WHEELS INDIA LIMITED

# "Wheels India Limited Q4 FY'23 Earnings Conference Call"

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WHEELS INDIA LIMITED

ICICI Securities

CHORUS CALL

**MANAGEMENT:** **MR. SRIVATS RAM – MANAGING DIRECTOR – WHEELS INDIA LIMITED**
**MR. P. RAMESH – CHIEF FINANCIAL OFFICER – WHEELS INDIA LIMITED**

**MODERATOR:** **MS. VISHAKHA MALIWAL – ICICI SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Wheels India Limited Q4-FY23 earnings conference call hosted by ICICI Securities Limited. As a reminder, all participant lines should 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 phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Vishakha Maliwal from ICICI Securities Limited. Thank you and over to you

**Vishakha Maliwal:** Thank you, Renju. Good morning, everyone. We have with us the management of Wheels India Limited, represented by Mr. Srivats Ram , MD, and Mr. P. Ramesh, CFO. Thanks to the management for giving us the opportunity to host the call.

So over to you, Mr. Ram, for opening comments. Thanks.

**Srivats Ram:** Yes, thank you. Good morning, ladies and gentlemen. Welcome to the investor call. Wheels India registered a net profit of INR24.8 crores for Q4 ended 31st March, 2023, as compared to INR27.9 crores registered in the corresponding quarter of the last year. Q4 revenues was 6% up compared to the previous year at INR1,173 crores, compared to INR1,108 crores registered in Q4 of last year.

In terms of the sales performance, we registered significant growth in the air suspension division during FY2023, and also in Q4 it was quite strong. Also, the CV market and the earth mover wheel market did well, notably during this period. Also in Q4, we had commissioned machining of large casting plant for the windmill industries in September of 2022, and we ramped up the volume towards the end of 2023.

While domestic was strong, there is a certain amount of uncertainty on the global environment. However, our exports are showing positive signs, and we are confident that based on the strong relationships that we have with customers and the new programs that we are getting into, in the coming year, we'll continue to show growth in the coming year as per our budget.

A little bit about the company for some of you who are interacting with us for the first time. So, Wheels India has the following businesses. There is the automotive wheels division, where we make steel wheels for trucks, cars, and agriculture tractors. And we have also cast aluminum wheels for cars, and we have forged aluminum wheels also included in the automotive wheel division.

Next, we have construction mining division, which makes wheels. So, again, the wheels is considered as automotive, but we have – if you look at the wheel division, it has car, truck, tractor and construction equipment. And we also have air suspension systems, which are for buses and trucks. If you look at our industrial component division, it has components for the windmill industry, railways, and also fabrications for construction division. So, these are the basic businesses that we have.

There is also a subsidiary wherein Wheels India Limited holds 74% called WIL Car Wheels Limited, which is a joint venture with Topy Industries of Japan, which makes only steel passenger car wheels for MNC customers. In addition to this, we have an associate called Axles India Limited, which is a joint venture with Dana, which makes axle housings for commercial vehicles. This is a brief about the company.

I thought I would also give you a small brief about the Group. Wheels India is part of the TSF Group. The TSF Group has a turnover of about INR22,000 crores. It includes an auto component division, which includes Brakes India, Wheels India, Turbo Energy, Axles India, amongst other companies; An auto distribution group, which includes Sundaram Motors, India Motor Parts and Accessories, and Madras Auto Service, and of course, the large finance and insurance division, which is the Sundaram Finance Group. This together comprises of the TSF Group, of which we are a part.

So this is a short brief about the company performance and also background. I would now probably invite questions from the participants.

**Moderator:** The first question comes on the line of Nikhil Rungta from Nippon India Mutual Funds. Please go ahead.

**Nikhil Rungta:** Hi, sir. Thanks for the opportunity. A couple of questions from my side. To start with, if you can give your outlook and guidance, how would be FY24 for us in terms of numbers and scheme of things FY23 was not that great, but how would you prefer it?

**Srivats Ram:** Sure. Do you have other questions or would you like me to answer this first?

**Nikhil Rungta:** So the other would be, I mean, in terms of growth, now that we are almost reaching the CV cycle, which all segments will have the growth come from and also how is the windmill market?

**Srivats Ram:** So I will attempt to answer your question. I will talk about it in the two segments that we have, but I will first talk about the domestic Indian market. So if you look at the automotive market, there is an expectation that there will be a single digit growth in the PV market, that's also been communicated recently by leaders in the market.

The CV market we believe will still have double digit growth this year because of the fact that there is still a certain amount of demand and I feel that with the government infra spend this year, if it goes as per plan, the CV market should get a boost from that and manage a double digit growth. The tractor market I feel will have a muted growth because it's coming off a record year and also Skymet has said that it will be a below normal monsoon. So that is the – that is as far as the domestic market is concerned.

The export markets, broadly speaking, while there is a slowdown on existing volumes with all customers, we are also on a lot of new programs with customers. We were earlier servicing certain platforms, but the number of platforms that we are servicing with major customers is increasing. So, in line with that, we also see growth in the coming year. Broadly speaking, we believe that in the current year we will be able to show a growth of about 20% in terms of our exports. This is indicative at the moment. Whatever we have done so far in what – in the almost two months which have passed seems to be in line with this. And while it may seem like a significant growth when the market is slowing down, let me also explain that in Wheels India's case, we had three months of the year where our major American distributor for aluminum wheels had given us a zero schedule because of de-stocking. So we had a zero schedule last year. So the aluminum wheel business will definitely gain because we are not anticipating – we still have backlogs currently with the customer. So we are not anticipating any destocking at his end.

On construction and agriculture notably, we have programs with a number of customers. Some of them already started in middle or towards the end of last financial year, but there will be a full year impact of those programs in this year. And there are also a number of new programs where the customers set a timeline for introduction on wheels for Agriculture and Construction, which we see rolling out during the year.

So, we see reasonably good growth in that segment. In addition to that, there is on the domestic side the construction market also is expected to be quite strong as infrastructure spend is going to continue. And in addition to the domestic demand, Wheels India also makes fabrication for construction equipment and that will also see growth in the coming year.

So overall if you look at it, I think moderate growth in the domestic market and in the export market there should be growth based on the fact that we have, different programs with customers on the off-road . We have the aluminum wheels not having the destocking months. And lastly, I'd also say on the windmill sector we had some issues in the first four months of last year which affected our exports of windmill components. And there's a degree of normalcy which is returned. So as by virtue of that there will be growth there as well.

**Nikhil Rungta:** Okay. Okay. And lastly, sir, in terms of margin, do you think we'll be in a position to move back on the net margin ratio?

**Srivats Ram:** I think last year was a bit of an anomaly. We were actually impacted by three different elements. One is we had some pre-inspection and rectification charges in the export market in one particular segment, which happened in the first quarter, but the costs came throughout the year.

The second element which affected us was the aluminum wheel business where we had zero schedule for three months. Actually, three months of forge and three months of Cast Aluminum Wheels . So it affected us for effectively about four to five months. And the last element was the interest cost, both due to the increase in interest rate, as well as due to the increased utilization, the interest cost went up substantially during the year last year.

So as a result of this, of course, interest cost is not going to – it's not going to improve in the current situation but the other elements which are related to demand, we believe are not going to be there. And as a result of that the cost of underutilization will not be there. So we should be able to return to earlier levels at least.

**Nikhil Rungta:** Got it. Sure, sir. I have a few more questions. I'll come back in the queue.

**Moderator:** Next question comes on the line of Rajakumar Vaidyanathan, an individual investor. Please go ahead.

**Rajakumar Vaidyanathan:** Yes, good morning, sir. First of all, congrats for the turnaround. It's really good to see that the recent numbers are looking good, the current quarter. Sir, I have a few questions. First one is on the windmill side. I mean, I can see that the forecast given by people like Siemens, Gamesa, and Vestas in the European side, they are saying that the things are going to look up the coming quarters. So given that we think that everything the customers just wanted to move whatever the backlogs or whatever orders we could not fulfill in the past, we'll be able to do it more in the coming quarters?

**Srivats Ram:** So actually, there's , you know, we are suppliers. So we align with the production of windmill manufacturers. When they actually make announcements, they talk about the sale. So there's a slight mismatch in that. What we are seeing is actually that the current calendar year will be flat. But I think starting next year, there are some new platforms which are coming on and they're expecting that the rollout towards the increased orders that they're getting due to climate change would start rolling in, but it'll start rolling in actually for us technically from the fourth quarter onwards.

**Rajakumar Vaidyanathan:** So the next two questions, so first one is on the pre-delivery charges of INR27.23 crores which you called out this quarter. So this is for the entire year, sir, or is it only for the quarter?

**Srivats Ram:** My apologies. It's the entire year, not for the quarter.

**Rajakumar Vaidyanathan**: Okay, because you just called it out, because in the previous quarter, this disclosure was not there. So if you can please tell me what is the number for Q4?

**Srivats Ram:** For Q4 there was no number. The issue is actually because the full year disclosure . Our auditor who earlier never felt it necessary to disclose this but now he had some idea that this is near year end and the amount totally came to a large amount. He wanted to have a disclosure. It was an expense which was incurred in Q1, Q2 and Q3.

**Rajakumar Vaidyanathan**: Not in Q4. Okay.

**Srivats Ram:** Yes, Q4 net expense is negligible.

**Rajakumar Vaidyanathan:** Sir, lastly, if you could update on the railway, last time you said you were expecting some orders from the railway segment. You know, I see that the major orders have gone to Ramakrishna Forging and Titagarh Wagon.

**Srivats Ram:** Yes, I'll just clarify. We don't make railway wheels. Railway wheels are large forgings, which is why I think it has gone to Ramakrishna Forging or Titagarh Wagon for making railway wheels. We make actually certain critical fabrications for the bogie. We make the bogie frame for both the type of coaches , but mainly for the LHP coaches; but also, now we are also getting qualified for the high speed type of train.( Vande Bharat)

Last year, we didn't really supply much. So, it's only going to be prospective. We were focusing on clearing up the issues on the windmill side. So, we really didn't focus much on railways last year.

**Rajakumar Vaidyanathan:** Okay, sir. Sir, I have a few more questions. I'll come back in the queue.

**Srivats Ram:** Sure. Thank you.

**Moderator:** Thank you. Next question comes from the line of Vikash Vijayvargiya from Econ Tree Group. Please go ahead.

**Vikash Vijayvargiya:** Thank you, sir. What is our deadline of this merger of the Sundaram Hydraulics? It still is going on in the 2021 onwards.

**Srivats Ram:** Yes, unfortunately, the NCLT, there were a lot of delays in the process. My understanding is that there is a hearing on 7th of June. And thereafter, we have to see whether it will be one hearing or more than one hearing and whether it gets delayed. Because sometimes there are also delays in the process. But our best information at the moment is June 7th is the hearing.

**Vikash Vijayvargiya:** Okay. And one thing also, there is a large share in the conversion. Three components are there.

**Srivats Ram:** I am sorry, Vikash, I am not able to hear you clearly.

**Vikash Vijayvargiya:** In the last year, in the annual report, you mentioned that there is some kind of the opportunity in the aluminum wheels and the windmill components is there, sir.

**Srivats Ram:** Yes, so on opportunities, what you said, right? So, aluminum wheels, when we started, it was really an export-oriented business. But we've been able to win business and we've started supplying to -- first supplies to an OEM in India this month. And we expect that the second OEM will start probably towards the end of the third quarter. Definitely in the fourth quarter, but probably from the end of the third quarter.

So, on aluminum wheels, that's a development. We've also, now putting in place investments to meet the OE requirements. On windmill, actually last year, this, the comment on windmill, if it was made, was made prior to the development of the issues that we had. So, on windmill, actually, the point is that going forward, because of climate change, there's an expectation that in Europe and also in the rest of the world, there'll be significantly more renewable energy. So, there's a lot of talk about it.

We have to see when it actually rolls out. Our customers have indicated to us that from calendar year'26, because they talk calendar year. So, they say from calendar year '26 onwards, things should improve. And I think if you wait another one year or two years, it will speed up considerably. The windmill industry in Europe and North America, to be honest, while supply chain can be an issue, the bigger issue is getting regulation clearances to set up the windmills. So, they actually wait till they get the regulation clearances, and then they push it into the channel. So, we have to see how that political will is there, but they need to clear this up so that it moves faster.

**Vikash Vijayvargiya:** Our focus area or export area is European, European territories.

**Srivats Ram:** we supply both to US and Europe. Both.

**Moderator:** Thank you. We have lost the line. And the next question comes to the line of Nikhil Rungta from Nippon India Mutual Funds. Please go ahead.

**Nikhil Rungta:** Yes. Hi, sir. Thanks again. How is the margin position now in our alloy facility? Until 3Q, we were making negative EBITDA margin there. So, how is the situation there? And by when do you think we'll break even there?

**Srivats Ram:** Yes. So, I'll split it into two parts. See, on forged aluminium wheel, so this is quite a long answer, Nikhil, if you just give me the patience to hear it. So, on forged aluminium wheel, actually, post COVID, there was a huge surge in buying. And this is a very profitable product. And the volume was from single market from the US alone, the volume was 5,000 wheels a month with very healthy EBITDA margins.

Now, that was that immediate post COVID. That has now cooled down to something like 2,000 wheels. So, the profit from forged aluminium wheel, while it is still profitable, has dropped significantly due to that. We are making it up now. We are going direct in Europe with trailer manufacturers. I myself visited there about a month back and even on Friday, one of them came to meet us in Chennai. And we see that we'll make up the volume through that.

The cast aluminium wheel, of course, last year with zero schedule; actually on both, it was a struggle. But I feel that right now, while we are doing about 25,000 wheels a month, the OEM has just started. It's not a very high volume. We feel it will take till November, December, actually to come closer to the break-even volumes because we need the second OEM to kind of kick in.

**Nikhil Rungta:** Okay, so probably break-even in FY '24 and...

**Srivats Ram:** Yes, from Q4, because I don't know how they will ramp up when they start, whether they start with full volume or ramp up. This is the only risk.

**Nikhil Rungta:** Got it. And sir, last question, update on our capex plans. And I believe phase 2 for this alloy facility will come only after a few years, once we are up...

**Srivats Ram:** You're right. You're right in that. We are doing, building extensions as opposed to putting up phase 2 for this, because OEM customers also want us to have more storage space for the requirements. But to give you an idea, I think , gentleman, as already said that we' will be investing about INR200 crores in the coming year.

And just to give you an idea of where the investments will go, there's about INR50 crores towards the aluminium project. There's about INR40 crores towards the windmill division, but that's largely towards ramping up on machining of large castings. There is about INR60 crores towards off-road, which is both on Construction as well as Ag, -- the Ag side is related to new projects, and Construction is more around optimization rather than anything else, that is cost reduction. The balance that w invested is really, I would say, in the nature of maintenance capex.

**Nikhil Rungta:** Got it. That's all from my side. Thank you so much, sir.

**Moderator:** Our next question comes from the line of Rajakumar Vaidyanathan, an individual investor. Please go ahead.

**Rajakumar Vaidyanathan:** Yes, sir, thanks for the follow-up. So just a question on the P&L, if I look at, despite your reduction in depreciation due to change of policy, still the numbers are considerably lower than the numbers that we reported for FY '21-FY '22. So I know that because of the capex, the underutilization, and so on and so forth, the numbers are not looking up. So just wondered, though, will we be able to catch up with the numbers, what we did in FY '21-FY '22 in the coming quarters?

**Srivats Ram:** The coming quarter or the second quarter? The second quarter probably will be -- the first quarter, no, because last year, I think the first quarter was bad for us. So yes, I think broadly speaking, we will. I don't know exactly how the Q1 matches up with the Q1 and Q2 matches up with Q2. But broadly speaking, we will.

Just to give you an idea, our EBITDA this year, while it is obviously lower than the previous year, it is lower than '18/'19. So '18/'19, we had a EBITDA of INR240 crores, and this year, we did INR243 crores. So obviously, on higher sales. But so that catch-up will happen. We are looking at higher numbers than what we were at last year.

**Rajakumar Vaidyanathan:** Okay. And what is the guidance on the finance cost, sir? Do you see it turning down?

**Srivats Ram:** So we are doing a fairly active management of cash. We are managing free cash flows and measuring free cash flows in each of the businesses on a very frequent basis. So the idea is, even though we are going in for this large capex, we are not looking at increasing our overall debt. So we will still hope to have some reduction in debt in the coming year, despite the high capex that we have.

So we are looking at tightening our working capital management. Last year also, if you look at it, we actually made an improvement both in terms of debtors as well as inventory and payables in terms of number of days. So the coming year, that will be a continued focus. And we feel that by doing that, we will be able to manage our cash flows. And hopefully, if we are able to do that, then hoping if the interest costs don't go up, we should be able to manage the interest costs in a better manner.

**Rajakumar Vaidyanathan:** Now, I see that the free cash flows have improved significantly in the current year as compared to the previous financial year. Profitability is on the lower side, but the cash flow is really looking good, which is nice to know.

**Srivats Ram:** Yes, a lot of it will get topped up for this capex plan that we have. We will still be positive. But to be honest, I'll also be, I'm just being transparent here. We started managing on free cash flows only from the second quarter, once Mr. Ramesh joined us. After that, we've been very focused on that. And I think whatever improvement is there, the entire credit should go to him.

**Rajakumar Vaidyanathan:** Great, sir. It's very nice to know. Sir, one last question on the ESG front. I know that Wheels India has a major production facility in Padi  I think this location has now become more like a residential area. So I just want to know, are there any related issues that you might foresee in the medium to long term, which would kind of force you to move your facility out of that location?

**Srivats Ram:** Yes, so what you say is right. It is a residential area, but we also look at it as our residential area, because a lot of the management of the company also live in close proximity. So Padi is a community. We look at it as a community that was created because prior to our being there, there was nothing actually in that place, especially around where our plant is. And that area has kind of come up subsequently.

So we are very, very conscious of the fact that we have a manufacturing plant inside of this thing. It's difficult, given the nature of our equipment, to move lock, stock and barrel. But you're right, we're already, anyway, we are full up in terms of space utilization there. And I think going forward, we'll have to see how things progress. But it's unlikely that we'll be expanding majorly at this facility.

**Rajakumar Vaidyanathan:** Okay. But you don't see any risk of any issues coming from pollution control board and so on and so forth?

**Srivats Ram:** No, for example, on the environment side, I measure the water quality and air quality, and the air quality is actually worse in the areas which are bordering the highway. So we have internal and outside, and the worst air quality is invariably the ones which are close to the highways that we have also. So we are looking at, I mean, we actually look at metrics which are tighter than what the Indian government has. So we're confident that we'll be able to reduce things and get it under better control. Not only in terms of air and water, but also noise also we're looking at.

**Rajakumar Vaidyanathan:** Okay. Good to know, sir. Thanks a lot. Thanks for your patient answers. All the very best.

**Moderator:** Thank you. Next question comes from the line of Anurag Jain from AART Ventures Private Limited. Please go ahead.

**Anurag Jain:** Yes, hi. So just wanted to get your perspective on competition in the aluminum wheel business in both the domestic and export market. How do you see competition? And how do we, in terms of product positioning, are we different or are we similar? Just your thoughts on that, please?

**Srivats Ram:** Sure, no problem. So the international market contrary to whatever you read, China is still very much there. People are buying, China is the major supplier of aluminum wheels globally. And they continue to be there. The only difference is that people are looking at de-risking by trying to reduce the overall dependence on China. But they still look at Chinese as a major supplier. So the competition is largely from China on the international market.

As far as the domestic market, it is really, a large number of Indian suppliers are there. And you have to win individual businesses. So we've been fortunate that with two of the OEMs, we've been able to win two entry points. And as far as the third one will be added probably in the next year. So three businesses we have so far won. But we've also been audited by about four or five companies. So really, it boils down to the OEM choosing a supplier based on what they call, they would say, is reliability, whether there are options that they can offer in terms of product quality. Those are the types of things that can make the difference.

For us, one advantage that we have is because we have been a steel wheel supplier to all the major manufacturers. They already have that awareness that we know their quality systems. And thereby, it gives us a slight advantage from that perspective. But the fact of the matter is we are a bit late in the game. So we will only have to win business slowly. So far, we have some kind of confirmation from three OEMs, two who will start supplying this year and one which will start supplying next year. I hope that answers your question.

**Anurag Jain:** That's very helpful, sir. And just from the export market, on a steady state basis, what kind of volumes do you think are sustainable? What kind of volumes can we do in the export market?

**Srivats Ram:** So this is, again, assuming neutrality of commodity prices because commodity prices change, the value changes. We see initially at least taking ourselves to 25% of our business being export as a reasonable target. Last year, of course, we did much more, but the domestic market grew substantially this year. So on this type of domestic market, I think assuming that 25% of our sales can come from exports is a reasonable target.

But more than looking at it as export, one of the challenges that I'm seeing is we need to be on the ground in some of these locations. So customers expect you to be there and visit frequently. So setting that up, we have that to some extent in some of the geographies, but increasingly customers expect you to have an employee or someone like that close to that facility.

**Anurag Jain:** Sure. That's very helpful. Thank you so much.

**Srivats Ram:** Thank you.

**Moderator:** Thank you. Next question comes from the line of Hitesh from Aksa Capital Advisors. Please go ahead.

Hitesh: So thank you very much for the opportunity. So at least qualitatively, could you please guide us on what the margins are across different product categories today? And on a normalized basis, where can we look forward to these margins moving in different categories here?

**Srivats Ram:** Yes, so broadly speaking, Yes, so if you look at the construction business, it's a clean double-digit margin. It's a healthy double-digit margin. If you look at the tractor business with exports, especially as we grow exports, we expect to get close to a double-digit margin. The CV business that we have currently is more like a -- it is something which is more like a 5% to 6%, but we are working on it.

As a matter of fact, the company is also – has put in place new management who can focus especially on the automotive side. So CV is a very low margin in terms of being about 5% to 6%. And the air suspension is more like around 8% EBITDA, but it's very less demanding on capital.

The windmill business, which used to be 12% margin, has now come down more to about 8%, but that's also because the relative volume that we have is less. I think as the volume increases there, the margins there should improve. And there also, as we ramp up the machine casting thing, the margin should improve more noticeably.

**Hitesh:** Sure. So talking specifically on aluminum alloys, because I believe at least in 2-wheelers, a good two-thirds of the market today relies on imports. And we have domestic players also with capacities, but even those are underutilized. So is there any technological edge that certain players have which probably helps them get a better competitive advantage?

The reason I'm specifically insisting on this is we have a company, Minda Kosei, where they have historically been at 20% plus margins. And then we have another player called Enkei Wheels, which is prominently focusing on aluminum alloys. But then despite being in the market for a very long time and having a parentage, a Japanese parentage here, they are struggling to even break even.

And even in our case, you just highlighted a while back that as the volume ramps up, probably we will see some improvement in margins there. So just trying to understand why there's significant deviations in the margins across different players in the aluminum alloys, despite having a higher import dependency here.

**Srivats Ram:** So a couple of points I'd like to mention. One is we are not in the 2-wheelers business. Secondly, if you look at our case, I can't really comment about the other players, but in our case, last year was the first year of production, first full year of production was last year. So we just had one full year of production.

Normally when you set up a project, there's a ramp-up process. And break even honestly was expected last year, but we got this -- we were affected by this destocking. This year we hope that by the end of the year we'll be closer to a break-even point, but it really depends on how the OEM ramps us up, because they are talking about bringing us in and then they will ramp product by product.

So it depends on how the ramp-up takes place. But we are confident that we'll be able to break even in this business. We don't have a concern on it, which is why we're putting in another INR50 crores this year.

**Hitesh:** Sure. So if we're going to normalize basis, can we look forward to a higher double-digit margin in this segment given that margins are typically better than the steel rims here?

**Srivats Ram:** Yes, I think going forward probably -- I mean obviously not this financial year, but maybe next financial year or slightly further on it will definitely happen. I think criticality of volume is important. I think once you're over above 600,000 or say 700,000, 750,000 when you are at that level, you should be at something like that.

**Hitesh:** Sure, got it. And so lastly, on the windmill side, the machining capabilities that we have today, are there any restrictions with regard to them, because these days, most of the windmill erection that's happening globally is on the higher capacity windmills. So when we look at our machining capabilities, do we have any restrictions as in, we can only go up to 2 megawatt, 3 megawatt or even beyond that, we can have those machining done?

**Srivats Ram:** No, no, we're also doing four. So it's not restricted to that. And actually, the machining thing is slightly different. What we've done is we have tied up with a large casting, European large casting manufacturer, set up a plant in Chennai. There's a lot of work; they wanted a joint venture. But we set up plants adjacent to each other. So our plants are very much linked to their plants and their plans is to come out of China.

**Hitesh:** Got it. You're referring to Baettr India, right? Which recently set up a huge cast.

**Srivats Ram:** Yes.

**Moderator:** Thank you. Next question comes from the line of Jeetu Panjabi from EM Capital Advisors. Please go ahead.

**Jeetu Panjabi:** So I have two questions. One, what's the debt number for end March? And linked to that is, what do you think, what's the plan from the next 24 month point of view? What is that number going to look like?

**Srivats Ram:** Okay, can I ask my CFO, Ramesh, to answer that Jeetu? If that's okay with you?

**Jeetu Panjabi:** Sure, absolutely. And then I have one more before, which I'll go after I get the answer.

**Srivats Ram:** Yes, thank you. Ramesh, do you want to take this?

**P Ramesh:** Yes, sir. Good morning. Jeetu, the debt number as on March '23 is INR721 crores. Out of this, roughly about INR100 crores is the long-term loan. And about INR235 crores is the public deposit balance of the working capital limit. The fund-based working capital limit.

**Jeetu Panjabi:** Okay. Sorry, you said INR100 crores was long-term. INR200 crores, I didn't hear what the answer was.

**P Ramesh:** The INR200 crores plus was the public deposit. We also take deposit from the public.

**Jeetu Panjabi:** Okay. So we treat that also as long-term. So 300 is about long-term.

**P Ramesh:** Yes, no, they are classified as a long-term and short-term, depending on the maturity. But I'm saying that the category of our borrowing, we have one category, which is your term loans, which is about INR106 crores to be precise. And we have this deposit, which is about INR235 crores. The balance is the fund-based working capital limit, which is predominantly the packing credit.

We use predominantly a packing credit, which is at a lower rate of interest. Put together, the debt number is about INR721 crores as of March 31st, '23, compared to INR811 crores as on March '22. So there is a net reduction of about INR90 crores in the debt during FY '23.

So coming to our next question, in terms of what the numbers are likely to look like, as our MD was saying, the number would remain around INR725 crores to INR735 crores for FY '24. So which means we would remain at the same level of debt, and we would still be able to fund the INR200 crores capex, which we are planning.

**Jeetu Panjabi:** Okay. Got it. Can I ask you one more question? The second question was really the point the MD made that, well, after you joined, there was a lot of focus on free cash flow and cash flow from operations. Can you just talk us through what are the key focus areas of this? What are the goals you want to achieve? And how did you go about executing on it?

**P Ramesh:** Okay. Our key objective is to deleverage the company further. While maximizing the ROCE, we want to see how the debt can be reduced without impacting the business. That's the first and the foremost objective. So our focus is on the working capital to make sure that we kind of squeeze the working capital as much as we can and bring it back to a kind of a lean, leaner working capital.

And the second thing is about in terms of the capex funding, we want to, I mean, we have, as our MD said we have different businesses with different levels of cash flows. So we are putting a system by which , unless it's a new business like an aluminum we are linking up the future investment to the free cash flow of the business, as much as we can.

Unless there are very different circumstances warranting for an investment without sufficient cash flow from the business. And we are also putting a system in place to make sure that our capexes are paying back as per the plan So overall, these measures along with our efforts to optimize the cost would help us to step up our return on capital.

**Srivats Ram:** So, Jeetu, just to add to that, one of the things that we want to do, and I know we are not there yet, but one of the things we want to do, we want to look at a sustainable 18% type of return on capital employed.

**Jeetu Panjabi:** When do you think you should get that? Do you think in two, three years you should be able to get that?

**Srivats Ram:** Yes, definitely.

**Jeetu Panjabi:** And what kind of revenue numbers for the aggregate company would you get to at that point?

**Srivats Ram:** We are currently, yes, so maybe we would be probably about something like 5, 5.5 or something like that by the time we reach that level.

**Jeetu Panjabi:** INR5,000 crores, INR5,500 crores?

**Srivats Ram:** Yes.

**Srivats Ram:** Assuming there is no mega inflation in commodity prices.

**Moderator:** Thank you. Next question comes from the line of Rajakumar Vaidyanathan, an Individual Investor. Please go ahead.

**Rajakumar Vaidyanathan:** Yes, thanks for the follow up. This question is on the subsidiary WIL Car Wheels Limited. So I don't think the numbers are called out separately in the financials. But if I compare the consolidated vis-à-vis the standalone, so I guess that represents the numbers of car wheels, right?

**Srivats Ram:** Yes, it's made a, it's made a loss. …

**Rajakumar Vaidyanathan:** Yes, the last year was almost doubled. That's the question. So last year, you had a loss of INR11.93 crores and now it's about INR21.3 crores.

**Srivats Ram:** Yes, we have. So there they had a particular issue in the way that, the prices are settled with customers. And last year, there was almost a INR16,000 per metric ton reduction in steel prices. So the hit that we took was on the inventory, although the inventory was at a normal level, but the inventory that we held because the settlement of the customer was immediate.

But we have also a recovery plan. The board has asked us what our plan is on WCWL. So we have a recovery plan, which we will be kicking in probably from November of this year, which is looking at consolidating facilities a little bit. Plus, we have also the benefit of increased volumes, which are already there now for us.

In the first quarter. So with these two, while we may not, we may not break even in the coming year either, we will significantly reduce the amount of loss that we have. It should come down dramatically. And the year after that, we should be in a break-even situation in that company.

**Moderator:** Thank you. Ladies and gentlemen, we have reached the end of the question-and-answer session. I would now like to hand the conference over to the management for closing comments.

**Srivats Ram:** Thank you very much, ladies and gentlemen, for joining the meeting. I think it gives us a platform in which we can address the performance of the company and also answer your questions, a lot of which are very perceptive and also give us thoughts that we can take back. And I look forward to continued engagement with you in the quarters to come. Thank you.

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