"Wheels India Limited

Q2 FY26 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Wheels India Limited Q2 FY26 Earnings Conference Call hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded. I now hand the conference over to Mr. Srivats Ram, Managing Director. Thank you, and over to you, sir.

Srivats Ram: Good afternoon, ladies and gentlemen. I'm Srivats Ram, Managing Director of Wheels India. I have along with me Mr. P. Ramesh, the CFO of Wheels India.

P Ramesh: Good afternoon.

Srivats Ram: We'd first like to cover the performance and then we have a small presentation, following which we would welcome any questions that you may have. Wheels India registered a 26.69% rise in our net profit for Q2 at INR28 crores compared to INR22 crores registered in Q2 of the previous year. Revenues for Q2 went up 8.63% to INR1,179 crores compared to INR1,085 crores registered in Q2 of last year.

And despite the uncertain global scenario, we registered export revenues of just under INR300 crores, registering a 15.6% growth over the same quarter of the previous year. In terms of the domestic business, really strong demand for tractor wheels as the tractor segment did well and also for air suspension systems, these powered our growth in domestic sales and exports, as I mentioned have also done well.

So as I told, I think despite the global uncertainty on the international business, we -- for the half year, we have done almost 20% growth in terms of exports. And we expect whatever has happened in the first half to probably at least be mirrored in the second half unless things are even better and then it improves beyond that.

A couple of other statements I'd like to make. One is, what is already in public domain is that we entered into a strategic alliance with SHPAC, a South Korean hydraulic cylinder manufacturer. This alliance involves a strategic assistance agreement and also some business -- joint business development for the hydraulic cylinder business. Essentially, this customer is based in Korea, has its customers in Europe and U.S.

Some of them are asking him for a de-risking location, an alternate location for supply. And he has contacted us and we are providing him that alternate location for de-risking his business. So that is essentially this agreement. The other point that I'm sure that a lot of you have is that what will happen with capex, typically, when uncertainty goes up, capex comes down.

But based on what demand pipeline we are seeing, we are actually not reducing our capex. We had planned roughly about INR250 crores as capex this year, same as the previous year and we expect this INR250 crores to go through as planned. Another update, if I can mention is we started operations of our Mambattu plant, which is really focused on tractor wheel exports. And that plant has started supplies and first exports are going to happen in the next month or so.

So this is an update from our side. I have a small presentation I'll take you through. I know that some of you might have seen it, but as there may be a few people who don't know about our group, I just thought I'll cover a little bit. So the group turnover, if you look at it in FY '24 was about $2.2 billion. We started while we are essentially from the heritage of the TVS Group, which started in 1911.

This is Mr. T.S. Santhanam the son of TVS's & his families. So he started his business in 1936. The manufacturing companies have 36 plants. They have 15 business entities, 1,200 branches and about 42,000 employees. We basically have a successful long-term relationship with global companies. Strong customer connect and focus has been our value system and we believe in long-term business growth, corporate governance and sustainability.

If you look at the companies in our group, the TSF Group, on the auto component side there is Brakes India, Wheels India, Turbo Energy, Axles India, Sundaram. Dynacast and Sundaram. Composites. On the auto distribution side, there is Sundaram Motors, India Motor Parts and Accessories Limited, Madras Auto Service. And on the finance side, you have the Sundaram Finance Group. So this, in a sense, makes up our TSF Group.

Wheels India is part of the TSF Group established in 1960. We're a listed entity where promoters have 58.31% of equity. Our value system is relationship integrity, customer centricity and excellence. Small amount of brief on the types of business and our basic data. We have about 8,700 people. We have 11 manufacturing plants. Last year, our turnover was $520 million with $130 million of exports.

We are a preferred OEM supplier. We supply tractor, earth mover wheels, steel and aluminium, car wheels and truck wheels, components for the wind turbine industry, air suspension system for buses, fabrication for the construction industry and hydraulic cylinders. We also have a joint venture company, WIL Car Wheels, which is a joint venture with Topy of Japan, focused on passenger car steel wheels.

I would -- I need not really take you through the history of the company, but the timeline is here. And as you can see that pretty much every other year, we have added new categories of business to our portfolio. And all this holds us in good stead as a lot of these are of a low base and can grow faster than industry. It's a broad framework of the types of products that we have, our plants, our customers and our customers have also recognized us with awards over the last 12 months, which are also covered in the presentation.

If you look at our strategy, really, we've got four different businesses. One is the Automotive Wheel division, which is wheels for cars, trucks and tractors. Construction Equipment division, which is wheels, fabrications and hydraulic cylinders. The Energy Product division, which is really components and machining for the wind turbine sector and the Air Suspension division, which is focused largely on buses.

We are one of the largest manufacturer of wheels for construction equipment and agriculture tractors globally. So globally, in terms of volume, we are probably one of the largest manufacturers. The company also has got a subsidiary that I mentioned about earlier. This gives a sense that while we are focused on the domestic market, our exports have been fairly strong with over 25% of our sales going to export.

And even if you look at this year, for the half year, roughly about 26% of our sales has been exported. For the second quarter, if you look at it, we've had about 8.6% top line growth. EBITDA growth has been 16.2% and PAT has been 26.7%. So reasonable performance in the circumstances. This is the quarterly yearly numbers.

Segment-wise, if you look at it, roughly about 20% is industrial components, the rest of it is auto components. This will change as time goes ahead as some of these segments have got faster paths to growth. Capex, if you look at it, here again, I'm just reinstating what I have said earlier, INR250 crores. So far, we've spent INR108 crores.

And a large part of the capex is really towards the industrial segment with the windmill segment taking up almost like 40% of the capex for the current year. We have managed this capex despite holding our debt at pretty much the same level. Our debt equity is 0.81. Debt-to-EBITDA has continuously declined. And we've been able to maintain this and we manage our free cash flows and that's actually enabled us to be able to make the investments.

Strategy-wise, if you look at it, we are looking at growing our export of wheels of construction equipment and agriculture tractors to essentially Europe, U.S. and Brazil. We are looking at ramping up our machining facility for large castings for windmills and this is a large part of the capex in the current year. Also, we are ramping up volumes of the fabricated and machine structural parts for windmill, which is really going into the offshore windmills in Europe.

The hydraulic cylinder business, where I mentioned about the agreement with SHPAC is another area where we believe that there's a lot of growth potential. And the domestic automotive market gives us opportunity to ramp up our cast aluminium wheels. One more thing, if I can add, which is not in this presentation is that the air suspension system business is also another area for growth, where in addition to traditional OEMs, we are also a major supplier to all the e-bus manufacturers.

Company is focused on working capital optimization and cash flow management to manage its growth and fundings have been largely through accruals holding the debt at the current level and we still have further scope to improve. Our ROCE is currently slightly over 15.5% and return on net worth is just short of 13%. So this is a brief presentation about the company. I will now open it to any questions that you may have. You can put it both in text form or orally.

Moderator: Thank you very much. We will now begin the question and answer session. Our first question comes from the line of Zaki Nasser, an Individual Investor. Please go ahead.

Zaki Nasser: Good afternoon, sir and congratulations on a very steady set of numbers. Sir, you have already indicated that the H2, you could expect a growth of around 8% like the H1. But how would that -- how -- when would the current capex play out, sir? That is my question number one. Shall I ask both the questions together and then you answer?

Srivats Ram: Yes. Please go ahead. Finish all your questions and then we'll answer it.

Zaki Nasser: When would the current capex play out, what would the debt number be at the end of current year? And sir, in the next couple of years, what would you expect the automobile versus non-automobile mix to be in our company, sir?

Srivats Ram: Thank you, Zaki, for the question. A couple of points. One is the capex plan was INR250 crores, out of which INR108 crores has been done. So we are pretty confident. As a matter of fact, I was asking the CFO whether the capex is only INR108 crores and whether it will be less than the budget. He said, no they will definitely spend the budget. So INR250 crores capex will happen before the end of the year.

And we expect all of this to be kind of in place probably by October. So in H2 of next year, the capex should be commissioned. And we are pretty confident that this will happen. Yes, the mix between auto and non-auto is something that changes. It also depends on the relative growth of the different areas.

So auto is more steady. The non-auto is dependent on global economies and things like that. At the moment, what we are seeing globally is that U.S. is still reasonably strong. We are not seeing -- as a matter of fact, in our overall export growth the growth in U.S. was more than the overall export growth. So it remains strong and the industrial segment remains reasonably strong going forward.

So relative to auto, the percentage growth may probably be slightly more. But again, so many variables are there,. we don't know exactly what will happen in the auto sector in India leave alone what will happen in the industrial sector overseas. But we expect that pretty much the H1 -- at the very worst case, the H1 results will be duplicated in the second half of the year. I hope I've answered

Zaki Nasser: Yes, sir. And the debt level, sir. I mean, we have…

Srivats Ram: Yes, Ramesh will answer.

P Ramesh: Yes. Ramesh here. Good afternoon. See, if you look at the debt, it is at around INR710 crores. So even for Marr '25, it's around the same level. So our plan is to hold the debt around the same level. So even if you look at March '26, we would be around the same INR700-plus crores kind of debt. So the capex is largely from the true internal accruals.

Zaki Nasser: And sir, with the capex in place, could we expect this 8% to 10% growth over the next 2 years, sir?

Srivats Ram: Yes, that is the plan. There's so many variables out there. So assuming that there's no new surprises, Every day we read in paper something new is happening. So it’s very difficult to forecast, but I would like to think that, yes, what you say is right because capex is pretty much played out and it should result in revenues in the next few years. That's what we're looking at.

Zaki Nasser: Thank you, sir. Best wishes, sir.

Moderator: Thank you. Our next question comes from Anukool Arora from InVed. Please go ahead.

Anukool Arora: Yes. Sir, I wanted to know on the export side, like how it will be going forward? Like currently, the mix is around 25% is the exports and given the global uncertainty, so how do you see exports going forward?

Srivats Ram: If you actually look at our exports for the half year, we've done about INR622 crores and we don't expect anything dramatically different in the second half. So we see reasonably strong demand. And I think even going into the next year, unless the global situation becomes much worse, what we are seeing right now, the opportunity for growth is still there. We are still positive about export growth.

Added to that, I think the export relative to overall sales depends on the domestic market. Domestic market is decent, but given the low base that we have in a lot of our businesses, the export growth can be quite substantial. So we are quite confident that we will grow at this 8% to 10%, partly driven by domestic, but also driven by increased export volumes that we will see.

Anukool Arora: Okay, sir. Got it. And how do you see the new hydraulic cylinder market like how do you see the opportunity over there, how big is the opportunity over there?

Srivats Ram: Yes. So there are two parts of it. One is the domestic market and the other is the export market. I'll cover them separately. Domestic market, first half has been fairly muted because there were rains. And typically during the rainy season, construction equipment is not used. So sale of construction equipment tends to slow down.

Now everything has been done. So with the rains monsoon over, we expect activity to pick up from this month onwards. And we are confident that it will be -- second half will be better than the first half as the rains will be behind us. That's the domestic market. On the export market, we are looking at one or two opportunities. The SHPAC one was -- of course, the one that we spoke about.

That has already started, but will be a probably slow starter and actually pick up steam more next year as we've just signed up the agreement. We're actually going through the phase where our people have gone there for training. So next year onwards, we should start seeing probably more growth there. We are looking at other opportunities with other OEMs. But as those fructify, we will also keep you informed.

Anukool Arora: All right, sir. Understood. That's it from my end. Thank you so much.

Srivats Ram: Thank you, Anukool.

Moderator: Thank you. We have our next question from the line of Rajakumar Vaidyanathan an Individual Investor. Please go ahead.

Rajakumar Vaidyanathan: Yes. Thank you for the opportunity sir and congrats for the good set of numbers. Sir, I have about three to four questions. So if you permit me, I'll ask one by one. The first question is on the segment. I just want your comment. So, we have been seeing this, particularly the first one is on the CV segment. I see many of the finance companies focusing on CVs have been reporting higher retail NPAs. So, I just want to know what is your view on this segment? Do you see any systemic issues in the commercial vehicle segment and what would be the impact on Wheels India for that?

Srivats Ram: It's been very muted, to be honest. The first half has been fairly muted. It's one segment which is kind of underperformed vis-à-vis what we thought it would be. But everything said and done, much as construction equipment activities are expected to pick up in the second half, when that happens, CV demand, at least for the on the haulage side of the construction should come into play. So, there should be demand that's coming from that.

The other segment that's working well for the CV business is a bus segment. So, I think these two parts should probably play in some growth of CV in the second half. But the point is valid that, the freight rates are fairly tight. So, I'm not sure how much of leeway there is for growth, but the area of growth for CV will probably be construction and bus.

Rajakumar Vaidyanathan: Okay. Okay. Got it, sir. And, sir, I recently heard the Ministry for Renewable Energy, he kind of mentioned that there'll be a lot of focus on the wind energy in the coming years. So, Wheels India has got a significant opportunity on this segment, right? So, I just want to know - how much of that will be able to kind of take advantage of it?

Srivats Ram: Yes. So far on the wind energy segment, we've been really focusing more on the international markets. So, you're asking about our wind energy business or renewable energy usage by Wheels India? Sorry, Rajakumar, can you just clarify?

Rajakumar Vaidyanathan: Yes. Yes. The question is, I, yes, I think you mentioned that in the previous calls that we were focusing on the export segment of the wind energy. Now, my question is…

Srivats Ram: Correct.

Rajakumar Vaidyanathan: With the current focus more on the domestic side, are you willing to look at that opportunity as well? That is my question.

Srivats Ram: No, no, very much, very much so. You are right that, earlier we either directly exported or sold to customers who are exporting their product overseas. But we have started working, we are working with various groups, including Indian groups, such as the Adani group, Senvion, lot of, lot of domestic players we are kind of engaged with. And we are trying to refocus. Of course, there are also Chinese manufacturers in India. We are trying to engage with them as well.

So, we do believe, we do believe that, while export is a growth opportunity and everything that we've expressed in terms of our growth potential has been export, our team is also focused on the domestic industry. And we would also concur with the Renewable Energy Ministry that 6 MW capacity addition is possible, as they've already crossed the halfway stage in the six months. So, we are engaged -- very much engaged with the industry domestically.

Rajakumar Vaidyanathan: Okay, sir. Okay. And sir, the next question is on the -- in the last two quarters, we have seen significant depreciation of rupee against Euro and USD. So, I just want to know why we are not seeing big upside in terms of margin for Wheels India? Is it because this gets passed on to the customer over a period of time ?…

Srivats Ram: Yes. There is some -- no, that is a valid question. There is some amount of 'pass on' that does take place. It happens in a phased manner over a period of time. So, that also does happen. But our margins on the export business are reasonably strong even without the depreciation.

P Ramesh: And we also have some imports.

Srivats Ram: And we also import material sometimes for exports. So, we gain on that side as well.

Rajakumar Vaidyanathan: Okay.

Srivats Ram: I mean it negates the gain to a certain extent.

Rajakumar Vaidyanathan: Okay, sir. And so, the next question is, any color on the WIL Car Wheels, subsidiary performance?

Srivats Ram: No. They've done exceedingly well. As a matter of fact, if you look at the performance for the half year of WIL Car Wheels, they've shown growth both in terms of top-line, as well as profit. The profit for the half year this year is more than the full year profit of last year.

Rajakumar Vaidyanathan: Okay.

Srivats Ram: Yes. They are doing quite well. Of course, largest customer for them is Maruti Suzuki. So, they are doing quite well servicing that market and they've shown growth as well.

Rajakumar Vaidyanathan: So, any color on the expected performance? Do you expect the performance to be much better in the upcoming quarters? Or it will be steady state?

Srivats Ram: No. As I said, the half year performance on profit is more than the full year performance of last year.

Rajakumar Vaidyanathan: Okay.

Srivats Ram: So, I am basically saying that the profit is, will more than double for the subsidiary.

Rajakumar Vaidyanathan: . The reason I am asking is, I see there is some small dip in profit between September and June quarter of Car Wheels based on your consolidated numbers. That is the reason I am asking this question.

Srivats Ram: No. As a matter of fact, the -- if you look at our H1, if you look at a -- are you looking at H1 or Q2? So, Q2 numbers are…

Rajakumar Vaidyanathan: I am looking at Q2

Srivats Ram: So, Q2 numbers are pretty flat in terms of top line at INR127.85 crores against INR127.02 crores. But the profit is significantly higher. The profit is significantly higher than Q2 of last year.

Rajakumar Vaidyanathan: Okay.

Srivats Ram: As I said…

Rajakumar Vaidyanathan: I am asking Q-on-Q. September '25 versus June '25.

P Ramesh: Yes. See, if I can tell you the PBT number, H1 was INR7.82 crores and Q2 was INR4 crores. So, it was INR3.82 crores in Q1 and INR4 crores on Q2.

Srivats Ram: Q2 is better than Q1.

P Ramesh: Marginally better.

Srivats Ram: Quarter-on-quarter there is an improvement.

Rajakumar Vaidyanathan: Okay, sir. Got it, sir. And so, the final question is, when do you think we can reach return on equity of 15%? I remember you mentioning in some of, I think, one of the previous calls, we will be targeting that kind of a return on equity.

Srivats Ram: No, no. I…

Rajakumar Vaidyanathan: I assume…

Srivats Ram: We went through the previous calls. I think the question -- the comment that I made is that on return on capital employed, we will be at 15%. We are currently at 15.5%. The question was when will I reach 18% as that's a stated goal. I said it will take two years. Our ROE per se is about 13% now, just short of 13%. So we also…

Rajakumar Vaidyanathan: Yes. The question is on the ROE, sir.

Srivats Ram: Yes. So, I think that 15% is a reasonable target, probably in two years. See, we have done a lot of fresh capex, like on aluminium, a lot of the capex is done. Now, it's just a question of executing and getting the orders going, which we are starting to do. On the windmill sector, again, investment has happened. The execution needs to happen.

The tractor for exports, again, we started a new plant just a few months back. So, the capex is done, it's just execution. So, we have made significant capex, which will see, play itself out in terms of increased revenue in the coming quarters and years and that should also improve the profitability. It will not really require significant more capex.

Rajakumar Vaidyanathan: Okay. Okay, sir. Got it.

Moderator: Our next question comes from the line of Samarth Singh from TPF Capital.

Samarth Singh: Good afternoon. Sir, my first question was on our, say, exports of tractor wheels. I think we were supposed to start that from the second half of this year. So, if you just provide us an update on that and the potential there.

Srivats Ram: Yes. See, they're different -- the challenge, see, we've been exporting tractor wheels for a number of years. But actually, the challenge has been that our entire product range has been pretty much what is used in India. Now, if you go globally, the variety is significantly higher. So, we've had to actually tool up and add capacity so that we can meet the entire range of tractor customers.

Tractor customers on the global side are not willing to increase the exposure to you unless you can service the entire requirement. So, we made the capex so that we have the capacities and the toolings in place to meet these requirements. We have just kind of shipped the first samples for the export business in this month. And hopefully, once those are accepted, then the bulk supply should start probably from November or December.

And we are quite positive on this. At least three of the large global tractor manufacturers have showed interest, visited us, audited us, sent us RFQs, we've quoted, everything has been positive.. Although, I must say that with the US tariffs hanging over, most of it has come from Europe and not so much from US.

Samarth Singh: Got you. And how large do you think this can be conservatively over the next year?

Srivats Ram: Okay. If I include construction, so we look at it together. So, look at the construction wheel business and the tractor wheel business. I'll say over a three-year to four-year period, it can be maybe about INR400 crores of additional revenue can come from this.

Samarth Singh: Of exports?

Srivats Ram: Yes. Of exports. INR300 crores to INR400 crores should come from this. Similarly, we have other areas also where we believe the export growth can happen. So, I would say that, while we've done reasonably well in exports, there's still a lot of headroom for us to grow this business. As long as we focus on the customer, continue to build our relationship and execute on projects which have been given with us.

Samarth Singh: And on the cast aluminum wheels, what monthly -- what are the monthly exports as of now?

Srivats Ram: Yes. There's a bit of a seasonal flux. We were doing about 25,000 wheels a month. But with the promise of the 100% duty on China, suddenly customers went and bought as much as they could from China. So, schedules are pretty much slashed for the next couple of months. But now that China is kind of normalized, I think the schedule should come back probably from December. But yes, we were doing about 25,000 wheels a month.

But in addition to that, we also have domestic demand from the domestic OEMs, which is playing out, and will continue to play out. As a matter of fact, we had a capex budget in the beginning of the year and we've actually enhanced the capex budget for aluminum a little bit so that we can meet whatever business we have won, which is panning out in the next financial year.

Samarth Singh: So, if I remember correctly, so we need to get about 60,000 wheels a month to get to double-digit EBITDA margins in this business. So, you think we could…

Srivats Ram: Yes.

Samarth Singh: Assuming that you're adding more capex, I'm assuming that means that you expect to get to that by next year?

Srivats Ram: Yes. Very much. Very much. So, I think that we should probably be at -- yes, we probably will reach 60,000 plus in the, hopefully by the second quarter of next year itself.

Samarth Singh: And this would -- what would be our total investment as of today in the cast aluminum wheels business?

Srivats Ram: About INR300 plus crores, and including whatever is already planned. So, not on the ground, but whatever we planned and are in the process of executing is about INR300 crores.

Samarth Singh: And after we execute that, what will be our capacity?

Srivats Ram: Yes. So, what we're doing right now is, currently our capacity is about 40,000 wheels a month and we're increasing it first to 60,000, which would happen in Q4 of this year. And we're increasing it to 80,000, which would happen by end of Q2 next year.

Samarth Singh: Okay. So, next question is on the hydraulics business. What are our gross margins in that business today and how significantly will they change post this Korea deal with the Korean OEM?

Srivats Ram: Yes. So, the hydraulic business has two sides of it. One is the company was merged into Wheels India and we've had to do a certain amount of cleaning up of that business, move -- take out all the non-moving stock and all that. But you put that aside and look at the operating margins per se, it is just short of 10%. But as the export increases in that business, it will become more of a double-digit margin business. SHPAC, I have mentioned that probably within 24 months, we should be looking at about $15 million worth of business.

Samarth Singh: And what is it -- what is the hydraulics business revenue -- annual revenue as of today?

Srivats Ram: About INR200 crores.

Samarth Singh: INR200 crores. Okay. And sir, I'm sorry, I missed the initial few comments. Did you make a statement on effect of the US tariffs and how we're handling them? And if so, any sort of pre-buying that helped us in our export

Moderator: Code has been confirmed. Please wait while you are joined to the conference.

Srivats Ram: Being decent in terms of export, how do you see the full year? I see it panning out pretty much as things stand. I was hoping that, this oil tariff thing can be sorted out before end of November. But barring any adverse developments that happen, we don't expect any further uncertainty and we expect to execute as per our plan.

Samarth Singh: So what is the tariff on our export on our, I guess, our tractor and aluminum exports, wheel exports today?

Srivats Ram: So auto is kind of 25% tariff and that's more of the PV type of -- PV and truck. And if you take construction and agriculture, it's about 33%, 35% is effective tariff rate that we're facing. And the customer is bearing most of it, little bit of it is shared by us. But by and large, it's -- we are not, just to give you some insight, we had a budget prior to Mr. Trump making his expansive remarks and tariffs. And we had a -- the board asked whether we want to reset the budget and we said, no, we'll stick with the budget numbers.

Samarth Singh: And then we had some shuffling, I mean, not shuffling, we did some purchasing of shares of Axles India from our holding company. Could you just explain what that transaction was about this?

Srivats Ram: Sure. So Axles India promoted by Wheels India. It was promoted by Wheels India and Sundaram Finance in the early '80s. And the joint venture partner was initially Eton, who was then bought by Dana. And in the early part of the year, Dana actually sold its stake to Sundaram Finance Holdings. And when that stake sale happened, Sundaram Finance Holding also said, it's an opportunity for Wheels India. We looked at what we could afford and we ended up buying about 3%.

So the stake in Axles India has gone up from 9.5% to 12.5%. This has happened actually in July. So right now, if you look at it, it's 12.5%. And if the opportunity happens again, where we can increase the stake, we'll look at increasing the stake. It's a business that is aligned with our business, pretty much similar customers that we deal with. So it's a business we're interested in as a company.

Samarth Singh: But we are not on the operational side of it, it's just an investment as of now.

Srivats Ram: On the Board, so the -- both the Chairman and me are on the Board of the company of Axles India. So I guess as directors in the Board, we are kind of involved in the business to that extent.

Samarth Singh: Got it. Got it. Sir, last question from my side, our -- you mentioned our ROCE goal of 18%. I think our gross margins have gone up last year and now I think for the second half -- for the half year, they are close to 32%. So they're steadily climbing up. Is there a gross margin goal that you need to reach to get to that 18% ROCE that we are aiming for?

Srivats Ram: It's a very dicey question, because we had a Board meeting for the second quarter and people said, oh, your gross margins have improved. And I had to tell them that it's really based on the mix and we don't control which segment does better, which segment does worse. So it's kind of a little bit of a roll of the dice. The only thing I can say is that we made investments in businesses which have higher margins. And as those pan out -- as those investments pan out, we hope that we can maintain if not enlarge the gross margins.

Samarth Singh: And those would be the windmill business…

Srivats Ram: Correct.

Samarth Singh: The cast aluminum business and the hydraulics business?

Srivats Ram: Yes.

Moderator: Samarth, you had also posted a text question. We do hope that that has been answered as well.

Samarth Singh: That has been answered.

Moderator: Our next question comes from the line of Ankur Agrawal from R.C. Business House Private Limited.

Ankur Agrawal: Yes. As we are working on the margin side on 7%, 8%, is there any possibility to go in next two years, three years to 10% margin possible?

Srivats Ram: Yes. We are very much looking at that. So we are very much targeting that. And we do believe that, as we play out our strategy, as I just mentioned, we have four, five areas of growth. And as we pan out those strategies, we believe that we will get closer to a double-digit margin.

Ankur Agrawal: Okay. And the next question, we have any exposure to a defense side?

Srivats Ram: We have. See, we are -- let me put it this way. We don't directly deal with the Indian defense, but we actually are supplying through Tata, Mahindra, Ashok Leyland, Bharat Forge, L&T. So we have major supplies to all these customers. And through these customers, we actually supply the defense. But the products are specifically defense products, but it's supplied through these customers amongst.

Moderator: Ankur, you had also asked a text question. Was that answered as well?

Ankur Agrawal: Yes. Yes.

Moderator: Our next question is from the line of Lala Ram from LRS Capital. Lala Ram, your line has been unmuted. You may proceed with your question.

Lala Ram: My first question is, did we have any deferment of revenues in this quarter?

P Ramesh: Sorry, can you say it again, please?

Lala Ram: So I see that our employee cost and operating expense quarter-on-quarter actually has grown while revenues have gone down. So is -- was there any deferment of revenues or if not…

Srivats Ram: No. No. No. Let me explain. See, when we are in some of the businesses that we are in, notably the windmill business, and to some extent, the hydraulics business is kind of has a seasonal fluctuation. But there are a lot of skilled employees who are there. So we actually need to hire people and train people in advance of the season kicking in. Now for the wind business, the season is kicked in in the third quarter. So you'll find that as a percentage of sales as that revenue increases, we'll find that the percentage reduces, A.

B, there's also a lot of improvements that we are doing in terms of our productivity, which will also pan out and you'll see that the manpower cost is coming under better control. But you're absolutely right. The question is that if you look at the first quarter and the second quarter, the manpower cost has gone up substantially. The company is taking efforts to look at reducing this in Q3 itself and some of it may spill over into Q4.

Lala Ram: Got it. Do we have a scope for automation in our business operations?

Srivats Ram: Yes. We have -- I don't have a count of the total number of robots that we have, but we have over 200 robots operating in our plant. And we are increasingly looking at also inspection related automation, some of it using AI. So all that is actually on the cards and we are aggressively looking at that.

More than that, I think we are also finding that in some of the businesses like fabrication business, if the first time quality is improved significantly, we made investments for that. So as the first time quality improves, the manpower also reduces significantly. So we made, unfortunately, the reductions have happened only from September onwards. So it will probably…

Lala Ram: Okay.

Srivats Ram: More reflect in Q3 than it has in Q4.

Lala Ram: Got it. My second question is, with respect to exports, what I see is that one of our competitors in wheels actually has de-grown in the recent quarter while we have grown. So that's an amazing achievement in the first place. Can you offer any possible reason for that?

Srivats Ram: Yes. See, we are not in export business, we are in business. And if you take some of…

Lala Ram: Okay.

Srivats Ram: Our export customers, we have been servicing them for more than 30 years.

Lala Ram: Yes.

Srivats Ram: We have export customers who are older than, have had a longer relationship with Wheels India than domestic customers.

Lala Ram: Okay.

Srivats Ram: So it's more a long-term…

Lala Ram: Got it.

Srivats Ram: Business and we are a major player in, as I said, the construction and agriculture sector, we are a major player globally. So to that extent, the business doesn't drop off that easily. But it also is a tougher business to get into. So we spend a lot of time and effort to build the business and that business should improve because, to be honest, none of the businesses globally are actually rocking. So as they start, coming into focus and as things improve, things will improve even further.

Lala Ram: Noted. So alternatively, can I say that in spite of the tariffs, we are competitive versus any alternate suppliers?

Srivats Ram: So far, yes. Based on what I know of tariffs today, but who knows what will happen tomorrow. We're all hoping that by end of November, this oil tariff goes off, after which things should be much better. But let's keep fingers crossed.

Lala Ram: Sure. One more question linked to this is, you did mention that you also absorbed Wheels India, certain part of the tariff.

Srivats Ram: Yes.

Lala Ram: So does it mean that if that was not the case, margins would have been even better?

Srivats Ram: Yes. Definitely. Obviously, we absorbed some part of the tariff, although in -- up to Q2 has been not significant, been a fairly lower number, but probably in Q3 because the oil tariff will actually hit us more in Q3 than it has in Q2. So Q3 onwards, there will be an impact. Of course, the oil tariff goes and they also get the benefit that way. But as I also mentioned, our budget number in terms of profit was going to remain the same. We're not, we found ways in which we can manage it and still maintain our budget profitability.

Lala Ram: Noted. One question is on acceptances/bill discounting. How do we expect that number to move in the next…

Srivats Ram: Okay.

Lala Ram: Few quarters and even coming years?

P Ramesh: Yes. It should be around the existing level.

Lala Ram: Yes. In terms of absolute number or in terms of percentage of sales?

P Ramesh: In terms of absolute number.

Lala Ram: Absolute number.

P Ramesh: Yes. It stands around INR450 crores.

Lala Ram: Okay. So, okay. May I understand why this number will not move up with increase in the business?

P Ramesh: See, that's our planned effort to, I mean, see, internally, when we look at the debt, we add this discounting as a part of the debt. So, put together, I have a debt of, on book, it's about INR700 crores, this plus INR450 crores, it's about INR1,150 crores kind of, I mean, around that number is what our internal plan is. So, our idea is to hold on to this level and with improving performance and better cash flows, and even if the capex is going to be slightly higher than what it is today, we should still be around this number.

Lala Ram: Okay. So, is it a function of purely better capital management, which is why we do not need to do this?

P Ramesh: Yes.

Srivats Ram: Largely.

Lala Ram: Or is there also an element of product mix? I mean, are certain products, do they rely heavily on acceptances by discounting versus some other products? Is that the case?

P Ramesh: Not, I mean, mix is there to an extent, because when we import steel, then you have the credit available for 180 days. Unlike if we do a local purchase of steel, let us say it is for 30 days. And so, the mix has an impact that the more you import, your discounting limits can be utilized less. But again, the commercials for making a viable import depends on so many factors, okay.

So largely, it is working capital management because we still -- internally, we are kind of working for optimizing the inventory levels. So when we optimize the inventory levels, so even when the business is growing, we should be still be around, hovering around this INR450 crores plus numbers in terms of discounting limit.

Lala Ram: Got it.

Srivats Ram: We've done an improvement in debtor management. Inventory management is still work in progress. And I think we're confident that by end of the year, if not early next year, we should be in better control.

Lala Ram: Yes. We can see it in the numbers. So great job there and hoping it continues to improve. One more question is on Axles India. Here, do we have a plan to take our ownership to a certain level?

Srivats Ram: We have about 12.5%-odd is the current ownership of Axles India. And if the opportunity presents itself and Wheels India has a capability, we'll look at it. But right now, no real concerted plan that way.

Lala Ram: Okay. I have one final question. While in terms of margins, we have discussed in the past con call segment-wise, if I look in terms of, say, return on invested capital, how would that -- how would the different segments stack up?

Srivats Ram: Yes. So we have some businesses which are actually what I would call as conversion businesses where there's no RM, notably the windmill machining business, which is not insignificant. So there, I would say the returns will be clean double-digit or even higher than that.

So probably the one where the return on investment is lowest is cast aluminium because we haven't reached the scale yet. So, once we hit this, start doing, say, something like 80,000 wheels a month, then we'll probably start seeing a return on investment there. But that's one area which is relatively underperformed.

Hydraulic cylinders, again, because the scale is only now getting to the stage that we want, has underperformed in the past. There are a lot of other -- the fabrication business construction used to underperform, but now it's performing much better than a lot of the other segments. So we keep working on. We always have some work in progress that we are reviewing on a bi-week, bi-month -- biweekly basis or a monthly basis internally. And we keep working on that, and we found that as long as we keep on it, like, within a year, we're able to turn growth.

Lala Ram: Thank you so much. I will join the queue now.

Moderator: Thank you. Our next question comes from the line of Pawan Kothari from Calcutta Metal Depot. Please go ahead. Pawan Kothari, your line has been unmuted. You may proceed with your question.

Pawan Kothari: Congratulations on a good set of numbers. Some of my questions were already answered, but could you just elaborate that why the inventories are so high, like around INR800 crores, like compared to the turnover, like does it give us any advantage by keeping high inventories? Or is it the nature of the business?

And my second question was this INR250 crores capex that we have planned. So as far as I understood, it would be completed by March '26. So how much increase in the turnover we are expecting from this INR250 crores capex, which we are doing in the current year? And if you could just tell a little bit more on these oil tariffs?

Srivats Ram: Sure. Sure. So, I'll try to answer the question. Yes. On the inventory, that we have got, , the exports have grown. So the exports grow, there's some of the export where we are delivering just in time to customers. So it stays on our books till we inward it. So that is one reason as exports grow, the inventory is also growing.

Secondly, there are some segments, notably the windmill segment where unfortunately because of the seasonality and -- because of the seasonality we found that we are sitting on stock. But as it so happens, the segment is now seeing demand. So the stock will also get extinguished.

So we've been working on reducing inventory and I do review every 2 weeks on the inventory. We have analysis and we take action on it. So it will definitely reduce. You are right, that it has increased, but partly due to seasonality and partly due to exports. This is the first question. What was the second one?

Yeah, on tariff. On the oil tariff per se, you know, it is a bit of a -- we thought the tariff earlier was about a 25% tariff, but the oil tariff is 25% on top of that. That said, there are certain products of ours, which are seen as auto, which have about a 25% tariff. And the non-auto parts, probably the effective tariff that we get is about 33%, 34%. That is the impact.

The oil tariffs will start hitting us in terms of where there is a certain amount of sharing by us and start hitting us in Q3, mostly in Q3, a little bit in Q4. But we still believe that even with that, we can maintain our margins and we can manage the current situation. So, I don't see a major concern there. There is one more question that you asked, tariffs, inventory?

Pawan Kothari: Yes. How much increase in the turnover from the capex?

Srivats Ram: Yes. So there are two elements to that capex. One element of the capex, there's about something like out of the INR250 crores, there is about INR90 crores, which is a 1:1, where actually, it is in the windmill machining business where the margins are high, but the -- it's a conversion business. So, the asset turnover ratio will be more like 1:1. So INR90 crores will add about INR90 crores.

The aluminium business will have a 2:1 type of thing. That is, again, about INR80 crores. So, INR90 crores plus INR160 crores. So that's INR250 crores and the balance should be about 4. So you take INR80 crores plus -- INR80 crores should have about 3 at least. So, about INR500 crores, INR500 crores, INR600 crores should be what we will get out of that.

Pawan Kothari: Okay. Thank you.

Moderator: Thank you. The next question comes from the line of Rajiv Ravani, an Investor. Please go ahead. Rajiv, your line has been unmuted. You may proceed with your question. As we are not receiving a response from the current participant in the queue, we will proceed to the next questioner.

Our next question is a text question from Madhur Rathi of CCIPL. What is the machining capacity utilization currently? How big is the addressable market for air suspension? Currently, what percentage of this market is met through imports?

Srivats Ram: Yes. So, I'll try to answer the different elements of this question. One second, where is the question mark? So on the top. Okay. I'm sorry, what is the first element? Can you just repeat the question?

Moderator: Machining utilization.

Srivats Ram: Machining capacity utilization is, you know, we're making all this investment because they're pretty much 100% capacity utilized on machining. We're talking about the windmill related business, I'm assuming, in which case, we are absolutely flat out running 7 days a week. That said, a lot of the capex that we made, there's two machines which have arrived and are being commissioned.

So hopefully, by end of November, we should get two more machines online, but those two more machines capacity will also be taken. Third machine probably will come by end of December. So in January, we'll have the third machine. And I think probably from March, we will have some amount of spare capacity, but the demand is slightly ahead of us currently. I hope that addresses the question.

Air suspension, the market is -- we used to look at the market pretty much as a traditional OEM market. We have expanded our view and have now started supplying people like JBM, people like Switch Mobility, people like EKA Mobility and even Olectra. So, as we engage with these people, some of these people were importing, so now they are coming to us. So I think that there is still potential for us to grow this business.

Second thing is that when you go to the e-bus, increasingly, people are using both front and rear suspension. So the value proposition per vehicle is also going up. So there's -- we are seeing the growth in this year. This year, half -- second quarter, 29% is air suspension growth.

And we expect this growth to continue to be there, although it's very much based on state government tenders that customers bid on. So as long as the pipeline is kept fresh, we think that the growth will be fairly strong even for the balance part of the year. And we are addressing the imports by and large.

Moderator: Thank you. We have another text question from the line of Prashant Reddy. Sir, your employee costs and other expenses as a percentage of sales have increased substantially in the first half. What is the reason? And will this ratio continue to be this high?

Srivats Ram: Yes, we kind of answered this question. Essentially, what I said is that there is a certain amount of skilled manpower that we require and there is certain seasonality in some of the businesses like the wind business. So we can't -- we have to keep the people even when the season is down. But the season, as things stand, third quarter and fourth quarter is going to be quite strong. So with that, you'll find that the employee cost will come down.

Secondly, we are also addressing automation and productivity improvements, which should see the employee cost coming down quarter-on-quarter. For the third quarter, employee cost as a percentage of sales should be lower than the second quarter. Fourth quarter also hopefully should be lower than the third quarter. So we see this coming down.

Moderator: Thank you. Our next text question is from Vijay Wadhwa. What kind of machines are being added for windmill apart from regular VMC, HMC? Just to help me understand the high asset turnover.

Srivats Ram: Yes. One is the machines are huge. So the typical machine is like a building. It's pretty massive. There's no equipment that we have, which can fit into a conference room, for example. We actually -- you forget about the machines, the size of the components that we make, a hub of a windmill weighs about 23 tons.

We made a product display recently for the promoters in the company, and we had to hire basically a circus tent to fit everything in. So that gives -- if you look at a product which is 23 tons, you need something which is the size of a 2-storey, 3-storyed apartment, which can actually machine those parts. So largely, the machines are table borer, floor borers, lathes, VTLs, that type of equipment is what we have.

Moderator: Thank you. We have a follow-up question on audio from the line of Samarth Singh from TPF Capital. Please go ahead.

Samarth Singh: Yeah, thank you for the follow-up. I just had one question. If you could tell us what is our exposure to the North American heavy truck market, please?

Srivats Ram: It's very limited in Wheels India. It's relatively insignificant because we are actually more in the construction side of trucks as opposed to the on-highway. So typically, when you look at a lot of companies, they are into the Class 8 trucks in the U.S. For us, it's more on the construction and forestry side of it. So it doesn't get affected by the cycles that you have in the Class 8 trucks.

Samarth Singh: Okay. Thank you so much.

Moderator: Thank you. We have another follow-up question from the line of Ankur Agrawal from R.C. Business House Private Limited. Please go ahead.

Ankur Agrawal: Sir, we have done a lot of capex last 2, 3 years, but the top line is stagnant somewhere INR1,050 crores to INR1,150 crores in last 14 quarters. Why is it?

Srivats Ram: Okay. Just to answer you, this year, first quarter and second year, we've shown 8.63% growth. Secondly, if you look at the capex, significant amount of capex has gone into conversion type of business, where basically there's no material cost. So it's basically on conversion. So your asset turnover ratio on conversion type of business tends to be more 1:1. At the same time, the EBITDA margins are clean double-digit type of healthy IT type of margins.

So, while the top line has not grown, the bottom line has grown faster than the top line, largely due to the fact that there's a lot of conversion business that's happened. Secondly, the capex like in areas like cast aluminium wheel, we have still not hit the volumes, but that should probably happen by the first or second quarter of next year, after which the asset turnover will improve significantly.

Ankur Agrawal: So, I can think that next year, you will be grow top line by 20%. Is it possible?

Srivats Ram: It will not be in 20%. As I said, this INR250 crores, we just explained, INR250 crores, if you take what investment we are planning this year, we said it will be about INR500 crores, but it may take 2 years to reach that INR500 crores. This is this year's investment. Last year investment will be something similar. But probably there will be a bit of lag. So last year should happen probably by next year, this year and next year. And this year's investment should happen next year and the year after next.

Ankur Agrawal: Then the possibility of INR5,000 crore mark by this year or next year?

Srivats Ram: Sure.

Ankur Agrawal: Okay. And the margin will be improved to 8% to 9%, possibly?

Srivats Ram: Yes. We also need -- one of the points is we also have been very fortunate that the material costs have been under control. So that's another variable that we need to play -- keep in mind because when material costs increase substantially, there's sometimes a lag which affects our margin. Fortunately, we have not been hit by too much of material cost increase so far.

Ankur Agrawal: No. Aluminium cost is rising from last 6, 8 months.

Srivats Ram: Aluminium is easy to pass through. Steel is not that easy. Steel is a little large.

Ankur Agrawal: Okay. And one more thing. The tractor industry in India grown in last quarter more than 30%, July, August, September, wholesale. But we have not grown so much. Indian tractor industry is not so much in our portfolio.

Srivats Ram: Our share of business, there are about four or five people supplying wheels for tractors. We have a 52% market share. So, whatever is being produced is what we supply. What we sell is a different thing. We supply production only. So sometimes production is made earlier. Sale will happen later. Sale normally happens during season.

We sell a lot during festive season. So that is why it tends to show a much higher number, but the production happens over longer periods of time. But we have shown strong growth. And as a matter of fact, when I talked about the top line growth, I said tractor and air suspension are the two growth areas domestically.

Ankur Agrawal: Okay. And then next two quarters, there will be some growth from wind energy?

Srivats Ram: We are hoping, yes.

Ankur Agrawal: Yeah. Okay. Thank you. That's all from my side. Thank you.

Srivats Ram: Thank you.

Moderator: Thank you. Our next question is a follow-up from Rajakumar Vaidyanathan, an Individual Investor. Please go ahead.

Rajakumar Vaidyanathan: Yeah. Thank you for the follow-up. Can you hear me?

Srivats Ram: Yes, go ahead, Rajakumar.

Rajakumar Vaidyanathan: Yes. Sir, you mentioned that you're using about 200 robots in the production process. I just want to know what is the -- I mean, robo plus the AI piece? How much investment we are looking at into this the next 2 to 3 years?

Srivats Ram: It's not a significant amount of investment. One of the things, I'll be honest, if you ask me about a year back, what AI are you using in Wheels India, I would probably answer you saying that you don't -- we don't use AI. But recently, I was in a conference in the U.S., not in the conference, but I was in a discussion in the U.S., part of a discussion in the U.S. where we're discussing AI. I entered hoping to learn. Then when I heard what these guys are doing, I said, we are doing the same stuff. It's just that we all are local.

We get our AI is all from our state. All our software people from our state. We don't use any fancy AWS or Microsoft. We are using only local talent, and we're doing it. So that's a great thing about India. There's a lot of local talent, which is available, and we are able to find solutions working with local people.

Rajakumar Vaidyanathan: Okay. Got it, sir. Sir, the second question is, I see there's a lot of focus on the shipbuilding and ship repair industry in India. So I want to know whether any opportunities for us in that sector?

Srivats Ram: Yes. It's a valid question because welding is one of our capabilities. But I'm sorry, but we have not explored it as yet, so I can't really comment.

Rajakumar Vaidyanathan: Yes. Just to pinpoint. So, there will be a tremendous increase in the welders also because of the industry flourishes. So that a lot of pressure on the existing industries. So do you see any headwinds for Wheels India in terms of getting the right talent?

Srivats Ram: The right talent is very often a question of training your existing people, treating them well, paying them well. If you do that, typically, you can hold on to talent. But that said, it is a marketplace. So we will actually have to compete in the marketplace. The limited resources, much as we talk about democratic dividend, the actual skilled people is relatively less in India given the growth potential.

Rajakumar Vaidyanathan: Okay. Okay. And sir, the last question is your Q3 and Q4 generally is better both, I think, in terms of the margin. So can we expect a similar performance with Q4 being the best quarter among the four quarters for this current financial year?

Srivats Ram: Last year, Q4 -- the last 2 years, Q4 has been very strong. So I'm not sure about Q4. Definitely, in the immediate period, there should be some improvement on a year-on-year basis. Q4, we don't really know, Rajakumar. So, I know what -- I have some idea of Q3. So Q3, I can comment and say it looks like it will be better. Q4, I still don't know.

Rajakumar Vaidyanathan: Yes. Sir, generally, you booked some -- you discounted something in Q4, right? So do you expect similar discount to flow in the current financial year?

Srivats Ram: That will happen. It doesn't mean there's a year-on-year improvement because that's happened in the previous year, it will happen this year. So the year-on-year improvement also depends on how the sales actually pans out in the fourth quarter. It's a bit early for us to comment.

A lot of it also depends on how things like tariff gets settled, how customers start ordering because people are also waiting to some extent to see how the dust settles on tariff. After that, there'll be more opportunities. So we're hoping that all that gets addressed.

Rajakumar Vaidyanathan: Yes. Okay. Sir, the last question is on the power cost. So any initiatives we are taking to reduce the power cost in terms of investing in renewables or any other initiatives?

Srivats Ram: We've made tremendous amount of progress. I mean, if you're talking about renewable energy, we have actually increased from -- we used to be 22% -- we used to be about 25% renewable. We are right now at 68% renewable. So we've increased the renewable percentage and the mix significantly.

Secondly, we are also working on reducing the consumption per ton. So last year, for example, we reduced the power consumption per ton by 5%, and we're continuously trying to see how we can improve that in the current year as well. Also, I think PNG is now available in Tamil Nadu. So we are also taking advantage of that.

Rajakumar Vaidyanathan: Okay. So it will be more a tailwind for us go forward, not a headwind, right?

Srivats Ram: Yes, yes.

Rajakumar Vaidyanathan: Okay. Got it, sir. Thank you.

Srivats Ram: Thank you.

Moderator: Rajakumar, you had posted a few text questions as well. We hope those have been addressed too?

Rajakumar Vaidyanathan: Yes, yes. That's taken. Thank you so much.

Moderator: Thank you. Our next question comes from the line of Rajiv Ravani, an Individual Investor. Please go ahead.

Rajiv Ravani: Yeah. I just wanted to know about the present debt position of the company divided into long-term debt and short-term debt, number one. Number two, what are the present credit ratings of the company? And number three, what's the market share of the company in India?

Srivats Ram: Sure. I can probably address the market share. So, on commercial vehicles, we have about a 45% market share. On agriculture tractors, it's about 52%. And on passenger vehicles, as we are largely in steel, it's shared between steel and aluminium were about 35% of the market. On the debt, the CFO will answer your questions. Ramesh?

P Ramesh: Sir, our long-term debt is INR142 crores as on September. And the short-term debt basically, which is working capital is about INR303 crores. And we have a public deposits of about INR265 crores. Put together, this will be about INR710 crores as a book debt, sir.

Rajiv Ravani: In total? And what's the average cost of debt?

P Ramesh: It is sub 7%.

Rajiv Ravani: Including the public deposits?

P Ramesh: Yes, including the public deposits. And in addition to this debt, we also have a discounting facility for about INR450 crores, so which we take it as a debt for all practical purposes. So if you take that, our total debt would be INR1,161 crores.

Rajiv Ravani: So -- but the discounting in the short-term, it would be as good as short-term debt, right?

P Ramesh: Yes, it is a short-term. It is basically the -- I mean, there was a question on the bill discounting. Basically, this is the discounting on the steel bills . So, purchases -- the purchase of steel because it's a shorter credit period between around 30 days. And…

Rajiv Ravani: Interest costs includes even the bill discounting cost, right?

P Ramesh: Yes, yes. So including bill discounting, it is about INR1,160 crores, which is almost similar to what we had on 31/3/25, which is about INR1,148 crores. So if you look at the last 2 years, we are hovering around this number, plus or minus INR10 crores or INR15 crores.

Rajiv Ravani: Any plans of raising further debt in the short-term in the near future?

Srivats Ram: Not really.

P Ramesh: No, sir.

Rajiv Ravani: And the short-term debt would obviously be linked with the working capital levels?

P Ramesh: Yes, it's all working capital and against the current assets.

Srivats Ram: Exports also as exports increases, that also increases the debt.

Rajiv Ravani: And the last question is about the credit ratings of the company.

P Ramesh: Yes. See, we are rated by two agencies and our present rating is A.

Rajiv Ravani: What are the agencies, rating agencies?

Srivats Ram: Yes. One is ICRA, the other is India Ratings. Both have given the stable outlook.

Moderator: Rajiv, has the text question you posted been addressed as well?

Rajiv Ravani: Yes, that's been addressed. Thank you.

Moderator: Thank you. We have a text question from Rajakumar Vaidyanathan. Any bad debt provisions made or any reversals made in H1 2025-'26?

P Ramesh: Yes, see, as a matter of routine, it is being done, like, we have an internal accounting rule in terms of provisioning. Based on that, there will be kind of a reversal that would happen. If you look at for H1, it is actually, I would say, a positive reversal. Yes. Just one second, just pulling out the numbers. So it's about INR18 lakhs is kind of a positive reversal on this quarter. For the 6 months, it is about -- and for the 6 months, it is about INR1.05 crores, which is again a positive reversal.

P Ramesh: So write-back.

P Ramesh: Write-back. There are accounting rules which defines by the age of the invoice or by the deduction. Typically, OEM customers, they deduct some payments. So internal rule says if the issue is not resolved within certain days, it has to be provided. So supposing after 4, 5 months if it is resolved, then the provisions get reversed.

Moderator: Thank you. Our next text question is from Lala Ram. Is the entire bill discounting on account of purchase of steel from domestic steel mills?

P Ramesh: Yes. I would say 95%, 96%, it is that. Small percentage would be non-steel bill discount.

Moderator: Thank you. We have a question from the line of Vijay Wadhwa, an Individual Investor. Please go ahead. Vijay, your line has been unmuted. You may proceed with your question.

Vijay Wadhwa: Hello?

Srivats Ram: Yeah, go ahead, Vijay.

Vijay Wadhwa: Yeah. Thank you. So, I had a question about the machining capacity. You said that you have large boring machines and lathes. So, when you say asset turn is 1x, are you billing the machine value within the year? Is that the understanding, correct?

Srivats Ram: No, no. It basically means that typically, a INR1 crores investment will result in a turnover of INR1 crores. That's what I mean. So typically, people ask, okay, investing INR100 crores, how much top line will you get? Top line is about INR100 crores, INR100 crores investment. On machining capacity, we are -- machining capacity, just to answer you, is very, very hand to mouth, which is why we are investing almost INR100 crores this year.

But all these are very long lead time items because typically, these machines, there are only one or two manufacturers in the world, and it takes about 15 months for it to come in. So we're just starting to get the machines from this month onwards out of the INR100 crores invested s. So probably from November to January, we will be able to step up our production because we're getting these machines.

Vijay Wadhwa: Thank you. Just to take it further, so if you're billing roughly the machine investment within the year, would it be right to understand that there's almost a 40% margin on this turnover?

Srivats Ram: That may be a bit high, but you're directionally correct, that may be a bit higher than what we get.

Vijay Wadhwa: Okay. And roughly, what percent of our turnover is machining right now? And where do you see it doubling in the next 2, 3 years?

Srivats Ram: Okay. To answer the second part of the question, yes. The first part of the question is fairly miniscule because we are doing about INR10 crores a month. And the monthly turnover of Wheels India is about INR400 crores. But profit angle, if you look at it, it is significant for the very reasons that you mentioned.

Vijay Wadhwa: Thank you so much.

Srivats Ram: Thank you.

Moderator: As we have no further questions from the participants, I now hand the conference over to Mr. Srivats Ram for closing comments. Over to you, sir.

Srivats Ram: Thank you, ladies and gentlemen, for your questions. I think we also gain a lot of -- you help us introspect and you also give us ideas through a lot of the questions that you ask. I always look forward to the interaction with you. And we will definitely take some of the inputs that you've given into our planning going forward and look forward to interacting with you in the coming months.

Hopefully, God willing, things move in the right direction. Definitely, sentiment is more positive than what it was maybe about 6 months back. Look forward to interactions and look forward to meeting your expectations. Thank you.

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