Pitti Engineering Limited
(Formerly Pitti Laminations Limited)
ISO 9001:2015 ISO 14001:2015
www.pitti.in

28th April 2025

To,
BSE Limited
Floor 25, P J Towers, Dalal Street
Mumbai – 400 001

Scrip Code: 513519

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 23rd April 2025

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With reference to our letter dated 17th April 2025, intimating about the conference call with investors to be held on 23rd April 2025, please find attached transcript of the aforesaid conference call.

The above information is also available on the website of the Company at www.pitti.in.

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

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Date: 2025.04.28 17:17:38 +05'30'

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"Pitti Engineering Limited

Q4 FY '25 Earnings Conference Call"

April 23, 2025

MANAGEMENT: MR. AKSHAY S PITTI –MD & CEO
PITTI ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to the Pitti Engineering Q4 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation.

I would now like to hand the conference over to Mr. Akshay Pitti. Thank you, and over to you, sir.

Akshay Pitti: Thank you. Good evening, everyone, and a warm welcome to our Q4 and full year FY '25 earnings call. I'll begin with a brief overview of our performance and a few updates followed by the Q&A session.

FY'25 was a landmark year for the company with a successful completion of two acquisitions and a merger. We closed the year on a high note, delivering robust growth across all performance indicators. Consolidated revenue grew by 34.87% to INR1,743.36 crores. Consolidated EBITDA grew by 49.77% to INR271.12 crores. Consolidated PAT was INR122.28 crores, higher by 36.32%. Consolidated sales volumes for lamination was up by 49.43% at 63,215 metric tons.

For the quarter Q4, consolidated basis, revenue was INR472.30 crores, a growth of 28%. EBITDA grew by 54% to INR80.08 crores. PAT, however, declined by 21.43%, coming in at INR36.14 crores. This is mainly on account of the incentive being booked in Q4 of last year, which is not the case in the current year. Sales volumes in the quarter was 17,185 tons, a robust growth of 50.28%.

On the operational updates, our major capex cycle is now complete. We have commissioned our new capacity in Aurangabad plant, taking the consolidated sheet metal capacity to 90,000 MT. Our machining capacity now stands at 648,000 machine hours and the combined capacity of our casting facilities is now 18,600 MT.

On the business outlook, looking ahead, we continue to see demand across key product segments, including railways and both domestic and international. In green energy, wind and hydro continue to remain strong. Pumps is showing a revival in its offtake and power generation continues to show strong demand.

Our machine components business is on track to achieve a revenue of INR750 crores in the next 18 to 24 months. As we integrate our recent acquisitions into our operations and consolidate our businesses, we are focused on reducing our cost and increasing our efficiency. This will help us in improving the overall margin performance. In the backdrop of ongoing geopolitical and international trade uncertainties, we remain cautiously optimistic and are targeting a revenue growth of 15% for FY '26.

With this, I would like to move to the Q&A session of the call.

Moderator: The first question comes from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Congratulations for a good set of numbers. Sir, first question regarding this Bagadia Chaitra Industries and Dakshin Foundry. So, what are the sales and EBITDA numbers and volumes for these two Bagadia and Dakshin Foundry for FY '25?

Akshay Pitti: The sales volume is given in the investor PPT for Bagadia. The sales volume for the full year is 14,075 MT. And in Dakshin, sales volume is 3,224 MT. In terms of revenue, I believe Bagadia Chaitra did a revenue of INR240 crores and Dakshin did a revenue of INR72 crores.

Balasubramanian: And EBITDA number, sir?

Akshay Pitti: See in EBITDA, what happens is that we make certain sales to the subsidiary and vice versa. So, in elimination of profit, each individual subsidiary, you cannot look at it. You have to always look at it on a consolidated basis.

Balasubramanian: Okay, sir. So, any approximately margins are like 5%, 6%? Bagadia Chaitra margin earlier is 5.6%. Is in the same range or an improvement?

Akshay Pitti: On a stand-alone basis, there might be an increase in its profitability. But again, like I said, you have to look at it consolidated because we sell some of our sized raw materials to that company. So, when we consolidate, it gives you the right perspective on the overall operating performance of the business.

Balasubramanian: Got it, sir. And sir, I'm looking at India and like exports. Exports is almost INR500 crores for FY '25. And like out of INR500 crores, which are the countries, if you could share some of the breakups like U.S., North America, Europe, like if you could share some of the breakups and how the market dynamics are there?

Akshay Pitti: Out of the total exports, about 30% to 35% goes to U.S.A., about 55% -- 60% goes to Mexico and the remaining goes to various other countries.

Moderator: The next question comes from the line of Akshada Deo from Niveshaay.

Akshada Deo: I'm new to the company. So sorry if I'm asking any rudimentary question. But I understand that the INR450 crores of estimate was slightly missed this quarter. Was it again regarding the RM cost variation that you mentioned in the last quarter as well? That's why we missed just a little.

Akshay Pitti: No, I think we are on par with the course. I mean you can't really predict perfectly where you're going to land. 5% variation is always going to be there in the revenue.

Akshada Deo: That is fine. What I want to understand is the trend because that has been going on for a couple of quarters now. So, are you still seeing the volatility even in this quarter and going forward?

Akshay Pitti: See, it depends on the product mix. As you see in terms of volume, we've done exceedingly well. In terms of revenue, it might be slightly lower than what we have expected. But that will always be the case given the product mix. It also depends on how much job work we did where the customer supplies the material to us and we only do the conversion.

At the end of the day, the EBITDA and the absolute sales volume is what matters. Revenue is notional in our company. For example, now the raw material prices are going to rise. We're already seeing a rising trend. So, you will see revenue growth even when volume and EBITDA remains flat.

Akshada Deo: Right. Okay. So, are you witnessing the electrical steel disruption as you anticipated that would happen in April onwards?

Akshay Pitti: Yes, it's already happening. The raw material prices are up by about 7 % in April vis-a-vis January. And the supply constraints are going to start or I would say, already started as of this date. The BIS approvals for the Chinese mill expires in this week. And after this week, there will be no more imports from the Chinese mills. Additionally, the government safeguard duty of 12.5% on the input of the CRMO producers in India, such as POSCO and China Steel.

Akshada Deo: Okay.

Akshay Pitti: So not only that the imports of finished product will not be available, there will be also cost pressures on the local producers as their raw materials also have been impacted by this.

Akshada Deo: Okay. So, are you expecting a little bit more supply constraint in the industry, so that would be a little more beneficial for the company?

Would there be more spot domestic sales that may happen in the next 6 to 9 months?

Akshay Pitti: That is the expectation. However, the current inventories at our competitors will take time to deplete, maybe around by middle of May. So, any improvements in sales volume, we should start seeing post May. But that is the expectation if the current policies are maintained.

Akshada Deo: Okay. But you mentioned that at least 6 to 9 months, it would take for a new supply chain to be established domestically as well.

Akshay Pitti: Yes. Even if domestically a new supply chain is established, the input material for that supply chain is not there. And electrical steel cannot be got in 6 to 8 months. It will take even longer than that. You have to start from a steel mill. The only viable option is JSW and they have a finite capacity.

They can't service the entire requirement of the country. They have 2 mills in their pipeline. One is expected to go online by middle of calendar year '26 and the second one by middle of calendar year '27. So the cost will be there, which the customers will have to bear.

Akshada Deo: Right. This will not, the JSW steel will not go outside. It will be self-consumed.

Akshay Pitti: Yes. That is end-to-end manufacturing in India. POSCO and China Steel import their hot-rolled coils from their parent companies in their home territories and do the final processing here. And that has been subjected to these safeguard duties.

Akshada Deo: Okay. And sir, you mentioned margin increase that is anticipated from when Dakshin Foundry is up to capacity. So on a consolidated level, what would be the margin increase that we can expect post once a year is completed?

Akshay Pitti: So I think see, today, we are somewhere around 16.2% EBITDA margin in quarter 4. For the full year, obviously, we are not at that level as the integrations were taking place and we had one-time costs related to these acquisitions.

I would say that over the next 12 to 18 months, you can see another 75 bps to a whole percentage point increase in EBITDA margins. That's not only from the enhanced utilization in Dakshin capacities, but also on the efficiency side, like we'll be working on reducing costs, rationalizing our manpower and overhead costs.

So we expect that to give us a good boost to our EBITDA margins. And obviously, the volumes are going to go up. Like I said, we are targeting a 10% to 15% revenue growth, maybe about a 10% volume growth. So as the volume grows, our overheads will be spread over a larger base.

Akshada Deo: Okay. So sir, once you're done with the capex and WIP and everything comes live, so post FY '27 when things are better utilized, what is the revenue potential that this would give? You can give me a range because I understand pricing is varied, but a ballpark figure.

Akshay Pitti: On a constant raw material basis for FY '26, we are targeting INR2,000 crores. And in terms of volume, our target would be somewhere around 68,000 tons on a consolidated basis. For FY '27, we have a peak capacity of 72,000 tons in terms of a saleable capacity. And at that, we should be at about INR2,100 crores to INR2,200 crores.

Akshada Deo: Okay.

Akshay Pitti: Obviously, looking at the market scenario, how everything pans out, we shall be looking at doing capex in the second half of the current year or the first half of FY '27, because we don't want to restrict it to 72,000 tons if the market will support us.

Akshada Deo: Okay. And sir, can you just tell me for the sales number that you mentioned in the opening statement, I was not able to pick that INR170 crores of sales that you mentioned

Akshay Pitti: INR1,743 crores is our consolidated revenue for the current year.

Akshada Deo: Yes, sir. Anticipated from one of your acquisitions, I think, is what you mentioned.

Akshay Pitti: No, I didn't mention anything from the acquisition. I said that as we look to integrate the two acquisitions and derive efficiency, we look at the margin growth.

Moderator: The next question comes from the line of Sani Vishe from Axis Securities.

Sani Vishe: Congrats on another set of good results. So continuing on the question from the earlier participant, as you said, EBITDA and volumes are more relevant for us. So if the sales increase in coming period is due to increase in raw material prices, wouldn't that impact the margin? So do you still think that we'll be able to improve the margins?

Akshay Pitti: So see, what we are looking at is about a 5% inflation due to the raw material increases. However, there will be a 10% volume growth in lamination. Plus in addition to that, there is significant growth in machine components as well as the efficiency that we are deriving. So, what we estimate is that at INR2,000 crores level of sales, I'm taking the current quarter's raw material prices as my baseline, we should be looking at a 16.5% to 17% EBITDA margin for the current fiscal. And that should improve again next year, provided the raw material prices again at current quarter prices. Obviously, if this raw material hardens further, our sales numbers go up and EBITDA will go down.

Sani Vishe: Understood. And do we expect that this disruption will somehow impact our volumes? Because if there is a shortage, how do you plan to manage that?

Akshay Pitti: See, it's not going to be a question about shortage. There will be a slight shortage. 100,000 MT used to come from China or 150,000 MT, that will have to be bought from POSCO, China Steel or JSW within India. The point over here is on the cost.

Not only has the material from China stopped, a safeguard duty has been applied on our two suppliers, POSCO and China Steel namely, who bring their input materials from their home countries, Taiwan and Korea. So the cost pressures will be there in the market. It all depends on how easily the motor manufacturers are able to pass this on to their clients.

Sani Vishe: Understood. Okay. And the other point, we had mentioned in the last quarter that there was some disruption due to the Bharat VI norms. So do we think those are settling down in this quarter? Or do we think there will be some pain this quarter as well?

Akshay Pitti: So if you see last quarter, quarter 4 itself, the volumes in Pitti Industries, a subsidiary have picked up vis-à-vis quarter 3. And we see that trend continuing in quarter 1 of the current fiscal. So not only the Bharat VI norms, but also the pump industry, which was slightly depressed due to unseasonal rains in the South is again back. So we see strong volume growth in PIPL.

Sani Vishe: Okay. Finally, a book keeping question. So what are our expectations of target on debt level? And would the current quarter finance cost fair run rate to assume for you guys?

Akshay Pitti: See, as we go through the year, obviously, we'll have accumulated profits, and those will go towards reducing our net debt. There are no major capex commitments. So I think this is the peak finance cost that you can factor in. After this, you should be seeing gradual reduction.

Moderator: The next question comes from the line of Harsh Vora from DRChoksey FinServ Private Limited.

Harsh Vora: I would just like to know the current total capacity of castings and where does the components business stand today in terms of price?

Akshay Pitti: If you look at the total capacity on castings, the nameplate capacity is actually higher. The currently usable capacity is 18,600 MT. It is restricted by the amount of power that we connect to our factory. In foundry business, there are 2 capacities, right? One is on the melting of material and second on the moulding. From a moulding side, we have capacity roughly up till 28,200 MT. However, due to the electrical cost, we have restricted it to 18,600 MT.

In terms of revenue, I would say, last year, our components business was about INR250 crores to INR275 crores. And if you add the components that we consume internally as part of our assemblies, it will be closer to about INR375 crores.

Harsh Vora: Okay, sir. And where do you see it going in the next 2 years?

Akshay Pitti: Like I said, INR750 crores is our target, and we are on track to getting there.

Harsh Vora: Right, sir. And sir, can you throw some light on the ICE and EV business as well as the consumer durable segment?

Akshay Pitti: So IC, I would say, entirely automotive is a very small portion of our business. It's a portion of our business we are excited for over the next 5 to 10-year horizon as that market matures for us and the sourcing of these products which go into automobile starts locally. So currently, it's about 0.7% of revenue. It has tremendous potential, but it will take time.

Consumer durables, I would say the same thing. It's a very low-margin business for us. So we do it, I would say, selectively. We only do with clients such as Atomberg today, where the margins are better because their product is a premium product. So as again, the localization of these consumer goods, especially in the premium sector starts in India, I would say that our business volumes in those two segments will rise.

Harsh Vora: Right, sir. And I hope the wind energy continues to do well. Any progress on the pumped hydro project?

Akshay Pitti: Yes. So pumped hydro is a product that we've been doing, if I remember correctly, for the last 2.5 years. And yes, it's going on well, both for domestic as well as export requirements. It's doing quite well. On the wind energy side, the export market on wind is slightly slow over the last few quarters. However, it has been more than compensated by the buoyancy in the Indian market for wind products.

Moderator: The next question comes from the line of Sanjeev Zarpade from Antique Stock.

Sanjeev Zarpade: Yes. Sir, I just wanted to understand what are the new clients that we have onboarded over the last 3 months?

Akshay Pitti: So I don't think we have onboarded any new clients in the last 3 months.

Sanjeev Zarpade: Okay. And if you could tell something about the European market as well and any new segments that we have kind of seeded for our company? In terms of revenues?

Akshay Pitti: In terms of renewables.

Sanjeev Zarpade: In terms of revenue, sir?

Akshay Pitti: In revenue. So, see, the European market on a consolidated basis should be a INR 40 crores to INR 50 crores worth of revenue business for us today. We see this rising over the next 2 years. If you see in our customer list, we have Siemens Energy, Siemens Gamesa, Indar. These are very marquee names, especially in clean energy as well as marine propulsions. So, we supply products to them across all those segments, locomotives, marine products, compact hydro, green hydrogen.

And based on the outlook given by them, we are told that the business should go to about INR150 crores to INR200 crores of top line in the next 2 years.

Moderator: The next question comes from the line of Deepesh Agarwal from UTI AMC.

Deepesh Agarwal: My question is more on the tariff side. What you're selling to Mexico is also indirect export to US or this is for the Mexico only?

Akshay Pitti: So out of what we sell to Mexico, I would estimate based on our discussion with customers, 70% would eventually land up in US and 30% would be for the rest of the world.

Deepesh Agarwal: Okay. So effectively, that is also exposed to US So US exposure would be more like a 60%, 65% for us of the total export?

Akshay Pitti: See, again, what lands into US eventually is not a US consumption. So Wabtec makes locomotives, which they export to rest of the world from the US facilities also. So there's no way of actually pinpointing what is the eventual export and consumption of US.

Deepesh Agarwal: Okay. Okay. And the other thing is I want to know your thoughts whenever the tariff resume after this 90 days pause, would you be in a position to completely pass on the tariff increase to the customer or there is a possibility we may be asked to take some hit on the profitability?

Akshay Pitti: See, there's a lot of noise around tariff. We have I think another 80-odd days to get to a trade agreement. If we do, then the scenario changes completely. However, if we don't, from a manufacturing standpoint, you see our margins. There's no way for us to absorb anything on tariffs. Tariff is always neutral and the customer has to pay. That is our view, and we have communicated the same to our clients, whether it is in Mexico or US or any other country.

See today, if you are supplying directly to US, you may say that you should partake in the tariff. What about Mexico? Like you rightly noted, some of it goes to the US. So the global economy is interconnected and no one can expect the supplier to take the cost. Eventually, the consumer will have to pay the cost of these tariffs.

Deepesh Agarwal: Right. Currently, the tariff would be what, 4% for us?

Akshay Pitti: I think currently, the tariff is 10% based on the reset.

Deepesh Agarwal: Okay. I mean pre the tariff announcement, it was 4% or 5%.

Akshay Pitti: I'm not quite sure, but I would think it was around 5% going into US, and I'm not very clear as to what was the Mexico tariff.

Deepesh Agarwal: Okay. Sure, sure. The other thing is on the volume front. I think you have been highlighting that our focus is to increase the high value-added assembly machine components for the year, high value-added assembly volume was up just 3%, whereas loose lamination volume was up almost like 26%, 27% for the year. Anything to read into this?

Akshay Pitti: No, I would say, this is because of the acquisition of Pitti Industries. If you see most of their sales volume is in the loose and in low value-added parts. And if you then go down, the high value-added is one part. Further from the high value added, the integrated stator frame and rotor shaft assemblies are up by about 12%. So if you see there is a good amount of growth even in the higher value-added is on the higher side.

Moderator: The next question comes from the line of Het Choksey from Devend Choksey.

Het Choksey: Hi Akshay, congratulations for a very good Q4 and FY '25 and incredible performance in this testing times. So keep up the good work and best wishes for FY '26. My first question was on the end user industry. Looking at the last 3 years, how your end user applications have shaped up, there has been lot of stability in terms of the segment in which you are operating. But with the new acquisitions which you have done, how would you see the end user industry as a percentage of the total shape up in the next year maybe in the next 2 years or 3 years?

Akshay Pitti: So with the acquisition, I would say pumps and power generation have kind of grown. Pumps has been added as a new segment. Automotive has grown, I would say, from 0.37% of revenue to almost a 1%, so like 3x from where it was. Stand-alone Pitti legacy segments such as data centres and traction motor railway continue to perform well. Industrial and commercial motors are declining, which are our low-margin business as is due to the competitive intensity.

However, we are looking at some revival in growth, or I would not say revival in growth, recovery of lost volumes there on account of the shortage of materials and the cost pressures on the material side. Renewable energy will continue to outperform. We have a good line of sight on that green hydrogen business from European Union-based customers. A lot of that depends on the subsidies that the state has to give them, this being a nascent industry.

Other than that, wind continues to perform well. Special purpose motors, I think, will be slightly depressed in the near term, but I think in the long term, they should be also doing quite well.

Het Choksey: Okay. So basically, railway, the traction motor and the railway components will see a contribution of close to between 30%-35% and the power generation will be around 14%. And industrial and commercial, which is a low-hanging or low-margin business is probably something where you will see more of a volume growth rather than any margin expansion. But as a percentage of the total, this should remain close to around 11%-12%. Am I correct?

Akshay Pitti: Yes. I would say overall at percentage level that would be a correct assumption. You should see automotive inches closer to 25% or something like that and data centers maybe 2% or 3%.

Het Choksey: So the entire profile of data center and automotive, can we assume that in the next 3 years, this should be around 5% to 7% of your business?

Akshay Pitti: I think, yes, if you look at below the pump line, like pump is about 3.15%, data center is 2.4%, automotive is rounded up to 1% and appliances is 0.6%. So this should go towards 10% to 12% over the next 2 years.

Het Choksey: And accordingly, these are higher-margin businesses. So I'm assuming that the margin profile should also change with time, right?

Akshay Pitti: No. In this, I would say data center is a relatively profitable business. Pump and automotive are traditionally low-margin business. So you'll see volume and revenue growth coming from here. However, as the revenue grows, the components business also will grow, and that is where the margin growth will come from.

Het Choksey: Correct. Okay. So let's assume that today, you supply a particular component in the automotive industry and with the growing EV applications to eventually go towards more of a kit value-based approach from your perspective. So probably that should like bring better margins going forward in the automotive space?

Akshay Pitti: See, in the automotive space, there are two parts to it. One is the IC and one is the EV. The IC business is the one which is dominant today. EV business is something an expected business. And unfortunately, off-grid, I think EVs are not doing so well globally. It remains to be seen how much EV will contribute to the growth in this segment. What we feel is that the IC business is going to be the one which will drive volume growth.

As the ancillaries of these companies start localizing their procurements rather than subsystems and just doing some kind of a screw driver assembly in India, they start buying the whole thing and making the assemblies in India. So that part of the business should grow first, followed by the EV.

Het Choksey: Okay. And looking at the other segment, in '23, it was around 13.7%. And in 2 years, it's around 15.2%. So what is exactly the other component? Like what are the industry-end user applications in the other industries?

Akshay Pitti: See, this has to do with our overall revenue. So this includes our other income, income from asset sale as well as scrap sales and certain other smaller user industries such as medical, aerospace. So it is basically what is not categorized above everything else.

Het Choksey: Okay. So just out of my inquisitiveness, why is the others increasing like at least a percentage every year? And why would it not be stable? That's what I would rather understand.

Akshay Pitti: So if you take FY '23 to FY '25, the other income on account of incentive in FY '23 was mere INR14 crores. And this year, it's about INR30 crores. So that is one reason why it jumped significantly. And the second is when we consolidate our revenues, Dakshin Foundry, which is a subsidiary, has a significant amount of interest income as it is sitting on a lot of cash. So that also kind of goes in there.

And as exports are higher vis-a-vis '23 to '25, significantly higher. So the export incentive that we get in terms of duty drawback and licenses, will be higher. So that also is kind of put in here.

Het Choksey: Okay. And my second question is mainly on last year election. I understand a lot of capex-oriented businesses face delays on account of contracts and renewals and allocation towards the appropriate allocation. So we see a lot of industries like governments are not utilizing their budgetary allocation towards the capex infrastructure on account of elections and state elections. What's the picture for FY '26? What is your sense of allocation this year?

Akshay Pitti: Luckily, we are not very dependent on government capex per se. A lot of this is basically private capex, what we do. The only place where we are kind of dependent on government is the Indian content of our railway business. And that is very small, and that's continuing at the same rate as last year. We don't see a huge growth there.

Het Choksey: Okay. But as I understand the Vande Bharat train sets getting manufactured in India and you being supplying to MEIL and BHEL, what is your sense on that? I mean that should increase with time, right?

Akshay Pitti: I think if you see the overall order book at those customers, it's not grown. I don't think there are new tendering that is taking place on Vande Bharat. And whatever order backlogs they have, they have to complete those. So if and when a new tender does come, it will mean again, volume growth for us.

As of now, we don't have any line of sight on any of those. Other than that, if you look at the locomotives that Indian Railways makes in Banaras or Chittaranjan, they are more or less flat. And the private companies which make locomotives in India such as Siemens, Alstom or Wabtec, they have a fixed yearly contract over multiple years. So I actually am not able to see significant volume growth. Stable volumes, yes, significant volume growth are yet to be seen.

Het Choksey: Okay. So significant volume growth to be seen in the power and railway component business, but definitely seen in industries like power generation and renewable energy and data centers, correct?

Akshay Pitti: Yes. So data center, power generation, renewables, we are seeing significant volume growth.

Het Choksey: Okay. And just a last question. What would be the percentage of Indian business to have overall in end user industry? Like see, if your traction motor and railway components is 33.9%, what is the percentage of the Indian business out of that, if I can rightly understand?

Akshay Pitti: So total traction motor and railway components business was roughly about INR600 crores. Out of that, about INR200 crores was domestic and INR400 crores of export.

Het Choksey: Great clarity, Akshay. Keep up the good work and best wishes for FY26

Moderator: The next question comes from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: So firstly, just to understand the margin guidance, the 16.5% to 17% is excluding of other income, right? You don't include other income into the 16.5% to 17%.

Akshay Pitti: That's excluding of other income.

Abhijit Mitra: Yes, yes. Understood, understood. Second is on the volume growth guidance of 10%, just to understand a bit better. So this 10% is essentially on the laminations volume that you're guiding, right?

Akshay Pitti: Yes, that's correct.

Abhijit Mitra: And this is like stand-alone plus PIPL or stand-alone?

Akshay Pitti: No, it's consolidated. To be more specific, we are looking at a target of between 68,000 tons to 70,000 tons in terms of volume.

Abhijit Mitra: Okay. Understood. Understood. Okay. And this year, it was around 64,000 tons, right?

Akshay Pitti: Yes, about 63,200 tons.

Abhijit Mitra: Understood. Got it. And on the casting side, I think initially, you mentioned INR750 crores , on the machine component side, you mentioned the revenue of INR750 crores in 18 to 24 months. I missed the current year's revenue. What is the current year's revenue, sorry?

Akshay Pitti: So the total machine components business yielded about INR375 crores of revenue, of which about INR250 crores was plain vanilla machine components and remaining the parts which are used in our assemblies of lamination, such as the child parts that we give as a separate line item.

Abhijit Mitra: Okay. Understood. Got it, sir. So this INR375 crores will go to INR750 crores?

Akshay Pitti: Yes, that would be correct.

Abhijit Mitra: Okay. Got it. And lastly, regarding your discussions with Wabtec, I mean, what are the themes that you are picking up in terms of their understanding of the continuity of the capex or there is a huge North American fleet upgrade, which is ongoing. So there are two parts, right? One is, of course, the North American capex plus there are capex happening worldwide, which there also suppliers. So any sort of themes that you have picked up in your discussions or anything that you might want to share?

Akshay Pitti: So it's a very two-sided discussion, right? On one hand, you have a huge capex going on in North America in terms of fleet upgradation. On the other hand, you have this tariff. So one day, you have a conversation which talks of volume growth. Second day, you have a conversation which talks of tariffs, how China is having very high tariffs and India which is currently having tariffs and if that will continue.

China may not have a 250% tariff. But definitely, the tariff on China eventually will be higher than India. So how do you move supply chains to India? Those are the discussions. So there's a lot of flux there, I would say. It will take time for the macros to clean up. There needs to be trade deals taking place, tariffs need to stabilized to yield any fruitful discussion. While the business is there, how long will that business remain is very unclear.

See, the point is, if this tariff war continues, are we looking at a recession in the US And if we are, then all of those speed upgradations go away. So the biggest thing is the macro when it comes to US boils down to if there will be a recession in the US or not.

Abhijit Mitra: Understood. Thanks. That's all from my side.

Moderator: Thank you. The next question comes from the line of Shyam Maheshwari from Aditya Birla Mutual Fund. Please go ahead.

Shyam Maheshwari: Thanks. Hi, Akshay, congrats on a good set of numbers. A couple of questions from my side. Firstly, on the machine component side, obviously, we have been continuously adding capacities here, as can be seen from your presentations over the last three or four quarters. Where do we want to eventually take up this capacity to? I think it's about 630,000 machine hours, but is there a plan to - as to how much capacity you want to add over the next couple of years?

Akshay Pitti: This is a variable thing, Shyam. It honestly depends on the kind of machining that we'll have to do. We have the spare casting capacity. So as we develop the component, we add complementary machining capacity. There's no 1-is-to-1 when it comes to machine hours to a casting tonnage. For example, a 1 ton casting may require a 4 hour of machining and some other casting may require about 10 hours. So this is something we do on a flexible basis. These machines, they don't have a long lead time.

So as we back the business and bring it to maturity, we invest in these capacities. If you ask my gut feel, it's just a gut feel, I would say if we have to meet our target of INR750 crores of machine components business, the machining capacity will eventually end up somewhere around 7.5 lakh to 8 lakh machine hours.

Shyam Maheshwari: Interesting. And how much capex would that entail to increase it by another INR1 lakh, 1.5 lakhs?

Akshay Pitti: It all again depends on the type of machining Shyam. See on a thumbnail basis when we say we add a machine, it equals to about 7,200 machine hours. So technically to add about a 1.5 lakh machine hours, we need to buy about 22 machines. A given machine costs maybe INR4 crores and a given machine also cost us INR10 crores. So it is, again, like I said, variable on the kind of product that we develop.

Shyam Maheshwari: Interesting. Got it. And secondly, from a more medium-term perspective, obviously, in the near term, there are these challenges on the geopolitical side. And probably we focus more on integrating some of the acquisitions that we have made in a more seamless manner. But from a more medium-term perspective, what are some of the key KPIs that you guys are kind of looking towards from a strategy point of view?

Akshay Pitti: At our company level, so we would be looking at capacity utilization. We want to maintain it somewhere around 80%. Don't go in for bulk capexes like we have done in the past. The time is now to be cautiously optimistic and add capacity on a reactionary basis rather than an expectation basis. So, you should look at net debt going down. That would be a key KPI for us. The second one will be how we optimize our ROCE.

Third one would be how we optimize our overhead costs and how we integrate our multiple businesses into one seamless entity on a non-financial parameter side.

Shyam Maheshwari: Got it. Thanks for answering and best of luck.

Moderator: Thank you. The next question comes from the line of Darshran Jhaveri from Crown Capital. Please go ahead.

Darshran Jhaveri: Firstly, congratulations on a great set of results, sir. I just wanted to ask a bit of a small clarification. You are saying around INR2,000 crores of revenue that we can do maybe this year on a constant raw material basis. So that would be for a standalone or consolidated business you are speaking about, sir?

Akshay Pitti: Consolidated revenue on quarter 1 raw material cost.

Darshran Jhaveri: Okay. Fair enough, sir. And sir, then sir, for FY27 because you're saying capacity will be near full utilization. So, the growth will not be that much because you are saying about INR 2,100 crores to INR 2,200 crores. So the capex plan, have we finalized anything, sir, right now like you're saying H2 if you want to do a capex any plans on what expansion we want to get into or what are the areas that we are looking at?

Akshay Pitti: So see, there won't be any major capex cycles anymore. We have enough facilities in terms of land and building infrastructure in Aurangabad and Hyderabad and Bangalore. What we will be doing is adding just equipment. So this will have a very short lead time, 4 months to 6 months to bring in machines and commission them.

So, looking at how the current year is shaping up, maybe by quarter 2, , H2 or looking at FY'27 we shall do in H1 of FY'27 some capex. We'll be doing it tactically to meet our customer requirements rather than commit capital upfront today, given the overall uncertainties in the world.

Darshran Jhaveri: Okay. That's a very fast approach, sir. That's helpful. And sir, the components business that we are speaking about, so we want to essentially kind of double it. So, what's the time line for that, sir, that we are speaking about?

Akshay Pitti: In 2 years from now

Darshran Jhaveri: Okay. Fair enough, sir. Yes. And sir, just the margins, sir, so just from an understanding of someone odd in the industry, so how much does the RM price increase impact our margins like in terms of percentage, I understand because a higher amount of the raw material price will increase our sales number, but what's the corresponding EBITDA increase that happens or how will it impact the margins, sir?

Akshay Pitti: So, our margins are unaffected in absolute terms. On a percentage term, it's just that inflation causes your margins to look lesser or deflation causes your margin to look better. Fixed conversion price with the customer and we have a price variation formula for raw materials, scrap and other metals such as copper, aluminium, etc. .

Darshran Jhaveri: Okay. Fair enough. Got it. So our EBITDA is essentially just a function of our volume only, raw material just will inflate, deflate the revenue. Fair enough, sir. And just last question on my end, sir, the Q4 depreciation is what will be the number that will go ahead in the next full year, sir?

Akshay Pitti: Yes. I think the Q4 number is the number for the whole of next year.

Darshran Jhaveri: Okay. Fair enough.

Akshay Pitti: Again, we do some capex in H2, obviously.

Darshran Jhaveri: Yes., sir, just one last question. The capex would be a rough range, in terms of it would be around INR50 crores to INR100 crores, what kind of capex amount you would like to see, sir.

Akshay Pitti: See if again, it's on a very non-committal basis, I can tell you, if the machining capacity does go up, I think that will cost us another INR50 crores to INR60 crores in H2, maybe potentially if everything is working out. In terms of lamination capacity, I really don't see anything more than INR15 crores in the current year and maybe another INR15-odd crores in the next year.

And for next year, in terms of machining capacity, I think it will be closer to about INR60 crores to INR70 crores, if again, everything is panning out as per plan. In the best case business scenario where you are talking about lamination volume growth beyond 72,000 and machining going to 8 lakh machine hours, cumulatively over 24 months, it will be something like INR130 crores, INR140 crores.

Darshran Jhaveri: Yes. Fair enough. And what kind of asset turn we have on this, sir?

Akshay Pitti: See, over here asset turn in machining will be closer to 0.7, 0.8 because we are already doing the casting induction and utilizing the revenue. So the incremental revenue will be not so much. It's just the value add that will come in. In terms of the lamination investment, your asset turn will be closer to 5 because this is, again, mostly towards the pump appliance, LV motor industry where your margins are lower and your asset turns are higher.

Darshran Jhaveri: Okay. Fair enough, sir. That’s it from my side. Thank you so much for all your answers. All the best, sir.

Moderator: The next question comes from the line of Prathamesh Sawant from Mirae Asset. Please go ahead.

Prathamesh Sawant: Thank you, sir. So, just one question from my end. I wanted to understand our company's exposure to wind sector and if we can have a breakup of the domestic and export segment?

Akshay Pitti: So in terms of wind, out of the 4.65% of the renewable energy which contributed to our total revenue, wind would take about 3% in total. And out of that, I would say 75% to 80% for the whole year was domestic and remaining was export. More pointedly, in quarter 4 there was no export. It was entirely domestic.

Unknown Analyst: Okay. So do you see this trend increasing because there were, sir, talks of this new MNRE norms where they are implicating more domestic usage of the raw materials?

Akshay Pitti: So, the wind power generators that is where our components go in the wind power business of our customers. As far as I know, none of the wind turbine generators are currently imported to India unless there is a full wind turbine coming to India from China. So whether that will spur some growth for us, it is a little early for us to estimate that.

However, what we are waiting to see is how the European market in wind renewables bounces back. If that does, I think that should yield some growth in the export market towards H2.

Moderator: Thank you. The next question comes from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

Pulkit Singhal: The first question is largely around the whole macro scenario, geopolitical. I mean, you've had marquee customers for the last 10, 15 years, and these guys have huge manufacturing needs. Do you not see an opportunity in all this uncertainty to kind of further into their manufacturing chain either for your current products or any new set of products?

Akshay Pitti: So that's already happening. As I said, we are in one of the answers, one day, the discussion is on tariff and the discussion gets spun around saying what can you move from China to India? So definitely, those opportunities are there. Right now, our teams are handling RFQs at a rate that they can't even respond to for moving products from different geographies to India because overall, the view is that India will be a net beneficiary of this tariff war.

However, to say that this will mean immediate gains for us would be a little premature because just like us, where we take about 2 years to 3 years to develop a product and get it approved in the customer, the same is going to apply to us, right, when they want to move stuff here. So, I would say, there's a lot of uncertainty as to whether the customer wants to move something.

There's going to be no third term of Trump. So, what happens after Trump goes to tariff? So we are also cautious Pulkit, in seeing to take only those businesses that without the tariff being a factor, we'll be competitive eventually globally. We don't want to take on business today only on account of tariff arbitrage.

Pulkit Singhal: Right. I mean there would be certain business just purely because of diversifying the supply chain as well, right? I mean, irrespective of tariffs, people realizing they cannot rely on one country either ways to a large extent. So I'm thinking how does -- is that really -- because when you're saying that RFQs have increased, I'm presuming that means people are taking a decision in some ways? Or is that a wrong way of risk taking?

Akshay Pitti: They are taking a decision. And we are excited only about those RFQs where we feel that fundamentally, we are a better cost and quality supplier than our nearest competitor in a different geography.

Now, when it comes to diversification, yes, if someone wants to bring us as a second source where pre-tariff, we are slightly expensive, we are happy to get into that supply chain without great expectations going forward.

So, we are trying to focus ourselves on where we are as is where is more competitive and address those and thereafter move to something where we'll be, say, L2 instead L1 pre-tariff.

Pulkit Singhal: Yes. So, in terms of any quantification, these RFQs like earlier, let's say, a year ago or 6 months ago, I mean, how many would there be per month or quarter? And where is it running now? And to get a sense of what is the level of intensity out there?

Akshay Pitti: So, if you talk of customers, right, so they are -- normally, the RFQs would come mostly from existing clients. Once in a while in a couple of months, you'll get a RFQ from a new customer and then that process would take 2 years to 3 years for maturity.

Today, I would say we are getting more than 10 RFQs in a month from new customers and clients which you have never heard of. These are like medium-sized enterprises in Europe and US. They are not global names, but relatively good businesses. So that gives you an idea as to the change in profile of the buyers.

In terms of absolute RFQs, I would say, there's like more than a 200% increase in RFQs. While that sounds exciting, I'll give you a word of caution, more than half of these will fail. It is just like a reaction to the uncertainty geopolitical globally.

Pulkit Singhal: No, fair enough. I mean, these may eventually go whichever direction they do. But typically, what is the size of orders for such RFQs? Like what is the range of outcome?

Akshay Pitti: Right from $500,000 annual business to a $50 million annual business.

Pulkit Singhal: $50 million.

Akshay Pitti: Yes, right from $0.5 million to $50 million.

Pulkit Singhal: Okay. So it definitely open doors for conversation?

Akshay Pitti: Yes, it opens the door, no actually it's already opened a lot of doors for conversations. It's already yielding additional business to us. My concern is it has to be sustainable post-tariff world, because I don't see the tariffs continuing the way they do.

Pulkit Singhal: Right. I mean -- and you may have to probably shape a contract in such a way so that they do not go back on their commitments. I mean, otherwise, there's a point of taking a contract?

Akshay Pitti: See, you may put it in the contract, but eventually trying to enforce it is not going to yield you business. That is why I said that we are focusing on business looking at the fundamentals. So for example, I'll just give you a small illustration. So like a shaft business, the nearest competitor was in China.

Before the new rounds of tariffs were announced, we were as it is more competitive. So we are more comfortable growing those businesses and developing new products in that segment. We will not be looking at doing something where we are not competitive. So say, for example, someone wants to supply a washing machine, clear lamination for a US-based customer.

That's something we will never be competitive against China ex-off tariffs. So that's something we're not interested in even if it means a $50 million business. We will entertain the customer. Let's keep the relationship going, but not excited about that.

Pulkit Singhal: Understood. And how is your order...

Akshay Pitti: I hope you get the intent of how we are addressing the RFQ.

Pulkit Singhal: Yes. I just -- I mean, it's ultimately, you have to decide where you want to go, I mean, and what is sustainable. But I'm also thinking that it probably opens door for new products for you to enter into newer areas that you may not have thought of earlier, because you have such customers who would have needs in multiple areas, I would presume.

So, I'm just wondering whether that also allows you to enter into some areas in some way?

Akshay Pitti: So see, there are discussions with clients where they want bound stat of course. So that brings in additional element of value add, gets in the element of copper. But again, looking at the tariffs on copper or more tariffs on copper, how does that eventually play out? For us, it's a new industry, so it's a little confusing to us. So we will not want to get into something we are not familiar with in such uncertain ground times.

Pulkit Singhal: Understood. Lastly, just order book, any sense of what it has been how it has grown Q-on-Q, Y-o-Y adjusted for the raw material price? I mean, just to get some sense of direction?

Akshay Pitti: Adjusted raw material price, I wouldn't have that, but you can probably subtract 5% adjustment for raw material. So I would say, about 8% to 10% growth in order book from Q3 to Q4. And Q4 to Q1, I would say, for real deliveries, it's flat. In terms of expected delivery, we have grown about 10% again.

Pulkit Singhal: Q4 to Q1, as you're talking about the current ongoing quarter?

Akshay Pitti: Yes, ongoing quarter.

Pulkit Singhal: Okay. Understood. so Q-on-Q, it's 10% growth, Q4 to Q3.

Akshay Pitti: Because we only track it on a Q-on-Q basis. On a Y-on-Y basis, it is not really relevant because Y-o-Y basis, raw material prices have inflated by about 10%.

Pulkit Singhal: Thank you for this and all the best.

Akshay Pitti: Thanks, Pulkit .

Moderator: The next question comes from the line of Mahesh Patil from ICICI Securities. Please go ahead.

Mahesh Patil: Sorry, I joined in late, so if I have answered this earlier. I wanted to understand the volume growth for FY26, FY27. So just wanted to understand the outlook. I think you mentioned stable business from railways and good growth expected in data centers in power.

Akshay Pitti: Yes, in terms of lamination volume, we are targeting about 68,000 to 70,000 tons in the current year. And for FY27, we are setting a target of 72,000, which we may upward revise going forward, looking at how the market is because to go beyond 72,000, we require capex. That's our peak utilizable capacity.

Mahesh Patil: Okay. And just to get a sense on overall not segment-wise or just for India market, how do you see the volume growth, let's say, this year based on the inquiries that you would have received overall net-net?

Akshay Pitti: So net-net, I would say, a little bit of growth. There's a lot of cost pressure when it comes to material cost, which I explained in detail. So probably in the transcript, you can read that. So based on the material cost impact, there's a small amount of growth that the customers are projecting. But once everything settles down in India regarding the price of raw material, we are expecting again a 10% volume growth in the domestic market.

Mahesh Patil: 10% volume growth. Okay. Sure.

Moderator: The next question comes from the line of Parikshit Gupta from Fair Value Capital.

Parikshit Gupta: Most of my questions have been answered, and thank you for such detailed explanations. Just one thing from me. I understand the exposure to different industries as illustrated in the presentation. But if we look at competition, there are many players who are increasing their share of business to new sectors, I mean, growth sectors such as defense and aerospace. These sectors also enjoy very high margins, along with a good visibility for the next couple of years.

I just wanted to ask if there are any plans for you to increase -- because you mentioned some aerospace in the other segment. Along with that, you mentioned that they are not so much dependent on government capex. So, I just wanted to understand your thought process behind it. If you can please spend a few minutes on this?

Akshay Pitti: So if you take defense industry, first and foremost, the core product of the company, which is lamination, which are required. The defense industry really doesn't require much lamination, maybe a few things in aeroplanes. Apart from that, there's hardly anything.

So, the only place where we can probably serve the defense industry is from our machine components and most of machining, not even the castings that we make will be usable in defense industry. We have the capability in our machine shop to address that market, but in long gestation and it being a non-focus area for us because eventually, the revenue potential is very small from that business as far as we are concerned. So we really don't focus on that. So we rather stick to our core.

The other consideration is that we require certain advanced equipment's which we require to do our processes, which will not be available to us as they require for us to we give a declaration that we will not use the equipment for nuclear and defense industry.

Parikshit Gupta: Understand. Understood. But you've been working with really big clients, Wabtec, Siemens of the world. Before getting into finance, I spent a couple of years with GE across businesses. So, have you not also considered being a Tier 2 supplier to any of their core vendors just in order to surpass the long gestation cycle? Because I think approval days and the stringent quality norms are different across Tier 1 and Tier 2. Not saying that you won't be able to fulfil them, but just considering the time required?

Akshay Pitti: See, if you have to put in that effort, we would do it sometime down the road. And that would not be for defense. I think civilian aviation would be far more profitable and in terms of revenue potential higher than the defense player.

Parikshit Gupta: Absolutely.

Akshay Pitti: So, there's turbines, aviation turbines are being localized in India increasingly. So, there will be potential for getting into those -- that side of the business.

Parikshit Gupta: Understood. Do you have any such plan on the whiteboard? Or is it something still...

Akshay Pitti: It's a very rough plan. And our idea on that would be to get an entry through an acquisition. And as you guys know better than I do, the valuations for aerospace and defense are sky high today. So, I would wait for those valuations to normalize before I look at that because honestly, to do it ground up is something you would not want to do and to be a Tier 2, the profitability then goes away. And the Tier 1 is going to keep all that profitability and you're going to do the hard work.

Moderator: The next question comes from the line of Akash Singhania from Raay Global Investments.

Akash Singhania: So how much has the net debt increased in this quarter and what it is now?

Akshay Pitti: Our net debt is about INR 435 crores as of the year-end. And if I remember correctly, the quarter before, I think it was somewhere around INR 300 crores and something. One second, just hold on for a second. It's INR435 crores for the current quarter. I can't find the last quarter number. I think it's there in the previous PPT.

Akash Singhania: So, I guess what I remember speaking with you last quarter was that we were intending to reduce it by around to some INR 300 crores. I think it could be INR 330 crores, INR 340 crores last time, even I'm not sure. But the intention was to reduce it to below INR 300 crores, eventually move towards INR 200 crores or INR 250 crores. But seeing this increase, like just wanted to understand what has led to it?

Akshay Pitti: If you look at last quarter, actually, I got the number, it's about INR435 crores. And this time also, it's about INR437 crores. So, it's more or less flattish. The reduction will come in the current year as we stop our capex cycle and take a pause. So, whatever is the cash accruals, we should be looking to retain the company towards net debt reduction in the current year.

Akash Singhania: Okay. So, by the end of the year, can we look forward to something like a 20% reduction? Or is it too much?

Akshay Pitti: Our capex plan, which I just mentioned some time earlier, about INR50-odd crores for machine shop and about INR15 crores to INR20 crores for lamination. Despite that, I think you should look at INR 100 crore to INR 120 crore reduction in net debt at the barest minimum.

Moderator: The next question comes from the line of Dharmil Shah from Dalmus Capital Management.

Dharmil Shah: Congratulations on the numbers. I would like to continue on one of the participants line of questioning on the traction motor segment. If you look at Wabtec's commentary in the last quarter, they were not -- I mean, the guidance was quite low on the component business for locomotives. Is there any disconnect in, because for traction motor segment has been growing at 25%, 30% for us for the last 3 years. Do you see this....

Akshay Pitti: I'm not able to understand what you're saying, Wabtec's guidance was lower or you're saying my guidance was lower?

Dharmil Shah: Wabtec's guidance was lower. And in general, locomotive delivery in the U.S. is expected to be lower than what it was in the last 2 to 3 years?

Akshay Pitti: See, Wabtec is not a U.S.-only based company. They have business which supply in Brazil, they supply in Kazakhstan. So again, going to their own press releases, they have won a significant amount of business in Brazil and Kazakhstan. And those are more than offsetting those potential losses in terms of deliveries in the North American market.

Dharmil Shah: Got it. So you expect to save 25% to 30%...?

Akshay Pitti: And in addition to that, just one more further clarification. When Wabtec talks of locomotive delivery, that's a new locomotive delivery. They also have a program for doing modifications and upgradations, where they bring in the current locomotive and completely overhaul it, fitting new motors, components, etc. So, the mods business continues to be very strong at their end.

Dharmil Shah: Okay. I'll recheck, but I think what I recollect is they mentioned lower single digit for both your delivery as well as the mod requirements?

Akshay Pitti: Yes, you can check that, but I'm quite clear on what I'm saying.

Dharmil Shah: Sure. And secondly, with this new BS-VI norms, I mean, do you see any improvement in volumes? And secondly, with the new machines coming in, is there any change in motor design or motor content? Or is it the same for us?

Akshay Pitti: See, the alternator design has not changed. What has changed for the BS-VI is the engine side and the engine outlet side where the gases and the polluting gases come out. So that adoption at one of our customers was slow, the other customer was fast. So, the customer which was slow has now caught up, and we are seeing those volumes return to normal.

Dharmil Shah: Okay. So volumes have come back to normal for this segment. Is this what you are saying?

Akshay Pitti: Yes.

Dharmil Shah: Understood. Lastly, what would be the operating profits for Bagadia and Dakshin in the stand-alone businesses? Just wanted to check whether, I mean, there are synergy benefits playing off-cut or not?

Akshay Pitti: In terms of account, I'll give you the number. I think my team will just pull it out while that happens. Like I was saying to the other gentlemen before in the call, the synergy benefit is also derived at the parent company level because we supply these off-cut materials to our wholly-owned subsidiaries at a lower cost to them.

So, for us, it is in the higher revenue than what we would have sold in the market. So, the way to understand the synergy benefit is to look at the consolidated EBITDA and not stand-alone. However, in terms of stand-alone EBITDA in Bagadia Chaitra, it is about INR 17.34 crores for the full year. And in Dakshin it is INR 12.50 crores.

Dharmil Shah: Got it. And the components business, you mentioned INR70 crores, INR50 crores of target in next 2 years. If you could break it up how much of it would be for motor related and how much of non-motor, and within non-motor, what are the industry applications?

Akshay Pitti: See, I'm not going to go into that level of breaking up at this stage. Let things materialize. There are more discussions than the guidance I've given you. And as you know, there will be a fallout in the overall business that we are developing. So, we factor that in when we give our guidance.

Moderator: The next question comes from the line of Naysar Parikh from Native Capital.

Naysar Parikh: Most of my questions have been answered. I just wanted to understand that as the growth that we have seen, obviously, till now last 2 years has obviously been very strong. Now as we look to not do more capex and pay down debt and the guidance you've given for 10% volume growth. So, should we expect the next 2 years, the growth to moderate and so even profits to grow maybe in that 10%, 12% range only? How should we think about it?

Akshay Pitti: See, the thing that we are looking at internally is not to chase just volume growth, but to bring in efficiency and pivot our product mix to a more profitable eventual product mix between machining, casting, lamination, assemblies. So, the volume growth will be slow, but your margin growth will be higher.

Like I've said before, we should be looking at a percentage point increase in EBITDA margin over the next 18 months. For the FY26, we are looking between 16.5% to 17% EBITDA margin. And as we don't do capex and conserve cash, our net debts go down. So, your flow-through to your PAT should be much higher going forward. While the revenue may grow 10%, 12%, maybe around that level, your net margin should grow at maybe 15% to 20%, if not slightly higher.

Naysar Parikh: Right. EBITDA per ton this year.

Akshay Pitti: So, see, again, I'll give you the number, but again, it will have no relevance because as you understand, there's Dakshin, there's Pitti Castings merge, there's a significant amount of machine components. You can quite easily arrive the EBITDA per ton, INR 271 crores divided by 63,200 tons, about INR 42,800 per ton on a consol basis.

Naysar Parikh: No, no, that I computed. What I meant was if you look at the -- your earlier stand-alone laminations business, excluding your subsidiary machine,

Akshay Pitti: Earlier also in the stand-alone business, we bought the castings from Pitti Castings and we machined and sold it. Not all of it, but a significant portion of it, roughly half of those.

Naysar Parikh: Right. Okay. Understood., but just one data keeping time for question. On Page 15 of your presentation, where you give the sales breakup by volume, right? And you've done some 62,000 tons of volume this year. So what elements of those do you actually consider when you are giving us that number of 62,000 tons?

Akshay Pitti: So you take the first 5 line items, those laminations all the way through child parts. So this is all the lamination and the assembly breakup. And then you just add the PIPL sales volume. So that will give you the overall lamination breakup.

As for the casting breakup, you add the machine components, raw castings and stator frames as well as the DFPL volumes. So, that is a total machining or casting sales.

Naysar Parikh: Right. And do you in your revenue, is it possible for you to kind of break up what percentage is lamination versus machined and castings?

Akshay Pitti: It is slightly complicated. As you can see, the stator frame core drops, these are a machine component, which is going into a lamination assembly and so are shafts. So, it gets very tricky when you try to do that. We have to then do it at some internal cost movement from one location to the other. So, we actually don't look at it in that way yet.

Naysar Parikh: Okay. Because if you do, that will help because one, it helps to compare versus earlier also. And secondly, it just gives a better understanding because your capacities and volumes, etc., are obviously different

Akshay Pitti: So, if you take the revenue for machine components, it's about INR 375 crores, like I mentioned.

Naysar Parikh: Yes.

Akshay Pitti: Including the assemblies that go into the laminations. But we don't split it and then look at it differently in our financials. For us, it's an integrated reporting. It is just by end use. One product is going into, say, motors and generators and one is not, when it comes to machining.

Naysar Parikh: Last question. I think there was an earlier -- you answered to some earlier participants, but your idea was that you wanted to do more of high-value add assemblies and things like that. The growth for that, we've not really grown that if we look at versus FY '23 is actually down.

And earlier, the target was that we wanted to actually grow high value-add assemblies because that is higher margin. So, what is the reason why we are not able to grow there? And is there something that we can do to kind of, because that will also help improve margins?

Akshay Pitti: We've grown across that board, if you see. We've grown in every one of them. Maybe the growth in the specific high value-added assemblies is only looking at 2.94%. But if you look at the stator frame, rotor shaft, if you look at child part shafts, etcetera, the volume growth is significant there.

Moderator: The next question comes from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Sir, my first question is regarding, like you mentioned about BIS license expiry in this April only. And it's basically increasing the raw material over the next 6 to 9 months. And you are mentioning about 75 basis point margin improvement.

Sir, how do we understand whether, like, how much impact is from integration of acquisitions and increase in machining capacities? How you tackle this raw material price increases? Because we cannot always, like, cannot pass 100% to the customers. There is always some...

Akshay Pitti: Balasubramanian, firstly, my industry is 100% pass-through or we don't do business. It's as simple as that. And that is something which doesn't change. It's a core tenet of the business. So, there is no question of the RM price not being passed through.

Balasubramanian: Sir, I think the quarterly mechanism is there right, sir? Like...

Akshay Pitti: Yes. It's a quarterly mechanism. And our procurement is also on a quarterly basis. Therefore, there's no question of it not getting passed on.

Balasubramanian: Okay. And sir, out of 75 basis margin improvement, like, how do we understand how much it is from integration of acquisitions and how much it is from like machining or like increase in machining hours?

Akshay Pitti: See, I think that is something you better leave to management to figure out. Obviously, if you're saying 75 bps will be our target to achieve, we will not target 75 bps. That will be something we'll target more. Some things will work, some things will not. So, you better leave that to us to deliver on.

Balasubramanian: Got it, sir. Sir, what is the status of supplying directly to the Indian railways?

Akshay Pitti: It's ongoing. We have already become Tier 1 suppliers to Indian Railways, we end up giving many products, and it's ongoing.

Balasubramanian: So, what are the products we are supplying, sir, right now?

Akshay Pitti: It's a wide variety of products that go into the locomotive from casting, machining, laminations and shafts.

Moderator: Ladies and gentlemen, the last question comes from the line of Akshada Deo from Niveshaay.

Akshada Deo: Sir, the non-chemical expansion that you mentioned, INR 50 crores, INR 60 crores in machining and INR 15 crores in lamination tentatively, what would the capacity increase look like and a tentative number on that would be great?

Akshay Pitti: On the lamination side, the tonnage capacity probably will increase about 3,000 to 4,000 tons. The assembly capacity will increase significantly in that, which we obviously don't give a separate line item. In terms of machining capacity, again, on a noncommittal basis, I'm just giving you a midpoint, that should increase by about 70,000 hours to 72,000 hours.

Akshada Deo: Okay, sir. And this will again have the same...

Akshay Pitti: Again, on the type of machine we buy as I mentioned.

Akshada Deo: Right. So, this should add incrementally roughly INR250-odd crores to the business?

Akshay Pitti: Not really. The INR 15 crores of lamination revenue capacity addition will add about INR 200 crores of top line. It will add about INR 50 crores to INR 60 crores of top line. And the machining capacity will add only about INR 40 crores. There, the expectation is 0.7 to 0.8 asset turns.

Akshada Deo: Okay. It's not 5x?

Akshay Pitti: See, what we are doing as raw castings in PEL and Dakshin Foundry, which is roughly about 5,700 tons. That will move into machine components. So, the revenue for the base is already there. It's only the incremental value add that will move to revenue.

Akshada Deo: Okay. So, we can expect just another INR100 crores or so of incremental revenue, probably if even...

Akshay Pitti: The incremental revenue potential for the INR 60-odd crores on INR65 crores of capex, yes.

Moderator: As there are no further questions, on behalf of Pitti Engineering, that concludes this conference. For further queries or visiting the plant, please be in touch with Mr. Rama Naidu from Intellect PR on 9920209623. Thank you for joining us, ladies and gentlemen, and have a wonderful day ahead.

(This document has been edited to improve readability)