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Date: 28th May, 2025

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Trading Symbol : KDDL

Scrip Code : 532054

Subject: Regulation 30 of the SEBI (LODR) Regulations, 2015 – Transcript of Earnings Conference call

Dear Sir/ Madam,

With reference to captioned subject, we are enclosing herewith transcript of Earnings Conference Call held on Thursday, 22nd May 2025 to discuss operational and financial performance of the Company for Q4 & FY25.

Kindly take the same on record.

Thanking you,

Yours truly

For KDDL Limited

Brahm Prakash Kumar
Digitally signed by Brahm Prakash Kumar
Date: 2025.05.28 23:40:07 +05'30'

Brahm Prakash Kumar
Company Secretary

"KDDL Limited
Q4 & FY '25 Earnings Conference Call"
May 22, 2025

"E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges and the Company website on 22nd May 2025 will prevail."

KDDL Limited

CHORUS CALL

MANAGEMENT: **MR. YASHOVARDHAN SABOO – CHAIRMAN AND MANAGING DIRECTOR MR. SANJEEV MASOWN – CHIEF FINANCIAL OFFICER AND EXECUTIVE DIRECTOR**
SGA – INVESTOR RELATIONS ADVISOR

Moderator: Ladies and gentlemen, good day and welcome to KDDL Limited Q4 and FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 in the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yashovardhan Saboo, Chairman and Managing Director. Thank you. And over to you, Mr. Saboo.

Yashovardhan Saboo: Thank you and good morning, everyone. Many thanks for joining us on the KDDL Limited Q4 and FY '25 Earnings Conference Call. I hope you've had the opportunity to review our financial results and the investor presentation which was posted on the company's website and stock exchanges recently.

I'm joined today by our CFO and Executive Director, Mr. Sanjeev Masown; and SGA, our Investor Relations Advisors. I'll start with a few words about the macroeconomic situation. Over the past year, the global economic environment has been marked by a clear and concerning increase in volatility and slowing growth. As we moved into FY '25, rising geopolitical tensions and shifting policies have added to the uncertainty, with the global economy facing renewed pressure from such uncertainties, tariffs and nontariff barriers and fast-changing alignments in the global financial and trade infrastructure.

We see this transformation rather as an opportunity, and our strategies are now designed to meet the evolving market realities and expectations. Let me begin now with the watch component business. As many of you are aware, the Swiss watch industry has experienced a prolonged slowdown largely driven by macroeconomic uncertnities, inventory situation, which has been corrected; subdued consumer sentiment; and tightening discretionary spending across all major economies.

The contraction in demand was heavily influenced by China and Hong Kong, which are among the largest markets for the watch business, where the market declined by 25.8% and nearly 19%, respectively, over the previous year. The total volume of watches exported by Switzerland declined by 9.4% to 1.6 million units. Export volumes were at a historic low of 15.3 million watches exported. The volume decline was witnessed in watches for all price points.

While the export environment for Swiss watches remains challenging, and consequently, also for us, we are monitoring the situation closely and remain optimistic about the future. Based on current indicators and market feedback, we anticipate a gradual revival, beginning in the second half of FY '26.

At KDDL, we have responded strategically to these headwinds, which I may mention is not for the first time. We experienced something similar several years back, in FY'15, '16. We've responded to these by expanding our product offerings in mid- to high-value segments. This conscious pivot towards value-driven category is showing encouraging traction.

While overall export volumes have declined, our approach has enabled us to strengthen our relationships with existing clients and also to open opportunities for higher-margin growth in new geographies. For example, we are actively exploring expanding our reach beyond the Swiss markets, to other European countries, to further enhance our export strategy.

With 4 decades of delivering precision, consistency and quality, KDDL is now well positioned to engage with a broader set of global watch brands. We are leveraging this reputation to explore and initiate relationships with emerging non-Swiss customers in various European and non-European countries where we see significant future promise.

In the domestic market, the outlook remains strong and consistent. Demand visibility continues to be positive, supported by healthy consumer sentiment and strong order inflows across key product lines. Our volumes have remained robust, and we are seeing an encouraging rise in average realization. A combination of selective price adjustments and a focused premiumization strategy is driving this improvement. Our emphasis on value-added segments reinforces our position as a trusted partner in the domestic watch component ecosystem.

The recent Indian rupee-to-Swiss franc currency fluctuations have been favorable for our company. The total revenue of our watch component business comprising of watch hands and watch dials declined by nearly 20% compared to the previous year majorly due to a decline in export revenue by 28%, whereas the domestic market revenue grew by 13% during the year.

Our precision engineering business, which I will discuss now, continues to demonstrate very healthy momentum largely driven by a robust export demand and a consistent track record of exceeding customer expectations. We have fortified our already strong reputation in both the established and emerging international markets.

I am pleased to share that, in FY '25, we recorded a 55% year-on-year growth in revenue, taking our top line to INR147 crores. This solid performance reflects the strength of our business fundamentals and the trust that our global clients place in us. Importantly, the momentum remains strong and we are optimistic about our growth trajectory moving forward.

In anticipation of future demand and to support our growth ambitions, we have secured a 28,000-square-foot shed on lease in Bengaluru, not far from our existing facility. This new location currently under development will be operational in the second half of FY '26. We continue to focus on sectors that offer high entry barriers and long-term growth potential like alternate energy, comprising of electrical vehicles and energy storage systems; aerospace; automotive; and electrical segments.

These sectors not only allow us to align with our technical strengths but also offer robust export opportunities. Exports, I may repeat, remain a central pillar of our growth strategy; and we are confident that our proactive approach will yield substantial benefits in the years ahead.

Our bracelet division is integral to our export-driven strategy and continues to gain strategic importance within the group. Dedicated exclusively to the export market, this division reflects our commitment to building a globally competitive manufacturing footprint in the watch ecosystem.

At present, the capacity utilization stands at about 50%, indicating substantial headroom for growth. With continuous improvements in operational efficiency and recovery of the market conditions, we anticipate capacity utilization rising to about 65% in FY '26. We are confident that this division will emerge as a key contributor to our export portfolio in the coming years.

About our packaging division. This division continues to enhance revenue by adding new customers and segments. During the year, the revenue improved by 13% compared to the previous year. Our initial focus is mainly on the domestic market, where we see robust demand and steady inflows of RFQs.

In parallel, we are targeting international brands with a presence in India, offering premium packaging solutions tailored to their requirements in India. This enables us to meet their quality expectations while offering the advantages of a reliable domestic supply chain. While the business is still in its early stages, we are seeing promising traction. Export opportunities are also on our radar. And we are actively building capabilities and partnerships to support this next phase of growth in the immediate future.

In conclusion. While FY '25 was a year of correction in some of our segments, KDDL stands at a strong and strategic inflection point. Each of our business divisions, be it watch components, precision engineering, bracelets or packaging, is aligned with our long-term vision of sustainable, export-led, diversified and profitable growth.

As we step into the next phase of our journey, we remain confident of our ability to scale new heights and deliver greater value across customers and markets. In FY '26, we expect our revenue to grow in the range of 15% to 20%, majorly driven by recovery in the international watch market, growth of our precision engineering business and enhancement in the utilization and growth of the bracelet and packaging businesses.

I would now like to invite Mr. Sanjeev Masown to update you on the company's financial performance. Thank you.

Sanjeev Masown: Thank you, Mr. Saboo. Good morning, everyone. Let me take you through the company's stand-alone -- first of all, the stand-alone financial performance. During the quarter 4, our revenue was INR102.3 crores. And the -- overall for the year, the revenue was INR384 crores, compared to the last year revenue of around INR359 crores. EBITDA for quarter 4 stood at INR19.4 crores, with an EBITDA margin of 19%, while for FY '25 full year, EBITDA was INR88.5 crores -- and EBITDA margin of 23.1%.

PAT for the quarter 4 was at INR8.2 crores. And for the full year FY '25, the PAT was at INR49.2 crores. Profitability during the year, as already shared by Mr. Saboo, was majorly impacted due to shift in the product mix, the decline in the watch component export revenue and the increase in the precision engineering business revenue.

During the last year, financial year '25, we incurred a capex of around INR30 crores. And in the coming year, we expect to do a further capex of around INR35 crore.

Moving to the consolidated financial performance. The total income for the quarter 4 FY '25 was at INR431 crores. And for the full year, it was INR1,695 crores. EBITDA for the quarter 4 at the consolidated level was INR75.9 crores with an EBITDA margin of 17.6%, while for the full year FY '25, EBITDA was INR307 crores with an EBITDA margin of 18.1%. PAT for quarter 4 was at INR31.6 crores; and for the full year, at INR142.3 crores.

With this, I open the floor for question-and-answers. And I request all the participants to kindly restrict the questions to the KDDL manufacturing business. As for the retail business, already a separate investor call is held, where the detailed answers are given. With this, the floor is open for the...

Moderator: The first question comes from the line of Amit Ajicha with HG Hawa.

Amit Ajicha: Yes. Sir, can you share some visibility of revenue mix and order, like from the precision engineering segment?

Yashovardhan Saboo: Sorry. Say that again -- Amit, why don't you ask all your questions so we can answer them all at one go?

Amit Ajicha: Okay. And sir, second question would be connected to precision engineering only. Like, what are the EBITDA margins for the current year? And what are you planning, the EBITDA margins for the precision segment for FY '26?

Yashovardhan Saboo: Can you just repeat your first question again?

Amit Ajicha: The -- can you share the revenue mix and order book visibility from precision engineering business?

Yashovardhan Saboo: Okay. So these are your two questions.

Amit Ajicha: Yes.

Yashovardhan Saboo: Okay. Sanjeev, I'll let you answer that.

Sanjeev Masown: As we already shared in the -- Mr. Saboo's speech, that the revenue of precision engineering in the last year was INR147 crores. And regarding the order position, in our earlier calls, we have given a long-term indication for the precision engineering business where the growth of business will -- over the longer period, will be in the range of 25%. So we still maintain that.

And accordingly, the order positions for getting that type of growth in the coming year are already there. Regarding the EBITDA margins, the EBITDA margins are in the range of 19%, 20%. And we expect that these type of margins will be maintained in the coming year.

Moderator: Next question comes from the line of Vijram, an Individual Investor.

Vijram: First of all, I have been an investor for a long time. So very well done. And love the way you're hedging your businesses in terms of managing all the downturn and everything else. I just had a question on Favre Leuba. I mean I'm a shareholder in both Ethos and KDDL, but I just want to know: Where does Favre Leuba sit? And can you shed some light in terms of production of Favre Leuba and the plan for '26?

Yashovardhan Saboo: Are there any other questions? I'm just requesting, if there are other questions -- okay.

Vijram: The second question is really around your guidance of 15%, 20%, just in terms of where does it stem from. I mean you have mentioned the slowdown, and I think everyone gets that. Where is the confidence for the 15%, 20% coming from? If you could just shed some light. I know you did mention some of it in your opening speech.

Yashovardhan Saboo: Okay. So let me answer the Favre Leuba question first. It's a slightly long answer, so I'll request everyone to bear with us on this, right? So Favre Leuba is, on the one hand, a very strategic new sort of business, but it's a business that we are pretty much familiar with. So Favre Leuba, on the one hand, requires knowledge about distribution and about watch brands, which we have in our subsidiary company Ethos.

And the large part about launching a new brand with products Swiss made is about being able to design and create product components for it, again where on the back end we have a huge experience with dial, hands, which are by the way very important because a lot of the creativity and the value of a premium watch. And dial, hands and bracelets is the very important part of it. Watch cases is the part that we are not doing, but in the future, it's a strategy, that we will make watch cases as well.

So Favre Leuba really brings in the point where we are starting a company to own a Swiss brand; and not only own it but actually to be able to control both sides and therefore the entire value chain, from manufacturer of components, eventually to manufacturing the watch and its distribution. Distribution in India, we are very familiar with. We will get -- we will know and we will learn about distribution globally through the -- Silvercity Brands, which is establishing the global network for Favre Leuba.

And over time -- I just want to say, over time, look what it allows us to do. It allows us to understand and learn fully the entire value addition chain of a watch brand, of a Swiss watch brand. This puts us in the same sort of league as many of the other groups in Switzerland in the Swiss watch industry which are verticalized. Richemont group is one of them and similarly, so they understand the distribution. They understand the manufacturing, the back end. And we are on the way to do that.

And what this means is, once Favre Leuba is established and we understand the various edges of it, it gives us the opportunity to expand the brand mix, perhaps for a higher-end brand or perhaps for a lower-priced brand than Favre Leuba. So it's the start of a very, very exciting and a very -- let's say, a story with a great potential going forward.

It's not going to happen overnight. It will take time, but it needs time to create anything meaningful. Because we don't want to do it superficially. We want it like everything we do. We want to get to the root of it and do something that adds value.

So these are just a few thoughts about what is the underlying strategy of Favre Leuba, all right? Now how is it going? Great. There's a great response. Distribution has started in India. It has been launched. We are falling short of the product. So I think there was an underestimation of the kind of response the market would give.

So in India, we are doing very well. We are actually rushing to establish, to shore up the supply chain. For Swiss watches, it's rather -- it's somewhat of a long process because the quality and the design requirements require that time. You can't take off -- things off the shelf and put it together, right?

It's not like a quartz watch which you just put together in a kit. Everything has to be designed. It has to work perfectly and it has to work perfectly for 20 years, all. But it's happening. You're going to see a lot of Favre Leuba in India and everywhere in the world in the coming 12 to 18 months.

And I think our plans are extremely robust for Favre Leuba. I don't know if that answers your question, but I'm glad to answer if there's anything more specific. As far as the guidance of 15% to 20% is concerned, a lot of it -- not a lot of it, but one part of it, of course, depends on when and how the international watch market revives.

I think we are probably close to the bottom and therefore our anticipation that in the second half of this year, things will start to look up. It's not going to bounce back like very, very strongly, but it's going to be a clear and a definite sort of recovery. That said, we are already -- as I mentioned in my earlier remarks, we are already sort of working on expanding our offering to some geographies that are not as impacted as the Swiss watch market.

For example, the German -- the emerging watchmaking in Germany, in Scandinavia and some other interesting geographies. These will be small compared to the Swiss market, but nevertheless, these are hedges. And you are right. One of our underlying strategies has been to be able to hedge risks.

In every business, there will be a downturn from time to time. There will be some risks, but our strategy and our skill as managers and as leaders of a business lies in being able to understand that this will happen. And when this happens, are we hedged? Are we flexible to be able to not only ride this downturn, but come out stronger.

So I believe 15% to 20% is a good range. If things recover quickly as expected, we'll be closer to 20%. If they are a little bit delayed, we'll be closer to 15%, but that's pretty much the range we can give now.

Sanjeev Masown: I would like to add into this that, as you may be remembering, in the previous year our bracelet business and the packaging business started in the second half of the financial year. So this year, the full impact and the revenue of that will be there. Plus there is increase and the enhancement in the capacity utilizations of both these businesses.

Vijram: Great. Thank you. I just had one other question around Favre Leuba. In terms of economic interest, how does it split. So will if Favre Leuba should sell in India now. Obviously there's the distribution with Ethos, but in terms of economic interest, how much flows to KDDL as a company?

Yashovardhan Saboo: Well, the distribution in India is -- Favre Leuba has a contract with Ethos, as an exclusive distribution arrangement. So that is that. Otherwise, Favre Leuba as a company under the Silvercity brand is managed by the Swiss team, who are doing a fabulous job. And as you know, KDDL owns a majority. And Ethos has a minority position in that, minority shareholding.

Vijram: Got it. So any profit that Favre Leuba will...

Yashovardhan Saboo: Between KDDL and Ethos. Sorry.

Vijram: So all the profit that is earned by Favre Leuba will obviously to the extent of shareholding of KDDL, will come into KDDL India, this year's books?

Yashovardhan Saboo: Yes. On a consolidation level, that's right.

Vijram: Perfect. Super. That's really good again Mr. Saboo. Thank you very much for your clarity and all the very best.

Moderator: Thank you. Next question comes from the line of Rohit Mehra with SK Securities. Please go ahead.

Rohit Mehra: Hi, sir. Thank you for the opportunity. My question is what kind of demand trends and customer responses are you seeing in the domestic and international packaging business.

Yashovardhan Saboo: Okay. Any other questions?

Rohit Mehra: Just follow-up question that what is our long-term vision in terms of revenue in this segment?

Yashovardhan Saboo: So, let's say, packaging or luxury packaging, which is the segment that we are focusing on, there is robust demand coming from, of course, the main part of it is from the watch segment. There's the jewellery segment. And I don't have to tell you where branded jewellery is going in India and abroad. So we are seeing a very strong demand. Sorry for the disruption. Rohit I am going to answer your question.

So as I was saying, there is a robust demand from watch, jewellery and other segments in the luxury packaging. And at an international level too, there is the demand. As I've mentioned in my speech, there are many brands, international brands, that are now selling in India. And many of them are still bringing their packaging from the Far East, to China or whatever.

And obviously, it makes a lot of sense, when certain volumes have already developed in India to procure the packaging in India. You save a lot of money and it's cheaper and it's, of course, a lot less logistics involved. And this is a market that we are getting a great response from.

Of course, we have to meet their design, quality and all their homologation and ESG conditions, so that is happening, but we are seeing the impact of that and you see the impact of that in the numbers this year. The revenue numbers again we are looking at growth upward of 20% CAGR.

And I think this is sustainable for a good 5 to 10 years in the future anyways, because we see currently a great demand in India from domestic and international brands, but also direct export to Europe as well as to the Middle East. Remember that there's a huge jewellery market or a market for branded jewellery in the Middle East. And almost all of them are exporting all -- importing all their packaging from China. And our goal is to actually take a share of the market from them.

Moderator: Thank you. Next question comes from the line of Devanshu Bansal with Emkay Global. Please go ahead.

Devanshu Bansal: Sir, you've provided a 15% to 20% growth outlook for FY '26. And whatever I understand is that the revenue mix shall shift towards categories like bracelet, precision engineering and packaging. Given this changed revenue mix, what is the margin expectation for FY '26? That is question number one.

Second is on Silvercity Brands. In FY '25, what is the exit run rate of some of the operational loss, as of now? And what is the expectation of this loss in FY '26 for complete year? And last question, again on Silvercity. Any capex investment that we plan to do within that subsidiary in FY '26? These are my three questions, sir?

Yashovardhan Saboo: Okay, I'll let Sanjeev answer the question on the margin expectations. Let me answer first the question relating to Silvercity Brands. There is no major capex planned in Silvercity this year. And in terms of loss, I think, on FY '25, we were below the budgeted loss. Remember that in FY '25 there was a delay in the launch. So we were not able to deliver the product. I'd mentioned that -- challenges in developing the supply chain fast enough, but after March, it has started coming.

So I think our numbers for this year will pretty much be on target. We are trying to do better than what we've budgeted. There will still be a loss, for sure. I'm not able to quantify the loss exactly, but it is as planned. It's part -- to be honest: There will be a loss this year. And there will be a diminished loss next year, but that's part of building a brand globally. And I think, from FY '28 onwards, it will start to -- the loss will disappear.

But it is as per budget. And I can -- I'll have to check with Silvercity exactly what is the loss, but it's meant to be smaller than the loss that was originally budgeted.

Devanshu Bansal: This is encouraging. Any specific market apart from India that we are targeting, from Silvercity, in the next 2 years per se?

Yashovardhan Saboo: A lot of markets, so -- a lot of markets we are targeting. I mean, of course, India will be an important market because we know this market the best as a group, but a lot of markets are being targeted. And a lot of markets are -- have already been signed up and products are there.

So I think, Japan, it is there. In the U.K., we are in discussions. In Italy, it has been signed up. In the Middle East, there has been a sign-up. So there have been a lot of sign-ups already and products. And we will see.

As I said, that -- we underestimated the kind of market response that there would be. So now for the products, as they are coming in, there's a bit of a struggle as to who's going to get the products because Ethos wants the products because the sell-out is extremely good, but we've also got now the whole international structure.

We've exposed the brand to retailers and they want it as well, so actually, the real effort right now is to get more products online as soon as possible.

Devanshu Bansal: Understood. And on the margin expectations...

Yashovardhan Saboo: Sanjeev, would you like to offer on the margin expectations?

Sanjeev Masown: Devanshu, regarding your question of the margin expectations for the coming year. The last year, our EBITDA margins was around 23%. And with the growth estimated in the range of 15% to 20% and majorly driven from the precision engineering, recovery into the watch component business as well as the bracelet and the packaging business, we expect the EBITDA margins to remain broadly in the similar range in the coming years...

Devanshu Bansal: Very clear. Sir, can I have one follow-up question on Silvercity, if you allow? Sir, I also wanted to understand the current price positioning of the brand launch. As of now, what is the price band that we have launched? In which category of luxury watch of -- the new models have been launched? So these are the 2 questions that I have.

Yashovardhan Saboo: That's a great question. And basically, to answer it simply, it's in the price point of CHF 2,000 to CHF $4,000; $2,000, let's say, okay, $2,000 to $4,500. This is the price range in which we have launched it, right? This compares -- this is below TAG Heuer. This is around the same price range as Oris or something like that, right?

Now if you know the brands, you know what I'm talking about. What is interesting is not only to compare the price. What is interesting is to compare what Favre Leuba is delivering at this price. What is the movement? We are delivering a La Joux-Perret movement. For what level -- that is like you have a fabulous movement, whereas every competitor has a much -- not an inferior movement.

None of the movements are inferior, but in terms of specifications, they are not as good as La Joux-Perret movements. In terms of the case design, see-through back; a plated -- a machined or an engraved rotor, a customized rotor, right; customized crowns; a fantastic designed and executed products in dials, hands, cases.

So if you do a like-to-like comparison what we are offering for, let's say, CHF 4,000, most competitive brands, you will find that between CHF 5,000 and CHF 6,000. So like-to-like comparison on a brand and you do quality and specifications.

We are 20% to 25% cheaper than most other Swiss brands in this category, so -- and that's what -- that has been commented upon by all international media, great value for money, great quality. And that's the reason why we are getting this great response.

Devanshu Bansal: Very encouraging to hear, sir. I totally agree. Product value proposition is a very key point in terms of gaining traction. And we are seeing very good examples of such brands doing very well in India as well.

Moderator: Next question comes from the line of Rishi Maheshwari with AKSA Capital.

Rishi Maheshwari: This is very heartening, to know your optimism given the opening remarks of a slight back-ended recovery. So my question was related to understanding the precision engineering department, division, while you mentioned 15%, 20% growth is also a result of the bracelet division accentuating their growth in this year versus only half of last year.

So is the precision engineering also expected to grow at about 15% to 20% in this year? Help us understand. What are the areas of growth? Given that the other -- in auto ancillary, for instance, we are not -- other companies are not showing as much optimism as perhaps you are showing. Your other divisions, if you can throw some light on.

My second question is on certain numbers that you had earlier -- given in earlier calls. The bracelet manufacturing division was -- had a capacity of 75,000 bracelets. Are we looking to enhance it given that you're saying, next year, you will be closer to higher utilization? And the third part was to understand on the packaging.

This had a capacity of 100,000 units as well, as far as I understanding goes, so if there is -- given the heightened growth that you're looking over there, is there any reason to believe that there is capacity enhancement that you're looking at it?

Yashovardhan Saboo: Okay, I'll answer the last 2 questions; and then invite Sanjeev to answer the first one, on the overall growth. I think, in capacity of bracelets, it's right. It's 75,000, but -- and there is, there are plans to enhance it using some balancing equipment, but it's important to understand that it also depends on the product mix a lot, right?

So if you have simple bracelets or simpler bracelets, this -- you could easily make 90,000 or 100,000. For the kind of bracelets that we have currently, it's probably closer to 90,000 than 75,000, right, but there is a plan to enhance it, probably by the end of this fiscal year. And we expect that the capacity utilization will go to about 65% of this 90,000. The packaging unit, I'm not sure if we have a capacity of 100,000, but it's much more than 100,000.

Sanjeev Masown: New unit.

Yashovardhan Saboo: The new unit, only the new unit, yes. So the new unit has been established, which came into production, I think, in October. And here I think we will get also close to 60% or 70% capacity utilization during this year. And that is going to help in, of course, contributing to the overall growth.

Sanjeev Masown: Rishi, in basically these types of business, either precision engineering or packaging or bracelet, it's not a question of capacity creation and the addition of the capex. Mainly it is a question of how we are able to satisfy the customers, bring the product range through their quality certifications and the sustainability of the product.

So this is a long process. Similarly, in the packaging, as we have recently put up this capacity, once we reach to the -- near to the capacity levels of the new customers and the new product range, then we will think of another round of the capacity increase. Regarding the precision engineering business, you have asked whether the growth will also be in the range of 15% to 20%. Our expectations are there -- that it will be more than that.

Rishi Maheshwari: Very encouraging. My -- if I can just briefly ask one more on the bracelet. How many customers do we have in the bracelets division?

Yashovardhan Saboo: In the bracelet division...

Rishi Maheshwari: Yes.

Yashovardhan Saboo: If you've been part of earlier calls, you know that this -- the bracelet division was set up in collaboration with one customer, who supported us to set up...

Rishi Maheshwari: Right, right. That is right...

Yashovardhan Saboo: And right now we have that customer. We have that one customer. As our production expands, we are free to go to other customers, provided this one customer able to meet -- or we produce more than the needs of this customer, which could happen this year, but let's see how much this customer will actually lift.

So I believe, in the years to come, we will work with multiple customers. This year, we will be mostly with this one customer or some other customers of the same group. Because this customer is part of a conglomerate group, the LVMH Group. And they have more brands than just one and they are also looking at starting to buy from us.

Rishi Maheshwari: Okay, wonderful. My last question was, would be on Favre Leuba. In a small conference that you had held earlier, you mentioned that your aspiration to go there is about 100,000 units per annum. That is the kind of aspiration at some point in time. Does that aspiration still hold given the early demand trends that you've seen? You've spoken very highly...

Yashovardhan Saboo: Absolutely.

Rishi Maheshwari: Indicative time line, do you think that is possible by, say, FY '30 or so?

Yashovardhan Saboo: That's hard to say, but I also don't want to say, "Yes, it's going to be in the distant future. So FY '40," no. We're going to do it fast, but building a global brand, it's hard to predict very precise time line. 2 years from now, we should be able to predict that more accurately.

Rishi Maheshwari: All right.

Yashovardhan Saboo: I think a lot will depend on how long it takes us to get to 10,000.

Moderator: Thank you. Next question comes from the line of Ajay Surya with Niveshaay. Please go ahead.

Ajay Surya: Thank you for the opportunity and congratulations on the performance despite the overall environment. And the commentary is positive. I have a few, set of questions. And sir, if I look at our business mix, so last year, precision was around 25%, and this year, it has increased to about 40%. And margin profile, as you mentioned, that -- in the precision segment is a bit lower than the watch division. And if I look at -- our gross margins have declined significantly this quarter. So I wanted to understand the reason behind this. And is it kind of a one-off? Or I just wanted to know more on that.

Second question is, sir, in the watch component division as well, the watch bracelet division has been increasing. And it has started to contribute from this year itself. From the data which we have even to gather internally, we are providing, I guess, 2 SKUs in the watch bracelet, but the pricing which we get, there is a stark difference of maybe a 10 times difference in the 2 SKUs which we provide. And in the recent quarters, maybe the lower price band has been of much more volume. So just wanted to understand more on this part. Like, how many SKUs, going forward, are we planning to do? And what price band are we targeting?

Next question is, sir, in the opening commentary you mentioned that we are also now moving to maybe non-Swiss geographies and the Europe on other part of the world. So wanted to understand, like, if you can highlight, how is the watch industry overall progressing?

Like, is it moving away from the Swiss watches? Or is it losing its charm? Or is it that newer geographies have higher growth, which is why KDDL stand-alone business is targeting that segment?

And sir, last question. On the precision engineering, the way we have grown over the years is quite robust. And we are expanding further in this and, if I get the amount right, close to INR35 crores. Sir, wanted to understand, have we cracked any new customer or new segment under this, like maybe the aerospace or the automobile side?

Because again -- is it like one single customer is driving this division for us as of now? So just wanted to know your thoughts. Is there any risk of customer concentration on this...

Yashovardhan Saboo: Right. We got that, Ajay. Ajay, we got that. I'll answer the -- your 2 questions. And then I'm going to let Sanjeev answer the first one.

Yashovardhan Saboo: Bracelet data. I think you are misreading the data. There are SKUs. I think the lower-value SKU you are talking about is probably a bracelet component. The bracelet consists of the main bracelet and it consists of two end pieces. Those are end pieces that link to the watch case, and then there is a buckle.

So they are shown as separate SKUs, but eventually they all get together to form one bracelet, right? So I don't think you can come back and say there's more volume of lower price and so on. In the very early stages, we were not providing the buckle. The buckle was provided by the customer. Now we are providing the buckle as well, and the end pieces. And therefore, you see this, but eventually they all get into one sort of bracelet.

Currently we are doing 3 models of bracelets, and so -- but this is going to grow. Of course, it depends on what the customer wants right now. So as I said, we are right now dealing with one customer, but these will grow. So I hope that clarifies the question about SKUs and pricing. There's not that much difference in prices, but on the bracelets when you take it as a overall one set which comprises one bracelet.

Second point was about watch markets in other countries. It's not that Switzerland is declining. Other countries, there are some brands and some watchmakers who also now are coming up. Remember that, the watchmaking tradition, it was not exclusive to Switzerland. Watchmaking tradition started in U.K. Watchmaking, as a history, it started in U.K. and France; and then it spread to Switzerland. It spread to Germany and it spread to Scandinavia.

So these countries are now reviving some of their watchmaking traditions. And of course, don't forget Japan. Japan always had a watchmaking tradition, and that is also reviving. And from Japan, it's going to some other countries. USA, by the way, had a strong watchmaking business in the '20s and '30s. And some of the brands are also now reviving in USA.

And obviously, now the make in -- "Make America Great Again" is a fillip to some U.S. brands. So that is what is happening on the watch market. Switzerland still remains, by far, the most important and the most valuable market for luxury and premium watches. Sanjeev, the other two questions, you can answer.

Sanjeev Masown: Ajay, regarding your question of lower margins in the quarter 4 of the financial year '25. Yes, to some extent, you have rightly captured that the precision engineering business revenue in the previous quarter was around 40%. That is one reason of lower margins in -- at the overall level.

Number two, in the quarter 4, the watch component business revenue is broadly in the range of 50%. The other revenue is from the bracelet and the packaging business, which are at the nascent stages of the ramp-up, where the costs are there. And there also the margins are lower. As we move up in the coming quarters, this recovery and the normalization will be there.

And the EBITDA margins which you have seen in the quarter 4 are like a one-off cases. You will see the improvement over there. Number two, at the year-end, there are some one-off expenses which are accounted only at the year-end results.

Regarding your question of the new customers being added into the precision engineering business. This is part and parcel of the business. We keep adding new customers, new segments, new geographies. I think it is not dependent only on one customer. Yes, at some point of time, some customers have a larger share or the larger revenue for the business. So -- but I would not be in a position to disclose the names of the customers, but we keep adding the new customers from the different geographies.

Ajay Surya: Got it, sir. Thanks for answering all the questions in detail. All the very best for future.

Moderator: Thank you. Next question comes from the line of Jagdishwar Toppo with Japa Investment Adviser LLP. Please go ahead.

Jagdishwar Toppo: Yes. Good morning, sir. Thank you for this opportunity. I would also refer to your presentation in December '24 on business outlook. The -- so my first question will be, back then, you had stated that China One is positive but waning. Now we are in May, so much has happened in between in terms of trade tussle and all. So, what the outlook, you know, if China Plus One still remains positive or it's become stronger or still waning. So that's question number one.

And you also mentioned America is also wanting to invest in their watchmaking industry. So in the context, could you explain it a little bit- with a little bit more color? Now my question number two is if I refer to your slide in your presentation of the business outlook. There are, I guess, 7 -- 4 market segments were mentioned. And 3 main product groups were mentioned.

Now, in the segment, along with aerospace, defense is mentioned as well. In EE, electrical and electronics are mentioned as well. I would not like to go to the product group at this time, but I would like to know. I mean, out of this 4 segment, which were the segments that outperformed this year and contributed to the most in terms of the revenue in that particular segment, engineering segment? And which segment also looks like the most promising outlook for the next few years?

The third is basically a suggestion. I mean you had recommended that, if somebody wants to visit your factory, they are welcome. So I would also like to visit along with some of the analysts. I mean, could you suggest when it can be arranged and what the process is for the same? Thank you so much and best luck to you.

Yashovardhan Saboo: Thank you, Jagdish. Yes, we will organize visit to our factories. We very much like to welcome analysts, shareholders. I think it's important to understand the business and it makes the whole interaction much more meaningful. So we will plan that with SGA, and I'm sure they will get in touch with you.

Sanjeev will answer that question regarding the segments of the precision engineering business. China Plus One. There's not a situation that changes every quarter or every 6 months like that, right? China Plus One is a reality. Now suddenly it has become -- because of the Trump policies and so on, it has become hot again. Tomorrow, there may be a deal between China and America. It will become -- it will cool down again, so we can't go on a quarterly basis.

I think, in general, businesses across the world are realizing that overdependence on any one geography, in this case China, is a situation that should be derisked. And therefore, they are looking at alternatives to China. Is India an alternative? Of course, it is. Therefore, if India can come up to the mark, China Plus One will become a reality. And it will continue.

We are already seeing the traction of that. However, if India does not come up, for whatever reason. We are too slow. Business is not -- for whatever reason. The technology is not coming fast enough. We are too slow. We are not able to think fast enough. Approvals take too much time, whatever the reason. I'm not going into that.

Other countries will take it up. And my sense is that there are other countries who are taking it up. For example, Vietnam is spoken about; and other Southeast Asian countries. There are also Eastern European country. However, India has a great opportunity, but we have to move fast to do that. We are trying our best to do that. That's as far as that answer is concerned. Please, Sanjeev.

Sanjeev Masown: Jagdishwar, you ask about the -- in the precision engineering business, the different segments where we have the presence, that which segments contributed to the major growth in the previous year. In the last couple of years, the major traction has been from the alternate energy segment, which comprises EV and the battery energy storage system. And that has continued. In the previous year, there was also strong growth and an order position.

Coupled with that, the aerospace, which post COVID, for some period, for a couple of years, it was on a downturn and the slowdown was there. That also witnessed a decent recovery. And the second segment is from the aerospace industry.

Jagdishwar Toppo: Thank you so much.

Moderator: Thank you. Next question comes from the line of Mehul Panjuani with 40Cents. Please go ahead.

Mehul Panjuani: Okay. . I am new in tracking our company, so just would like some clarity on some very trivial questions. One is how much is the jewelry segment contributing, if at all, to the revenue of the company. That is one. Secondly, what are the Silvercity brands? Is it just the Favre Leuba, or are any other products being added to that subsidiary?

And third is that, sir- whatever I heard in the conference call. I can understand that we are in a very niche business, but if -- I would like to understand. How many competitors would we have which are based out of India? Thank you so much.

Yashovardhan Saboo: We are in different businesses, Mehul, so it's hard to say how many competitors. We have competitors in various businesses. And frankly, I don't differentiate between competitors in India or competitors abroad. Today, 80 -- 75%, 80% of our business is coming from export; and therefore, we look at international competition. And there competition is a reality. In all our businesses, we have competition. We are able to grow faster than the competition because somewhere, we are better than they are. So it's hard to answer your question about number of competitors.

As far as Silvercity brands is concerned, at the moment, we have only one brand. That is Favre Leuba. In future, there is a plan to add brands, but as of now there is nothing specific, so I cannot comment on that. And as far as jewelry is concerned, in our company, we are not manufacturing anything for jewelry, except packaging.

And packaging, at the moment, the jewelry segment is small for us. The main segments are outside jewelry. But it will be one of the fastest-growing segments in the years to come, based on the kind of responses that we are getting from jewelry companies in India and globally.

Mehul Panjuani: Right. Sir, one follow-up question. So in terms of the watch component because I think that is one of the very niche areas of the business. So for that, I would rephrase my question. How many competitors would be there globally?

Yashovardhan Saboo: There are a lot. And again remember that we are making several components. Not every watch component maker makes so many components as we do. There are dial makers. There are hands makers. In dial makers, I could easily say there are probably 15 to 20 well-established dial makers in Switzerland, Europe, Japan, China, Thailand and of course, we are in India. Hands makers, there are fewer, maybe 6 or 7 in the world. And on bracelets, again, there are plenty of, so...

Mehul Panjuani: Right. And sir, I'm very quite curious about the pedigree of our company because we have -- to the -- to my little knowledge, you are in a very highly niche and precision-oriented component manufacturing. So what has -- I mean, how did we get into this kind of a business mode? I mean I know that our company is quite old, but...

Yashovardhan Saboo: Mehul, I don't think we can answer that question on an earnings call. I mean that's something if you -- there's a lot of information on our website. And that's a history of 40 years. It's hard to sort of summarize that over a 2 or 3 minute. But why don't you, next time have a one-on-one, group meeting, not one-on-one but a group meeting at a -- at one of our factories. Why don't you join in for that? And you can get a better sense of 40 years of the company.

Mehul Panjuani: Definitely, sir. Thank you so much. One -- just one last question, if I can just chip in one last question. So what is the reason for having Bangalore as the production -- I mean for all the factories. After we had had in Chandigarh, what made us move to Bangalore? I mean, why was it -- because, anyway, you are exporting...

Yashovardhan Saboo: Bangalore. It's not a move to Bangalore. Bangalore has been one of our bases for more than 30 years, so it's not a recent move.

Mehul Panjuani: Okay, okay, sir.

Yashovardhan Saboo: It was a diversified strategy. We didn't want to put everything in one region.

Mehul Panjuani: Right, right. So it was -- was it because of some labor benefits or -- we moved to Bangalore?

Yashovardhan Saboo: Again I'm saying there's no question of move. We've been in Bangalore for more than 30 years. We have been in existence for 40 years. So again I'm saying that we believe in derisking and hedging our bets. And one of them is having -- not putting all your manufacturing in one location.

Mehul Panjuani: Right, agreed, sir, but since we were primarily...

Yashovardhan Saboo: I don't remember what was the reason, but the basic philosophy is to hedge against risk and to diversify.

Mehul Panjuani: I appreciate, sir. Thank you so much. Thank you.

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

Yashovardhan Saboo: Thank you, everyone. If you need any further clarifications or any questions, please contact the SGA team, our Investor Relations Advisers. And we'll be happy to connect and answer what we can. Thank you once again for joining in this earnings call. Thank you, everybody.

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