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Sub : **Transcript of Conference Call held on 13th February, 2025**

Dear Sir/Madam,

Please find enclosed herewith the transcript of Conference Call held on 13th February, 2025 with the Investors.

This is for your information and record.

Thanking you,

Yours faithfully,
for **Rico Auto Industries Limited**

Ruchika Gupta
Company Secretary
FCS : 6456

Encl : As above



Rico Auto Industries Limited Q3 FY25 Earnings Conference Call

February 13, 2025



MANAGEMENT: **MR. ARVIND KAPUR – CHAIRMAN, CEO & MD**
MR. KAUSHALENDRA VERMA – EXECUTIVE DIRECTOR
MR. R.K. MIGLANI – EXECUTIVE DIRECTOR
MR. RAKESH SHARMA – CHIEF FINANCIAL OFFICER
MS. RUCHIKA GUPTA – COMPANY SECRETARY

MODERATOR: **MS. HAZEL RATHOD – S-ANCIAL TECHNOLOGIES**



Moderator: Ladies and gentlemen, good day, and welcome to Rico Auto Industries Limited Q3 FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing the “*” then “0” on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Hazel Rathod from S-Ancial Technologies. Thank you, and over to you, ma'am.

Hazel Rathod: Thank you. Good evening, everyone, and thank you for joining us for Rico Auto Industries Q3 FY '25 Earnings Conference Call.

From the Management, we have with us Mr. Arvind Kapur – Chairman, CEO and MD; Mr. Kaushalendra Verma – Executive Director; Mr. R.K. Miglani – Executive Director; Mr. Rakesh Sharma – Chief Financial Officer; and Ms. Ruchika Gupta – Company Secretary.

I now request Mr. Arvind Kapur to take us through the key Opening Remarks, after which we can open the floor for the question-and-answer session. Thank you, and over to you, Sir.

Arvind Kapur: Good evening. My name is Arvind Kapur, and I am sitting in the Conference Room with my colleagues here. And I would like to welcome all of you to today's Rico Auto's conference.

We are meeting immediately after the budget, and fortunately the focus of the budget this year was on consumption, and we are all very happy about it. And the tax exemption that the FM has given at a certain level, hopefully that will translate into more buying of our auto products, hopefully.

But if you look at the geopolitical tensions, they are still ongoing. We still have the issues. And there is a new change of guard in the US. And there are a lot of new things happening on a daily basis. Hopefully Mr. Modi, who is going to be meeting the President of the United States today in the evening, or today in another couple of hours, hopefully India should not be majorly impacted as far as the tariffs are concerned.

The aluminum tariff which has been imposed by and large, we might benefit by that in the sense that there would be more aluminum and steel available in the market and the prices of steel and aluminum hopefully should fall here in India. And we are hoping for that at least.

We did participate in the Auto Expo. We had very good interaction with our customers in India as well as many customers from overseas and also the aftermarket. It was a very good exhibition this year.



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The auto component industry is growing and hopefully they should continue growing by 8 to 10%. And the two-wheeler market has expanded and hopefully it should continue like that. Newer technologies are coming in, like hydrogen and others, and we are totally involved with our customers as far as these technologies are concerned.

Even though the expectation is that the economy will grow by 6.7%, we are still hoping that it would be between 6.7% to 7%. That's what we are hoping. And we are very happy that the RBI has cut down the repo rates by 25 basis point. And hopefully, in the next quarter, they should be able to reduce it further, provided the U.S. also does move the rates there.

To tell you what has happened at Rico, this quarter, the sales were not as per our expectations. We lost a lot as far as the exports are concerned. Our expectation was much higher. But the electric vehicles in Germany and in France, they just collapsed. They came down by almost 40%. And we have been supplying a lot of electric vehicle components to BMW and PSA and others. And that had a direct impact on our sales.

We see a traction taking place now. We see some improvement taking place, but we doubt whether the electric vehicles will ever reach the level that they had reached last to last year. But we are hoping that there will be some, this year our loss of exports will be to the tune of about between 100 and 120 crores. That's what we are expecting that there is a loss of sales as far as exports are concerned.

In the domestic market, we have grown. We did manage to get a larger share of business from our current customers. But the new launches which are to take place, those were postponed by Toyota, Aisin and Musashi. And these are some are related to electric vehicles and some are to the hybrid vehicles where they were doubling the capacity. It is to be done in June 24. We have got the equipment installed, everything ready, and the hybrid vehicles got postponed to mid-May of 25.

And as far as the electric vehicle components are concerned, the new launches which were to take place, those from July '24 got postponed to February '25. This has resulted in a loss of another about 100 crores of business. And the investments are all in place and we are ready to go. And the electric vehicle components, the production will start by the end of the month. And there would be only one month of production this month, but in the month of March this year. And hopefully next year we would be running a full blast as far as the EV components are concerned. Toyota would start in May 25 onwards and that would also be a good volume increase that would happen.

In the export front, it was basically both in the European market as well as the U.S. market. And at the moment, there is no impact as far as the tariffs are concerned, but we are waiting for what happens in the meeting that our Honorable Prime Minister has with the President of the United States. And if all goes well, hopefully business should expand.



We have been able to pick-up new businesses, confirmed businesses. And in the domestic market, the business that we picked up from Maruti and other domestic customers is to the tune of about 510 crores a year. And the export business is 210 crores a year. Now, this comes to about 720 crores per year increase in sales. This is the peak sales that I am taking. The production of some components would start by February, they are starting. By the beginning of next year, they will start, the production will start. But the peak will come in this third year.

So, we will achieve 710 crores by the third year. But there is a caveat here. These are confirmed orders where advances are received. Dyes are getting ready, and the preparation is taking place. But some tariffs should not impact us as far as the exports of U.S. are concerned. That's one worry that we have in mind. And we are looking at return rates as to what is to be done in case those tariffs are imposed.

And the second thing is that the customers don't postpone the launch of the new vehicles. We experienced it last year. We did experience it year before last year also. But we are hoping that there would be no postponement. And so this is the growth that would happen. These are the new businesses that we have acquired already. And by March end, I think the 720 figure should go to almost about 810, 815 crores. That's what we are estimating.

The turnover has been lower than we had estimated. A month of December is always slower normally, both in the export front as well as in the domestic front. But it has been slower than whatever we had estimated, whatever we had budgeted. But we are hoping that to recover all this, even though the investments are all made.

We have been able to free a lot of capacities as far as our castings are concerned, both in the iron as well as aluminum. At the moment in the iron side, we are running at about 50-52% utilization. I am talking about the casting area. And this current coming year, the next year, that we should be able to go to almost about 70%, 72%, and the year after that it should be around 85-89%. That's what we are estimating. This is as per the confirmed orders that we already have in hand. And the share of the iron components will go up from 15% to almost 25-26%. And we are hoping to grow this further.

In the aluminum side, we have improved our technologies, we have improved our productivities. And earlier, we were utilizing almost 80% of our capacity, but now we have been able to free almost about 15% of our capacity. So, we have that equipment available for further expansion for newer orders, etc. So, that's the new development that is taking place, and this is a lot of R&D that my teams have been doing and also the learning that we have had from Toyota and our customers.

So, in the year 27, we had said we would be touching around 3,000 crores. That still stands. We should cross that. And in 28, we should be around 3,200 crores. And the export front, this year, we are losing a lot. Last year, we were 422 crores. This year, we would be in the region of 360 crores. And next year, we should be crossing 500 crores. That's what as per the orders that are



in hand, as per the investment that have taken place. And now these are the commitments of the customers.

If there are tariffs imposed, that is one thing we are all waiting for. By tomorrow morning, I think there would be total clarity on this. But we are hoping that this would stay. Otherwise, we will have to look at alternatives as to what else we need to do so that we do get our goods into the U.S. market.

If you look at quarter-on-quarter from the previous year and this year and both in consolidated and our domestic sale has gone up. This could have grown more than whatever has been indicated here, but because of the postponement of some of the programs, this year did not materialize, but those are materializing now. We see very clear traction there.

Your company has also decided to switch to the new tax regime. We made that announcement this time. And there has been one consolidated and the other expenses including one-time impact of 6.8 crores on account of unused fixed assets which are sold. So, this is a one-time loss that we have incurred. So, I wanted to point this out so that there is clarity on this.

This is what I wanted to say, and we are open to questioning and please ask us any questions on the results. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

Arvind Kapur: One other thing I would like to add is on defense. I did mention last time that we are making shooting ranges for the defense. Production has started. We started shipping them now. We have shipped about 9 containers already. And hopefully 20 more will be shipping. And next year, I think the target is to ship about 100 containers. And the setup is ready, and the production is on, on the defense side. And besides that, there are a lot of other things that are also happening now in the Make an India program in defense.

Moderator: Ladies and gentlemen, if you wish to ask a question, you may press "*" and "1". The first question is from the line of Neha Sharma, an individual investor. Please go ahead.

Neha Sharma: Hello, sir. Good evening, everyone. Thanks for the opportunity. So, I just had this one question. Like, going forward, what are your expectations and how should we see FY '26?

Arvind Kapur: Yes.

Neha Sharma: That's it from my side.

Arvind Kapur: We expect FY '26 to be much better and the sale expectation is around 2,600 crores. That's what the budget that we are preparing. It's a little short of 2,600 crores, but our target is to cross 2,600 crores in '26. And in the export front, like I mentioned, from 360 crores, this year, we should go to about almost 500 crores. And in the domestic also, the orders in the hand, we should be touching about 2,600.

But having said that, because we have been able to free our capacities in aluminum, we are trying to get a larger share of businesses in the current components that we are supplying to our customers. And hopefully we should get about 5 to 7% increase in there also, but which we have not factored in this 2,600 crores.

And having said that, we also, if you look at the result, we have been able to save power primarily because of the changes that we made in our melting areas and also the solar energy, solar as well as our hybrid, the wind. And in the manpower cost also we have been able to be, we have started using our Rico Production System, which is very effective where we have been able to reduce manpower a lot, and as the production goes up and the new lines start adding, you will see further reduction in the manpower cost. So, as far as the cost is concerned, we are working very diligently on these costs and there would be further reduction in these.

Neha Sharma: Okay. That's it from my side. Thank you, sir.

Moderator: Thank you. Before we take the next question, we would like to announce to participants that you may press "*" and "1" to ask a question. The next question is from the line of Bhaskara Datla, an individual investor. Please go ahead.

Bhaskara: Hi, everyone. Sir, like last quarter, you mentioned that the margin will improve in this quarter, right, Q3 compared to Q2. But again, we are back to 8%. So, could you please tell me why we couldn't be able to reach like double digits that you mentioned in the last call? And what we can expect in Q4 on margin side?

Rakesh Sharma: Yes, see, one thing you would have noticed in the address that MD was telling you that our exports have come down substantially. So, normally we have been talking in past meetings also that our exports give us better margins as compared to domestic sales. So, because of that reason, there is a pressure on profitability definitely. But in standalone, some improvement is definitely there. And we hope that we will do better in Q4. But yes, there is pressure on profitability.

Arvind Kapur: Our target is still the same. It's the 13% margin that the Board has given us a very clear direction and we are working in that direction. All the new components that we are talking of, the 710, 20 crores of new orders that we got, the domestic supplies are in the region of about 13 to 14%. That's the EBITDA margins in those.

But in the export front, we are in the region of 17 to 20%. So, that's the range that we are working on. And if it is less than that, we don't take the orders. And as those start getting into production,



you see the change that is happening in the balance sheet. And having said that, we had managed to remain as per our budget of another sale of 150 or 200 crores.

The percentages would have changed absolutely. We would have been in the region that we had assured last time. But this time, there was a total collapse in the export front. That's what actually let us down. And the postponement of the Toyota's and Aisin programs. Toyota got postponed primarily because there was some Daihatsu issue that happened on Homologation, and so there is some issue that happened and because of that, whole thing collapsed. But now they have given us a green signal and we are ready for the volumes to be given. So, when these components start adding up, you will see an absolute change in the total thing.

Bhaskara: Okay, sir. And also you mentioned like in defense side also we would be able to deliver at least 4 containers, right? So, do you have that revenue in Q3 or didn't?

Arvind Kapur: We have delivered 9 containers already and we will be delivering 30...

R.K. Miglani: 20 more.

Arvind Kapur: 20 more containers by the end. Total revenue I will be able to tell you later.

Bhaskara: How many we actually delivered in Q3? Not in Q4, only in Q3, like from October, November, and December period.

Arvind Kapur: No, the delivery has started now, this month. After all changes and everything is done, the delivery has started. We have shipped to Cochin, and we have shipped it to other places as well.

Bhaskara: Okay. How much we can expect revenue from defense side in this quarter Q4?

Arvind Kapur: Our defense, we are going to grow dramatically. So, the problem, we could have delivered many containers in the last quarter as well. Why we could not deliver them? Because they were lying ready. Only the inspection people, the defense people, they come and inspect the whole thing. That got delayed and delayed and delayed. It was for us also first time getting it done. But now we are in it and hopefully we should be able to ship more. And our internal target was to cross 40-50 crores as far as defense is concerned. But let's see how many containers get cleared.

Bhaskara: Okay. If I understand correctly, based on our previous con calls, defense at least we will have some 18 to 20%, right? Margin?

Arvind Kapur: Yes, we will have 18-20% margin, but that comes in, see, we made investments there, the land building and everything is there. And the volume has got to go up. And so, once we cross, say, about 80 to 100 containers a year, you will see the total change. The margin would be even more.

Bhaskara: Okay. At the moment at least in Q4, do you think we would be able to see at least double-digit one, lower double-digit margins on the defense side or that is also different?



- Arvind Kapur:** Can you repeat your question, please? Can you repeat?
- Bhaskara:** In Q4, because we would be able to deliver at least 20 of them, do you think we would be able to see at least lower double-digit kind of margins, or that is also difficult because of the investments?
- Arvind Kapur:** No, it is definitely on the positive side. There is nothing negative there. But we will be delivering 20 and hopefully we will get the inspection also done of the 20. And we will try to do even more than that. And because next year we are going to deliver more than 100. The margins will be there, but I will not be able to comment at the moment on the margins.
- Bhaskara:** Okay. And the other is, yes, I usually ask this question in every con call, but just want to ask one more time. Is there any movement on the Gurgaon's site?
- Arvind Kapur:** No, I did explain last time that what we were getting was not enough, and the shareholders actually don't benefit by that. And the difference is only about 300 crores after all the adjustments of shifting and new buildings and everything. The advantage is only about 300 crores. So, for 300 crores, the Board also said there is no point in doing it. The shareholders will not benefit by this. So, if we have a margin of say about 1,000 crores, certainly we like to do it. And we are talking to people. But it's a large piece of land. It's about 27 acres. And so there are very few buyers who and we want everything above board. So, that's a bigger challenge.
- Bhaskara:** Okay, sir. One last question, like in this quarter we have other expenses, like somewhere around 36 crores, right? And because we mentioned that onetime expense 6 crore, but the coming quarter, I mean, like the running quarter Q4, do we see any surprises like that or it's kind of a (+20)?
- Rakesh Sharma:** No. It's one time only.
- Bhaskara:** Okay. So, basically you usually have like around 20, right? 20 to 24 that we do the ballpark, usually have other expenses.
- Rakesh Sharma:** Yes, around 25. Between 25 and 28, yes.
- Bhaskara:** Okay. Usually this is more of a subsidiary related expenses, other expenses means like, if you don't...
- Rakesh Sharma:** Yes, this particular thing relates to one of our subsidiaries.
- Bhaskara:** Okay. There is no way that we can reduce the cost, other expenses, less than 20 or it's kind of?
- Arvind Kapur:** No, we have been reducing. In this quarter also, there has been a reduction in selling and distribution cost. But because of this one-time item, this short-up that you are observing is there.
- Bhaskara:** In the future, there is any chance that it can go down to less than 20 crores?

Rakesh Sharma: No, I don't think so because we will be increasing our volumes continuously. So, I don't see in absolute terms it will go down whatever expense we have been incurring. But less there is a variable portion in this which is relating to selling and distribution expenses. In percentage terms it has been coming down. And in future also, we expect that it will come down further. And besides that, there are new launches taking place which are supposed to take place in the month of July last year. Those also take place by the end of this month. So, one month of sale we will have this year. Of course, the benefit we will get next year. So, we will be utilizing our equipment better than before.

Bhaskara: Okay. One last question, sir. Like, what is the progress of this new plant for Toyota?

Arvind Kapur: It's in progress. We have got to have the building ready by month of June. By month of June. When did the production start?

Rakesh Sharma: October 25. October this year.

Arvind Kapur: October. In October we got to start delivering from that plant to, see, the samples have got to be submitted from that particular plant in the month of October. And the whole volume production starts by the end of the year. And so for the sampling, the building is got to be ready and the machinery is got to be placed there.

Bhaskara: Okay. So, we will see some revenue from that plant from October onwards then.

Arvind Kapur: It will be lesser revenue mainly because of sampling and prototypes and other things will go. But the production starts in which month?

Rakesh Sharma: Mid of next year, 2026.

Arvind Kapur: 26 it starts. Before that samples and all go. Okay. For both Toyota as well as Aisin.

Rakesh Sharma: Yes, it will be supported right now from Chennai.

Arvind Kapur: Those will shift there. Okay. So, some of the volumes which are required to be produced there will be supported from Chennai plant and then shifted from Chennai plant to Hosur also. We will do that. But the full volume comes in from the middle of next year. Yes.

Bhaskara: Okay. Sorry, I want to give you one more question. Apart from the containers, do you have any other orders from defense? The reason I am asking is like we will see more margin in defense for that. I feel defense is the one which will improve.

Arvind Kapur: We are bidding for many items. And in fact, we have got a license for almost 20 items. And we also have DRDO collaboration for some of the items. And so a lot is happening. But okay, another thing I would like to add is the railways. That's the other field that we have taken up. And there are a lot of castings and other components which go to the railways where we are also

looking for orders. And hopefully, the railway business would be faster than the defense start-up. We will probably start delivering in another two to three months' time. I think some, we will give you an update on this.

Bhaskara: Okay. So, we are creating another subsidiary, sir, for this one, for railways or it's coming from...

Arvind Kapur: No, no. We are trying to merge all the subsidiaries into the main and we don't want to create any further subsidiaries. Not in the railways. See, in the defense side, we had to create a subsidiary because some of the foreign companies don't deal with companies which are dealing in defense. For that reason, we had to make a separate defense subsidiary. But for the railways and all, it doesn't matter. We would like to do it in this company only.

Bhaskara: Okay. Thanks, sir. That's it from my side. Thank you very much, sir.

Moderator: Before we take the next question, we would like to remind participants that you may press "*" and "I" to ask a question. The next question is from the line of Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah: Hi, sir. Good evening. Can you hear me?

Arvind Kapur: Very well.

Rahil Shah: Yes. Hi. So firstly, on this defense product, what did you mention? What is it exactly that you are shipping and have already shipped?

Arvind Kapur: These are shooting ranges, active shooting ranges where the Army, Navy, the BSF, the CISF, and the police, Air Force, they all need to train the people in shooting. Normally, you had these open shooting ranges where people were shooting and you could hear the bullet sounds early morning. In Delhi, we hear it. But now there is a restriction on that. And these are totally enclosed ranges with electronic controls and everything on the target. And the decibel level is below 80 when you fire a shot. Even if you fire a light machine gun, it is, so it's contained in that container. The sound and everything is, so in this, the ranges, the sizes vary from a 26-footer, 28-footer to almost 40-footer. Then it goes up to 150 feet also. Then those are the assembly of containers that actually happen there. And every force needs it for retraining their forces.

Rahil Shah: Okay, and which size of container are we shipping, making and shipping? Is it varying for us also?

Arvind Kapur: (Hindi language 00:30:18). 20 footers. The next is 40 footers. We started shipping the 20 footers and then the next are the 40 footers.

Rahil Shah: When you say 20 to be shipped soon and next year you expect 100 ranges, so these are confirmed orders? Is there a certain order book for this?



- Arvind Kapur:** The 100 are confirmed also and there are 20 already in production.
- Rahil Shah:** Okay, so 100 is the current order book for next year is what we can assume.
- Arvind Kapur:** No, we will be getting more also, but this is what we have in hand.
- Rahil Shah:** Okay. Any idea on like the opportunity for this kind of product overall from DRDO and how big is.
- Arvind Kapur:** For this product?
- Rahil Shah:** Yes.
- Arvind Kapur:** See, I will give you an example. The Navy alone has a requirement of 300 ranges immediately. And so I am only talking about Navy in particular. This is the first order that they are trying to get out. And we are betting absolutely on that. But the Army would have much more because the Army is located everywhere. And everywhere they need not one range but they need multi ranges. So, similarly to CISF and all the forces would need it. Border Security Forces, they would need it. Everybody would need it. Air Force also.
- And then, let me tell you another thing. There are even the amateur people who participate in Olympics, etc., they also need the ranges to actually practice. So, we do see that also coming up.
- Rahil Shah:** Okay, sir. And next, you mentioned something, 720 crores of new orders? Can you explain the nature of those orders to me and like what does it consist of?
- Arvind Kapur:** Yes, we can give you complete details of that. This is a breakup for exports as well as domestic. In the domestic it is 5 and 10 crores. Okay. So, in this we have Maruti, Aisin, Toyota, GKN, Tata, Narbheram, Bendix, Maruti two-wheelers as well, and Case New Holland, Musashi, Cummins, Daimler, Greaves. So, these are the names I am taking. The orders are from these companies.
- Rahil Shah:** What is it for?
- Arvind Kapur:** The 720 crores are totally for auto.
- Rakesh Sharma:** Auto components.
- Arvind Kapur:** Auto components.
- Rahil Shah:** Okay.
- Arvind Kapur:** I am not including the defense and others in this.
- Rahil Shah:** No, no, got it, got it. This is the new order for auto components, okay.



- Arvind Kapur:** Yes, these are new confirmed orders.
- Rahil Shah:** Yes. And lastly, you mentioned the margins you expect 13%, correct? So, by when do you expect to touch those numbers? Like, what was the trajectory by FY '27 when you expect 3,000 crores of revenue?
- Arvind Kapur:** 3000 is '27, I didn't mention. 3,000, we have got to cross 13, definitely, because the board is monitoring it on every quarter basis.
- Rahil Shah:** So, in the next two years, slowly, 13% by FY '27?
- Arvind Kapur:** Yes, yes. No, you see a change, even the current, we would have been in the region of 12% this year. Definitely we could not achieve this. That's why we got stuck. Now, if I look at the exports, in some components we are at about 22%, some are 18%, some are then in the domestic, and some of them we are 18%, 20%, okay. In the Maruti components, we are 13%. Maruti and the Heroes are top customers.
- Rahil Shah:** Basically, gradually, we can move to 13% in two years. That's what we can assume, correct?
- Arvind Kapur:** Certainly. Certainly.
- Rahil Shah:** That's all I wanted to know. Okay. Thank you, and all the best.
- Moderator:** A reminder to all participants that you may press "*" and "1" to ask a question. Ladies and gentlemen, if you wish to ask a question towards the management, you may press "*" and "1". Participants, you may press "*" and "1" to ask a question. The next question is a follow-up question. It's from the line of Bhaskara, an individual investor. Please go ahead.
- Bhaskara:** Hi, sir, again. A quick question on, if you remember, like, I started investing in this company in 2012. Around 2012, we actually diluted some equity, right, to pay back loans and all. Is there any chance in the next one, two years to buy back? Because if you remember in 2012 we diluted, right, at least if I remember correctly. Is there any chance that you can buy back some shares just to give some more returns to investors like me who stick to our company almost a decade? Yes, that's it from my side. Yes, thank you.
- Arvind Kapur:** See, this is a debate that carries on in the Board also and there is a discussion that takes place every time. And when it happens, we will definitely inform you about it.
- Bhaskara:** Okay, that's it from my side. Thank you.
- Moderator:** Thank you. Participants who wish to ask a question may press "*" and "1". As there are no further questions from the participants, I would now like to hand the conference over to the management for their closing comments.



Arvind Kapur:

Well, thank you so much, gentlemen. And thank you, ladies and gentlemen, for participating. And we do apologize for not having been able to achieve the results that we had promised. But hope, there is a delay, but it is not a permanent situation at the moment. The programs had not been delayed.

We were ready, investments in place, and production in place, samples given, samples approved, everything done. But the supplies could not take place because the customers did not want. They were not ready because of their own internal matters. Those have got sorted out now. And hopefully, we will blast out from next month onwards.

And the 2,600 crores that we are talking about next year, we are confident that we will exceed that because we have become very aggressive both in the domestic and the export market. Export market, by and large, wherever we are supplying, we are single source to companies like BMW, GKN and Bremse.

And the domestic market, normally there are dual sourcing in Maruti and Hero. There, we are trying to increase our share of business and hopefully we will increase. This year, if you notice, our Hero sale has gone up dramatically. Even our Maruti sale has gone up dramatically. There is a lot of push in that direction. We will exceed this.

And fortunately we have been able to free a lot of capacities in the plant, in the casting capacity. So, the investment in casting will not be required maybe for the next two, three years and actually not required in the next three, four years. And we have been able to free a lot of capacity with the new technologies that we have introduced in our die casting. And with better quality, lower rejections and higher speeds, and the capacity buildup, whatever would be required, would be primarily for the machining side and the inspection side. Otherwise, the investment would be minimal.

So, the free time that we had in the last six months, we have been able to utilize that for improving our efficiencies and our technology and taking our technology level to a next level both in the casting and also in the machining area by reducing the manpower, by utilizing the manpower better and making the lines more smooth.

We will continue doing this. You will see the cost reduction taking place every time. And the moment we cross 2,500, 2,600 crores, you will see the margins change dramatically also. So, hopefully, next quarter onwards, from the first quarter of next year, you will see the margins improve dramatically.

We only hope that the U.S. President doesn't impose major tariffs on India. And if that goes well, I think the orders we have on the U.S. are huge. And because of China plus One, we are seeing a lot of traction taking place between us and the U.S. companies and also the European countries.

Germany is in a slowdown at the moment. But we do see some growth taking place in BMW and others. And they might not come back to the volumes that were there about two years back



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or three years back. But we are seeing newer motors being introduced and the volumes picking up slightly. And hopefully if Mr. Trump manages to end the war in Ukraine, hopefully the economies would come back to the previous economies. We are looking for a good year the next year. And we are hoping that there would be better margins and further cost reductions will also take place.

Thank you so much for attending the conference call and we look forward to giving you better results the next time. Thank you so much.

Moderator:

On behalf of Rico Auto Industries Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.