the location of the land is quite strategic. It's close to the new facility that is in Tamil Nadu that's recently set up. So, we think that the right opportunity will come very soon. But at the moment, there is nothing imminent, I would say.

**Saket Kapoor:** And on the valuation front, anything we have evaluated as of now? What should be the ballpark or the valuation of the piece of land?

**P. Deepak:** We have not done any such evaluation.

**Saket Kapoor:** My closing question for Siva sir, what is our this year capex that we are doing the improvement capex, number one. And number two, I think it is commendable that we have lower our long-term borrowing. So, what would be our current maturity and current debt today and what could be the exit of FY27?

**S. K. Sivakumar:** Our net debt is about INR 187 crores as of 30th June. Currently repayment is about INR 30 crores out of which INR 10 crores already repaid. So maybe we can except another INR 20 crores reduction at the year-end from the term loan.

**Saket Kapoor:** And the cost of fund currently, sir?

**S. K. Sivakumar:** Capex is about INR 35 crores, the current maintenance capex.

**Saket Kapoor:** There are only operational capex. No addition in the per tonnages, only improvement, yes sir?

**S. K. Sivakumar:** Maintenance and improvement, both.

**Saket Kapoor:** Thank you Deepak ji and Siva sir for the time and we hope as investors that the inflection point is what we all people are also anticipating. Just to conclude, sir, when you mentioned INR 15 is what our EBITDA per kg, that would be the average for this year or the exit for the year? What should that INR 15 number or a INR 14 number should signify for us?

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

**Saket Kapoor:** Yes, sir. There will be dropouts, sir. I will just repeat my question. Now I'm audible, sir?

**P. Deepak:** Yes, you are audible Saket ji.

**Saket Kapoor:** Sir, my question was when you mentioned that it will be INR 14 to INR 15 EBITDA per kg that we are eyeing. So that will be the average for FY27 or the exit rate or because the next quarter itself, we should be closer to INR 14 if the pass on and the one-off are to be removed. So if you could just give that understanding?

**P. Deepak:** What is our goal and what we believe is possible to INR 15 for the full year.

**Saket Kapoor:** INR 15 for the full year. That will factor the blip also. So that gives an understanding of the higher exit for the year.

**P. Deepak:** Yes, that's what we are working.

**Moderator:** The next question comes from the line of Praneeth from SJ Investments.

**Praneeth:** So, you already mentioned that we have a longer-term and medium-term goal in terms of new products, I was wondering so far, most of our renewable capacity, almost all of it is mostly like cogeneration type of capacity, right? So is there a possibility that we might be able to put it ourselves by any chance?

**P. Deepak:** You mean the group captive.

**Praneeth:** Yes.

**P. Deepak:** We've got 1 megawatt of our power that is located in-house within our plant. We might increase that a little bit by another couple of megawatts or so we do have the space for that, but not beyond that. Most of what typically happens and why we use the captive is 2 reasons.

One, our partners in the group captive scheme are people who specialize in setting up large wind farms or large solar parks. So, they have a specialization and a capability that is there that we're able to leverage. The second thing is also it's a lot easier to do it as part of a larger thing than for us to sort of step in and try to handle each of those things on a much smaller scale.

So, it makes the most amount of sense to continue to do it that way unless we are doing something which is on-site like what we're doing in the Pedapariya plant where we've got about a 1 megawatt set up over there.

**Praneeth:** But I think Pedapariya, we have a lot of excess capacity already mentioned. So how many megawatts do you think you can fit there with like our operational probably expansion later in the stage?

**P. Deepak:** Yes. With the space that we have available and allocated for that, excluding whatever we've allocated for other business growth, the space that we have specifically allocated for that, there's approximately 2 to 2.5 megawatts further that we can install over there. But of course, I mean, one of the things that's happened in the last few years is that the technology on the solar side is improving.

So, what was the area that you needed for 2 megawatts a few years ago, you can probably squeeze in 2.5 megawatts today. So, if we take this on a year, 1.5 years from now, maybe we can squeeze an extra 0.5 megawatt or something like that as well.

**Praneeth:** So what is the exact IRR difference between, let's say, a captive plant versus, let's say, the group captive situation?

**P. Deepak:** Yes. So, it's not very obvious calculation because in the group captive situation, you are actually paying, so there's two things. Your investment on the group captive is lower because our equity stake will be roughly about 26% of the equity investment. And roughly, if you look at the project, the projects will be funded by a mix of debt and equity.

So, it might be as high as 70% debt, 30% we have. We invest about 26% of the equity that goes in. From a running perspective, because it's not located within the facility, we do pay weeding charges to the DISCO, whereas when we are co-located within the plant, we don't have that cost that's there. Now in the state of Andhra Pradesh which is where Pedapariya is located, there are certain, again, rules and all of that.

So up to the 1 megawatt, which we have today is it actually works on net metering. And if you go beyond 1 megawatt, then it's actually real-time metering, which means that in any 15-minute slot, the power that you generate, you have to consume it within that 15-minute slot or you lose the power.

So, it's actually a very, very complicated subject that we spend a lot of time on. But it varies based on many things, including the vintage and the rules in which the power generation unit was set up. So, then there are certain exemptions, banking, all of that, that's available.

So, it's a fairly complicated subject that needs focus. And I think one of the things that we have done right is actually do this early. And that's helped us in some of the investments that have been made, have been grandfathered in old rules. And I think that's a good advantage.

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

**P. Deepak:** Yes. So that way, if you look at it, the main benefit that you get out of putting it is doing it ourselves, if we do it on premises is the wheeling charges, which is like it depends on the state can be maybe roughly about INR 0.50 per unit or something like that.

**Praneeth:** So, one last question regarding our EBITDA realization. You mentioned that we'll probably get at 15%. So, would it be driven by mostly for the year increasing share of exports or there's also domestic incremental EBITDA that is getting generated like on average basis?

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

**Praneeth:** So, over the long-term metrics, so when do you think we'll be able to do the full utilization part of it because I think we already have enough orders for getting to our 180,000 tons, right? So, when do you think is it in the next 3 years or will it take longer than that.

**P. Deepak:** Yes, we think it's probably a 2 to 3-year time frame by the time for us to fully utilize our capacity.

**Praneeth:** So does that mean, sir, 2 to 3 years, like it's almost doubling our capacity from now. So, do you think from next year onwards, beyond this year, we'll probably be increasing our production capacity by 20%, 30% than our marginal rate of 10%, 15% that we've done in the past?

**P. Deepak:** Yes. So, once these businesses are ramped up and then we have some more that are in the pipeline that will go into production next year. We do expect that we should get to about 130,000 tons or so in the next 2-3 years. So that's what we are working towards.

**Praneeth:** But so, there is a possibility of us going to that beyond 20% growth mark in terms of volumes after the next year, like this year?

**P. Deepak:** Yes. I mean if everything turns out well reflects on the cards as well.

**Moderator:** We take that as the last question. And now I would like to hand the conference over to the management for closing comments. Thank you, and over to you.

**P. Deepak:** Yes. Thank you, everyone. Thank you for your time and for your interest in Nelcast. As we mentioned earlier that we believe that we are now at that inflection point and we can put Nelcast on a much higher platform in the quarters and years to come. So, I'd like to thank you again for all your questions as well as your interest in Nelcast. Have a great day.

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