RISHABH INSTRUMENTS LIMITED

(Formerly Rishabh Instruments Private Limited)

November 18, 2024

To,
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
NSE Symbol: RISHABH

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001
BSE Scrip Code: 543977

Dear Sir/Madam,

Sub: Earnings Conference Call Transcript for Q2 – FY 2024-25.

Please find enclosed herewith the copy of transcript of the Earnings Conference Call held on November 12, 2024 in respect of Unaudited Standalone and Consolidated Financial Results for the Quarter and Half Year ended September 30, 2024.

Kindly take the same on your records.

For Rishabh Instruments Limited

AJINKYA JOGLEKAR
Digitally signed by AJINKYA JOGLEKAR
Date: 2024.11.18 10:00:56 +05'30'

Ajinkya Joglekar
Company Secretary and Compliance Officer
ICSI Membership No.: A57272

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"Rishabh Instruments Limited

Q2 FY25 Earnings Conference Call"

November 12, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 12th November 2024 will prevail.

MANAGEMENT: **MR. NARENDRA GOLIYA – EXECUTIVE CHAIRMAN– RISHABH INSTRUMENTS LIMITED**
MR. DINESHKUMAR MUSALEKAR – WHOLE TIME DIRECTOR– RISHABH INSTRUMENTS LIMITED
MR. VISHAL KULKARNI – CHIEF FINANCIAL OFFICER – RISHABH INSTRUMENTS LIMITED
MR. ANAND LADDHA – FINANCE DIRECTOR – LUMEL S.A.
SGA, INVESTOR RELATIONS ADVISOR

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY25 Earnings Conference Call of Rishabh Instruments hosted by DAM Capital Advisors. 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 a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors. Thank you and over to you, ma'am.

Bhoomika Nair: Good evening, everyone and a warm welcome to the Q2 FY25 Earnings Call of Rishabh Instruments Limited. We have the management today being represented by Mr. Narendra Goliya, Executive Chairman, Mr. Dineshkumar Musalekar, Whole Time Director, Mr. Vishal Kulkarni, Chief Financial Officer and Mr. Anand Laddha, Finance Director, Lumel. At this point, I will hand over the floor to Mr. Goliya for his initial remarks, post which we will open up the floor for Q&A. Thank you and over to you, sir.

Narendra Goliya: Thank you, Bhoomika. Welcome and good evening, everybody. Thank you for joining us on this Rishabh Instruments Limited Q2 and H1 FY25 Earnings Conference Call. Along with me on this call as informed by Bhoomika, Dineshkumar Musalekar, Wholetime Director, Vishal Kulkarni, Group CFO and Anand Laddha, Finance Director at Lumel and our Investor Relations Advisors, SGA. We have uploaded the Q2 FY25 results and investor presentation on the stock exchanges and I hope you had a chance to go through it. Otherwise, please have a look at it after the conference call.

To start the performance, I would say Rishabh has achieved a consolidated revenue of INR 1,824 million, which means INR 182 crores in Q2 FY25, an increase of 7.7% on a quarter-on-quarter basis. For H1FY25, the consolidated revenue remains flat on a year-to-year basis at INR 3,517 million, INR 351 crores. Our electronics and instrumentation business aims to provide comprehensive solutions to clients who look for environment-friendly and cost-effective ways to measure, control, record, analyse and optimise energy and processes.

The business includes electrical automation products, metering, control and production devices, portable test and measuring instruments, which together have achieved a consolidated revenue growth of 13% in Q2 FY25 and 5% in H1 FY25 on a year-on-year basis. We are seeing a good demand momentum in the electronics and instrumentation business both in India and Lumel S.A., domestic markets as well as other markets. In Q2 and H1 FY25, our electronics business in Lumel S.A., Poland has delivered revenue growth of more than 25% on a year-on-year basis. I repeat, in Q2, Lumel S.A., Poland has delivered more than 25% growth on year-on-year basis.

Previously, Lumel S.A. had been awarded a project for the development of innovative control and protection devices for strategic areas of the energy industry and innovative technology for their production in February 2024. This project will be carried over the next 3 years and is based on a fully automated production process and quality control of services under the European Funds for Modern Economy programme.

The electrical automation industry is rapidly growing in Europe in spite of subdued economic environment. This is supporting our Lumel S.A. performance and helping us gain market share along with momentum on the back of our expertise in providing value-added services across automation and turnkey projects.

Moving towards the aluminium die-cast industry, which mostly serves the automotive and non-automotive sectors, we have strategically decided to concentrate more on the non-automotive business.

As we stated in our previous earnings call, you know the European automotive industry is not in the best of shape and therefore this decision. The performance in this segment remained flat on a year-on-year basis, while on the contrary our margins have deteriorated in the automotive industry because of our inability to pass on the price increases to our EV OEM customers. Dineshkumar will talk more about it but that is our reality. We have decided to phase out such non-profitable contracts of one of the two large OEM clients and it has concurrently declined our sales in the automotive industry by about 26% in Q2 FY25 over Q1 FY25, means from the first quarter of this year to the second quarter we are down by 26% due to this automotive industry change.

While the non-automotive sales remain stable resulting in overall drop in sales for aluminium die-casting business by about 14% in Q2 FY25 over Q1 FY25. So, from first quarter to second quarter we have decreased by 14.6% mainly due to phasing out of some automotive business which we see is not profitable.

On capex fund, the construction work at Nashik factory is shaping up well and we believe that the construction will be completed by early 2026. The new six-storied building will double our capacities across all core segments in the electronics and instrumentation business.

With this, I now hand over the call to Dineshkumar Musalekar who will take a little more on granularity of the two businesses along with our strategy and highlights of the key operational performance. Lastly, I am thankful to our entire team of Rishabh Instruments, Lumel, V&A and Sifam Tinsley who have constantly supported us in our ambition to become the leading global energy efficiency solution company. Thank you and over to you Dineshkumar, please carry on.

Dineshkumar Musalekar: Thank you sir and good evening, ladies and gentlemen. We achieved consolidated revenue as Mr. Goliya suggested of INR 1,824 million in Q2 FY25 and INR 3,517 million in H1 FY25. Both remain flat on a year-on-year basis at a consolidated level. The electronics and instrumentation business in Lumel S.A., Poland and Rishabh in India have helped us sustain through the uneven times. Lumel S.A. had a notable increase of 25% on year-on-year basis both in a quarterly and half-yearly top line, while Rishabh India domestic business has expanded by about 10% year-on-year basis. There is a dip in Rishabh India exports business particularly in Europe but we are under negotiation for new orders and would be able to regain this market soon and this European situation is because of the market condition that we have in Europe.

On the other hand, Lumel S.A. has expertise in providing electronics and instrumentation products along with value-added services across automation and turnkey projects we take over and these turnkey projects in the field of solar, radiation gates and industrial automation continue to give us significant momentum in spite of sluggish demand in European region. Our electronics and instrumentation business which includes electrical automation products, metering, control, protection devices and portable test and measurement instruments has delivered revenue of INR

1,217 million in Q2 FY25 registering a growth of 13% on a year-on-year basis and INR 2,210 million in H1 FY25 registering a growth of about 5% on a year-on-year basis.

The top line of Rishabh electronics business in India has de-grown by about 6% year-on-year both on quarterly and half-yearly basis. This is as I said mainly because of subdued export orders and demand scenario in certain economies like Europe. At the same time, in India we are growing. The electronics business now constitutes approximately about 65% of our consolidated top line. So, it is increasing. It used to be around 60% now it has come to about 65% whereas die-casting is reducing and has generated above par growth primarily supported by healthy growth in Lumel S.A.

The electronics and instrumentation business has also achieved steady and stable EBITDA margin between about 15% and 18% both in India and Polish entities respectively. So, on the electronics business I repeat our EBITDA margins are 15% in Rishabh and 18% in Lumel S.A. in Poland. We have also been able to successfully gain strong momentum as we go forward with the Solar String Inverter business. This segment revenue has increased by 300% on a year-on-year basis in H1 FY25. We are putting a lot of efforts in improving operational excellence and cost efficiency to increase our margins.

We have managed to cut production costs for solar inverters by about 5%-6% to increase profitability. We need to achieve further cost reduction of about 10%-15% to be very competitive in this very challenging market which is dominated by Chinese inverters. We are certain that we will meet our goals and reach INR 100 crores company in next 3-4 year's time.

Further, we plan to introduce new range of inverters from 2.5 KW to 6 KW to cater to deliver needs of our customers. Our solar business is steadily gaining momentum and we are planning to develop new generation of NEO 3-Phase Inverter and UNO - single phase inverters to align our products to various government solar schemes announced under Prime Minister's schemes to remain competitive in Indian market. We are further expanding our electronics manufacturing capacity by addition of state-of-the-art SMT – Surface Mounted Technology lines both at Rishabh India and Lumel Poland by end of this financial year which will support us to grow in our electronics products, EMS and solar production.

Moving forward on our die-casting business, Lumel Alucast in Poland caters to two major industries, automotive and non-automotive. The automotive business which represents about 50% of our die-casting business is undergoing transformation phase due to the automotive industry state in the whole European economy as informed earlier. The non-profitable contracts of one of our two large OEMs are being phased out. With lots of efforts in the last three months since we had the last earnings call, we are able to find agreement on phasing out these loss-making projects, all of them from one major customer. This will happen in the next two to three quarters.

We have also managed to get some price increases during such period of phasing out. So, this should reduce our losses significantly in the next two to three quarters. So, what we have done is, as a strategic plan, we are reducing non-profitable auto industry projects and during this period, we also have increased some prices with our clients. This has concurrently declined our sales in automotive business by 26% in Q2 FY25 over Q1 FY25. We had already stated this earlier to you that we are keen to focus more on non-automotive businesses which can generate sustainable EBITDA margins. We have strategically and deliberately scaled down our automotive portfolio with focus on profitable contracts and building new non-automotive projects to replace unprofitable automotive businesses in the next financial year.

It is challenging to state that Lumel Alucast reported subdued performance in this quarter compared to last couple of quarters due to challenges from auto industry, while non-automotive sales remained stable, which gives us confidence that we are on the right track. Moreover, we also aim for at least 10% cost improvement through optimization of our workforce, cycle time reduction, and logistics cost reduction in die-casting business to bring the Lumel Alucast company back on track in the next two to three quarters.

Over the past six months, we have consistently invested in R&D activities with particular focus on our China subsidiary V&A, which presents promising opportunities for new product development. Recently, we designed and developed 100-ampere direct current energy meter, making a significant milestone. Our R&D efforts are ongoing and we will share further updates as and when we make progresses. And also, we have successfully UL-certified, this is for American market, UL-certified a large range of our CT, which are manufactured in Rishabh Instruments, and also our top-end power quality analyzer ND45, which is being manufactured in Poland with the UL certification. This opens doors for these products in American market. We are confident that these investments will yield strong results in the future.

We have approximately 15 products in the pipeline to be added in the financial year 25. We target to achieve 10% incremental revenue from launch of new product in last 2 years. We also actively invest 1% to 2% of our revenues in our R&D facilities to innovate and design and develop new products in-house.

With this, I would like to hand over to Vishal Kulkarni, Group CFO, to delve into financial performance of the group. Thank you.

Vishal Kulkarni: Thank you, sir. Good evening to everyone. Our Q2 FY25 consolidated revenue stood at INR 1,824 million, showing a marginal growth by 1.3% on a year-on-year basis. The H1 FY25 consolidated revenue stood at INR 3,517 million and remained flat on a year-on-year basis. The consolidated adjusted EBITDA remained at INR 137 million in Q2 FY25, which is down by around 64% on a year-on-year basis. And for H1 FY25, consolidated adjusted EBITDA remained at INR 246 million, which is down by 62% on a year-on-year basis.

The consolidated adjusted EBITDA margin stood at 7.5% in Q2 FY25 and 7% in H1 FY25. The consolidated PBT stood at INR 55 million in Q2 FY25 and INR 101 million in H1 FY25. The ESOP expenses for H1 FY25 stood at INR 66 million and we expect another INR 48 million to be booked in FY25.

Starting with the company-wise key financial highlights, Rishabh India, the standalone revenue for Q2 FY25 stood at INR 589 million, down by around 6.4% from Q2 FY24. And for H1 FY25, stood at INR 1,116 million, down by around 6.8% from H1 FY24. The standalone adjusted EBITDA stood at INR 105 million for Q2 FY25, down by 32% on year-on-year basis.

For H1 FY25, stood at INR 181 million, down by 39% from H1 FY24. The standalone EBITDA margins remain at 17.9% for Q2 FY25 and remain at 16.2% in H1 FY25.

For Lumel S.A., our electronics business in Poland, it has achieved a revenue of INR 557 million in Q2 FY25, up by around 31.2% on year-on-year basis and achieved a revenue of INR 1,055 million, which is up by 26.8% on year-on-year basis. The adjusted EBITDA stands at INR 112 million for Q2 FY25, down by 8% on year-on-year basis. And for H1 FY25, the adjusted EBITDA stood at INR 197 million, which is up by 10% on year-on-year basis. The adjusted EBITDA margins stood at 20.2% in Q2 FY25 and 18.7% in H1 FY25.

For Lumel Alucast, it has shown a degrowth of 12.7% in revenues in Q2 FY25 and remain at INR 584 million and a degrowth of 6.3% in revenues in H1 FY25, remain at INR 1,278 million. The adjusted EBITDA stands at minus INR 82 million in Q2 FY25 and minus INR 128 million in H1 FY25. All other companies in UK, USA and China have grown by around 8.1%, 22.8% and 19.2% respectively in revenues and have contributed an EBITDA of INR 5 million to the consolidated financials. On the consolidated level, we remain net debt-free with a strong balance sheet. The net cash and cash equivalents as on 30th September 2024 stand at INR 2,331 million. A healthy cash flow from operations is INR 275 million and the company remains net debt-free as on 30th September 2024.

With this, I shall now leave the floor open for Q&A. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Thank you for the opportunity. So, sir, my first question was on metering control and protection device businesses. So, basically, first half we see we have done around INR 152 crores of revenue versus INR 145 crores last year in the first half. So, what is it that is not allowing us to grow faster in this business and how do you see the growth in this business going forward?

Dineshkumar Musalekar: So, the metering business which we are having, it is contributed from Lumel S.A. and Rishabh Instruments both which have overlapping products which we make and we sell. So, this particular business is growing in India. We saw a good growth of this business in India and also, we saw a good growth of this business in Lumel which is supplying in European market. So, the export sales of this particular product to Europe is a decline whereas we are doing good in other markets. So, it is just the market economy in some parts which is affecting but in the long run or in coming quarters we don't see much of a problem with this product range at all.

Rohan Vora: Okay. So, do we expect the exports to do well? Going forward, what is your estimate on that?

Dineshkumar Musalekar: We need to increase our inorganic growth because market is market. So, the strategy that we normally follow is when you have some of the economies not doing good. So, obviously if we are banking too much on organic growth then those clients when they decrease our sales also goes down. So, the best option is to win more accounts to compensate for that and winning those new accounts and the quantity should be higher than that. That's the plan to have. We are engaged with lot of opportunities and we need to increase that.

Narendra Goliya: Just to add to what Dineshkumar said, see at the moment Europe is not in a very good shape. All of you know that Germany is officially in a recession. The GDP growth is minus 0.2%. Spain is having lot of problem and our major customers, major customers in Spain you know one customer has de-grown by about I would say more than 80% and he is the second largest customer. So, we have had some this thing so we have grown in other markets, we have grown with other products but particularly Germany and Spain which let us hope will come back but it may be a couple of quarters before Germany and Spain come back but Germany is in a real bad shape in terms of GDP growth and that is really affecting us quite a bit you know.

Rohan Vora: Okay. So, specifically this business has higher exposure to the countries like Germany and Spain.

Narendra Goliya: Yes, that's correct.

Dineshkumar Musalekar: Alternatively, we are trying to increase these businesses in markets like America, UK and also Middle East and we are doing all of those. So, what happens is when you have been supplying to some market for a longer period your brand is established and it's you know like it's much easier to scale them up there rather than in a new market you have to really establish your brand and take it one step at a time.

Narendra Goliya: In America we have really done a lot of work, as Dineshkumar said in his talk that we have got UL approval on lot of these metering products and CTs and after getting the UL product we have already seen the good things come, good orders come but to really reach its full potential again will take some time but US is becoming a very good market both for current transformers as well as for multifunction meters you know.

Rohan Vora: So, sir the next question was on the aluminum die casting business. So, how do we see you know the revenue stabilizing going forward and just a little bit more color on that. Are we able to you know replace the business that we are losing or how to look at that business.

Dineshkumar Musalekar: So, aluminum die casting we have done really a lot of work in the last 3 months. It starts with a bigger scenario. The bigger scenario is the auto industry in Europe. So, Volkswagen has got rid of about 150,000 people and some three of their plants which were 80-year-old plants have been shut down some places and many other things which are connected to the auto industry are closing down.

So, it's become a bit of a very high risk business not only us everybody in that chain particularly because very aggressive green policies I would say of Europe which are good but the time that they have given to get them phased in, out of taking out the other cars at the backdrop of competition that they have from China, is putting a lot of pressure on these companies to come up with the electrical cars at a prices competitive enough with the Chinese cars.

And so that has made the whole supply chain of car industry particularly EV cars distorted. A couple of three four years ago we are so charged up that we want to be having this tailwind and go into this parts which are going to be used in EV cars. So, we have really won some very challenging nice project we are able to make those products but at a cost higher than what we anticipated and there were also external factors. So, all this is the story that this cost of manufacturing is higher than the selling cost.

So, we went back to all these customers and two major customers we have, one of the major customers we are doing about 15-16 parts supplying to 5-6 countries. So, we went with each one of those contracts. So, each of those contracts we have agreed that they will be phased out in 3 months, 6 months or 9 months and during this period we said that we cannot continue to supply with this price, you have to give us price increase. So, whatever we ask we have been able to get 50%-70% of what we ask.

So, that is not going to take out all the losses but it will mitigate lot of our losses. So, one is to mitigate the losses in the next 2-3 quarters when we are phasing it out and also reducing the volume. So, our mixture of automotive and non-automotive which was 50-50 in our aluminum die casting, we want to bring it to 25 and 75. While these are phasing out, we are engaging with non-automotive clients and we are in some good negotiation with some of the contracts.

So, which will kick in, in 2026 or so. So, we are at the final stage of some of the really good contracts on that and then when these things will phase out, of course they will be having some losses but reduced loss and then we will plug in the non-automotive customers into that and still we will keep some automotive part because you never know how the industries will go in the future.

And we keep some of it but only the profitable business we'll keep. This is the whole strategy. We started working on this you know for about a quarter or so now already and to execute all of this it will take another 2 more quarters to get out of this situation and then we will start building.

So, at the moment I would say the worst is behind us, the quarter which we closed and now we should start reducing our losses and then get into a break-even and then kick forward. Whereas our volumes on non-automotive are intact and they are profitable but because of lot of these non-automotive products which are being run in our factories so this also has some impact on the cost of manufacturing of them. So, we want to really get out of all of this situation.

There is an action plan going on to reduce the cost. So, we were able to reduce about 6% of our workforce in blue-collar in the quarter and we have plans to reduce another 6% going forward in the next quarter. Then we have plans to reduce some cycle times, reduce internal scraps. So, we have some plan which we are monitoring on a week-by-week basis and we are making progress. So, the results are not visible now but they will be visible in few quarters time.

Rohan Vora: Sure, sir. Thank you for the elaborate answer. I will get back in the queue.

Moderator: Thank you. The next question is from the line of Dhruv Rawani from Shreeji Finserv. Please go ahead.

Dhruv Rawani: You acquired a startup business. Can you share some insight in terms of integration where we are and what would our go to market strategy for the same?

Dineshkumar Musalekar: This is, you know, we have these electronics products and particularly the industrial automation products which we have, where we have lot of our transducers, then power quality analyzers and then energy meters, etc. So, we have got products, the hardware smart products which can be IoT enabled, which have possibility to measure all the parameters and push all those data onto a system.

So, to connect all these products and to give a solution to the customer. So, rather than selling the products, it will be a forward integration where we are able to give solution to our customers on optimizing the processes, optimizing the energy, etc. and this system will be able to sit and integrate with the ERP systems of factories or shop floor operating systems, etc. So, this is what this product is all about.

And this product is ready and it is a product which is time tested. It has been in the market for 35 years with lot of revisions which have taken place. So, the strategy is to take this product, make sure that this knowledge is precipitated to all our sales and marketing teams around the world so that they can start selling this. And this has to boost our sale of our products and also sell this software as a standalone or integrate. That's one part of it.

Second one is because we have got very high-level programmers there. So, some of our products, very high-end power quality analyzers or other protection relays, etc. Where you need to write some graphic user interface, GUI, which we call as a GUI software, etc. So, we have skill sets also. So, these people can help us in development of our products to a next level. That's the second thing which is there.

Now, it is very fresh. We have taken this company. Now, we are in the process of integrating that this is from Czech Republic and the culture is a little different and all those constituting the board, supervisory board, all that is underway now. So, once that is done, then we'll use that place as a technology hub and use all our Rishabh sales and marketing network to promote and sell this product more. So, I would say it is one step going in a forward integration direction for us.

Dhruv Rawani: Thank you for that elaborate answer. So, any specific target market that you would be looking at for this and in which quarter do you feel the revenue will start kicking in for us?

Dineshkumar Musalekar: So, this target markets will be definitely Europe and USA and of course, India also will be looking at for this market because this is where automation is something. As the energy prices are going up and cost of labor is also going up in every market, whether it is Asia or Europe or USA. So, this only can have more and more future and growth because it's just a matter of time. And once the basic infrastructure is put, people will be going for upgradation or modernization or automation.

That's where this comes into picture. And very interestingly, this we can implement in lots of lots of applications. It can be used in railways and infrastructures and call centers and in manufacturing industry, power generation everywhere. So, I mean, it is very versatile, very user friendly and can be customized to different industries. So, it's a very good product.

Dhruv Rawani: Thank you for that. Just one last question. So, global MNC companies like ABB, Schneider have their own SCADA things and are well integrated in the B2B space. So, are you going into different products or how would you like to compete with them?

Dineshkumar Musalekar: Yes, it's a very good question. That's the challenge and that challenge this company has been facing and has successfully managed that for 35 years. Just to give an example, they have this SCADA in one of the cement factories in Czech Republic because it is so user friendly and good. So, getting into that space is not so easy as you very rightly said. So, the people who are deep into using somebody's SCADA already. It may take time, but this could be an ideal product to go for somebody who is just getting into that space.

You know, small scale to mid-scale companies which are looking for automation and things like that. We have a price advantage; product is stable and been there in the market. A lot of flexibility and features we have. So, we find that kind of a niche market. So, if I'm going to trying to sell that in a big corporation, it's difficult as you very rightly said, but because somebody is using some system, it's like somebody who is used to using iPhone, it's difficult for him to change to some other Android or something like that. But somebody who is not using a phone at all. So, where I can go and try to sell this. So, there's a lot of market like that for this.

Narendra Goliya: See, today a lot of information is being gathered. Now, we talk about storing on the cloud, we talk about big data, we talk about efficiency, efficient use of electricity. If you can reduce the consumption of electricity, it is as good as energy made and plus it is directly affecting your bottom line. So, these softwares, you know, collect the data and do a lot of analysis. They will have data of last week, they will have data of last month, they will have data of last year and then they will compare and they will give you specific ideas on what is to be done where.

I mean, not just general data where you go and analyze. The analysis is also built into the software. So, this is where it will really come handy in terms of Industry 4.0 and making sure that your energy loss or wastage or this thing is reduced and you are able to really compete. See, today many industries like cement, steel, they are big guzzlers of energy. The major cost is energy cost and if you can gather that data and compare between factories, between processes, between different times of the year, then that will be a lot of help to be able to optimize energy.

Dineshkumar Musalekar: I mean, further to that, it's not only just giving some information and instruction to do. These systems can be programmed to do those actions. So, they can be talking to the next set of equipment in the plant to take actions like you have to slow down some process or shut down some of the processes to make use of the best tariffs, etc. So, all those, I mean, again, AI can be built into that. There's a lot of space and research going on in this field.

Dhruv Rawani: Okay. Thank you very much.

Moderator: Thank you. The next question is from the line of Aditi Sawant from ADM Advisors. Please go ahead.

Aditi Sawant: Thank you so much for the opportunity. Just one question that, despite experiencing revenue growth across the electrical segment. So, what are the factors that are contributing to a suppression of our margins? And if I understand correctly, is it primarily due to employee costs and if yes, then do you expect, this trend to continue in the future?

Dineshkumar Musalekar: I will answer that question. If you are specifically limiting to electronics business, even Vishal in his presentation showed the margins both in Rishabh as well as Lumel S.A. electronics business. Lumel S.A. electronics business margins were really good and top line everything. So, it does not really have a role to play in that. When it comes to sales from Rishabh India, we have 50% of our sales happening in India and which is growing, at 10% it has grown.

And also, we have decent margins and these margins are better than what we compare the margins of last year in the domestic market. But our export business is down by almost like around 18% to 20% the export market from Rishabh. So, where we had bigger margins and we are supplying some of those major accounts in Europe, which Mr. Goliya also mentioned in Spain and Germany. So those have dropped and that sale had a better margin mix. So, this has affected and it is all temporary. We don't have anything specifically alarming.

And 1%-2% cost increase which has happened is in Lumel, and has been significantly high labor cost and other things and we have been able to transfer that back to the customers. Similarly in Rishabh also we have some increase in the labor cost and we have been able to transfer that to our electronics customer. That's not an issue. The issue is that we lost some market in the export business, which we have to rebuild. So that's where the margins drop is coming from.

Aditi Sawant: Got it. And just one question, how long can we expect the impact of Alucast business going ahead? And if you can share any timeline, so that would be helpful.

Dineshkumar Musalekar: Yes. So, as I very openly and transparently shared with you that on these automotive businesses, which are making losses, we found agreement fortunately with all the contracts that we have. With one client we have decided to discontinue and we amicably signed a lot of agreements to discontinue this. But for them to relocate these projects, some of them they are relocating it to China, most of them. They need time. So, during this period we asked for say, on a part price of say something like EUR 6-EUR 7, we asked for a part price EUR 3-EUR 4 of increase. So, they gave us EUR 2. I'm just giving an example.

So that covers our losses significantly until these three quarters. So, they want us to supply some projects until, we gave them 3 months' notice and that was not good enough. And 3 months' notice is getting over in November and they want us to supply for another 9 months. So, we agreed to supply for 9 months, but we said that we cannot supply for 9 months at the rate which you are giving us. So, we want you to give us whatever price increase we ask for. They gave 50%-70% of what we asked for. They didn't give everything that we asked for.

But still, it will take away some of the loss. So, during these three quarters, what we are doing is, our losses will decline and also, we have some internal activities to reduce cost of manufacturing by 10% by reducing cycle time, reducing scrap, etc, etc. Unfortunately, labor costs and other things, inflation, we cannot control. So, whatever is in our control, we have some plans to reduce that.

But during this, you know, 3 to 9 months' time, we are also approaching non-automotive customers to increase the volume of that. And some, we have got some success. We will be signing very soon one of the contracts, which may take half of this vacuum, which will be created. So, another half we'll have to find during this period. We are sure that we will be able to find this.

And after that, we will have only maybe about 75% non-automotive portfolio, all profitable and 25% automotive business also profitable. And then we should be making that journey. This quarter has been like the dip before we start picking up. And that picking up will also take some three quarters, two quarters for sure. Third quarter, if we'll avoid, if we are very lucky, and then we go from there. That's how the things look at the moment.

And there are a lot of actions in this thing. We know what is going around and we are in control and we are taking actions for that to happen. We also spoke on last earnings call that we are engaging with these people. We'll tell them either you give us price increase or take away the projects. So, one customer agreed to give us a price increase, what we were looking for, and we will keep that and run it. The other customer was not willing to give what we wanted. So, we made some compromise. We extended the time and we also have some price increase. So, this is how we are dealing with that.

Unfortunately, these contracts, we have a lot of contractual obligations. We cannot just cut and go away because it is connected with the whole car manufacturing supply chain. And unfortunately, we are the only supplier for some of these customers, even though they had alternate suppliers to develop, the alternate suppliers were unable to develop the technology and give them the part. So, in spite of being at the forefront of technology and able to do a lot of things, but we are not able to get the profits out of that. So, this is how the situation looks.

Aditi Sawant: Okay, sir. Thank you so much for the detailed answer and all the best.

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

Darshan Jhaveri: Hello. Good evening, sir. Thank you so much for taking my question, sir. And also thank you for giving such elaborate detailed answers. So, on a broad basis from what I could understand, like for the next two, three quarters will be kind of a transition period where we'll be letting go of some auto sales and we'll be trying to replace it with non-auto sales. And, that might impact the margin. So, any kind of like a rough guidance, like what kind of revenue maybe can we expect this year to be flat? And, can any guidance for FY26, what kind of revenue margins can we expect, sir?

Dineshkumar Musalekar: So, this year, at least from the aluminum die casting side, we are expecting it to be a flattish, maybe 3%-4% increase to last year's revenue. And, of course, the bottom line is not really good because a lot of damage has already happened in the two quarters and third and fourth quarter, we will be in a recovery mode. So, this is how it is looking. But next financial year, we plan to get back to positive single digit EBITDA at least around where our target is to get to 10%

EBITDA on the aluminum die casting business. And the electronic side of the business, as you have seen, it is between 15% to 18% as we speak. So that we will still maintain going forward.

So, it's only the aluminum die casting. So, we are reducing the volume of aluminum die casting business consciously and also trying to increase the margins there. So, this is how it looks. So next year, our aluminum die casting should be around 30% of our overall revenue block. 70% we are targeting electronics. So last, it was around 40% before. So, 40% to 30%, we are dropping there. And also, this 30% will have single digit EBITDA for the next financial year. That's what we are able to see now. And the remaining will be around 17%, 18% what we have always been projecting for the electronics. And that, in fact, is intact as we speak also.

Darshan Jhaveri: Fair enough, sir. And so, the electronic business growth in FY26, what do we expect from that, sir?

Dineshkumar Musalekar: So that would be in the range of 15% to 20%. So, we have some setback on export business. India, we expect to grow around 15%, 20%. This is quite visible. Lumel S.A. also we are maintaining that because we do a lot of forward integration and value-added activities there. US is the market which we are looking. It's a small base, like just to give an example from USD 1.2 million last year. This year will be USD 2 million. So, it's kind of a big number. And also, we are adding more resources for selling in US markets in the coming this thing.

So, we want to get it to around USD 5 million as soon as possible in 2 to 3 years' time. So that's one growth area which we are looking at. And then we are also looking at China picking up. So, this company was bought during COVID and it was making losses. And this year, as we speak, we will make a breakeven on that. And so, we launched that product in India also. So, there we are looking at some good growth coming through. I think 15% to 20% very easily we should get.

Darshan Jhaveri: Okay, fair enough, sir. Yes, that's it majorly from my side. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, we will take this as the last question. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Narendra Goliya: See, electronics last 20 years has always been a very good growth business. We have our own brand. We have our own customers. We have our own price list, which we can adjust to the input cost increase or decrease. Aluminum was a different business. We serve our customers. Even there we made profits consistently for the last 5, 6 years. This year has been a real challenge. But I think for the experience management that your company has, we will be able to come out of it. A lot of plans are there. Nearly every week there is an extensive discussion on what was the plan, what have we achieved, what remains to be achieved.

So, I know all of you are worried as management. We are also worried. But we have a definite plan to come out of it. So, in spite of what happens, India, of course, everybody knows is on a growth path. But Europe may not come, even next year it may not come on a growth path. But in spite of that, the electronics business will grow well. And the aluminum, we already bottomed out. And now we have to make sure that we come to a first for zero, no profit, no loss. And then come back to the 10% EBITDA, which Dineshkumar talked about. So that is from our side and let us see what time brings to us. Thank you.

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