18th February 2025

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

Scrip Code: 513519

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

Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 14th February 2025

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With reference to our letter dated 10th February 2025, intimating about the conference call with investors to be held on 14th February 2025, please find attached transcript of the aforesaid conference call.

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

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

MARY MONICA BRAGANZA
Digitally signed by MARY MONICA BRAGANZA
Date: 2025.02.18 21:04:23 +05'30'

Mary Monica Braganza
Company Secretary & Chief Compliance Officer
FCS 5532

"Pitti Engineering Limited

Q3 and 9 Months FY '25 Earnings Conference Call"

February 14, 2025

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

Moderator: Ladies and gentlemen, good day, and welcome to Pitti Engineering's Q3 and 9 Months 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 at the end today's presentation. Please note that this conference well be recorded. Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation.

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

Akshay Pitti: Good evening, and a warm welcome to the Q3 FY '25 earnings call. We will begin with a brief overview of the performance during the quarter, followed by the Q&A session. Starting with the operational performance during the quarter, we registered the highest volumes for machine components in the company's history.

We also developed and started commercial supplies of parts used in hydrogen electrolysers during the quarter. On the sheet metal side of our business, we saw some decline in volumes on a quarter-on-quarter basis. The decline is mostly attributable to the nature of some of our end user industries, the new emission control norms, CPCB Bharat VI affecting the alternator business and the volatility in small LV motors market, mainly on account of destocking.

Moving to our consolidated financial performance. The revenue from operations for the quarter was INR414.98 crores, up by 37.46% on a Y-o-Y basis. EBITDA stood at INR66.95 crores for the quarter, registering a growth of 30.05%. EBITDA margin in the quarter was 16.13%. Net debt stood at INR432 crores as of 31st December. During the quarter, the company also incurred a INR3.76 crores mark-to-market forex loss, which is notional in nature, as well as a onetime expense related to the merger of Pitti Castings amounting to INR2.2 crores.

Looking ahead, the product development pipeline for machine components is very promising and has been further augmented as we start the machining of castings made at our subsidiary, Dakshin Foundry. In the sheet metal side of our business, we expect that both the volatility in the small LV motor market and the disruption in the alternator market on account of CPCB Bharat VI norms will normalize in Q1 FY '25.

We are proud to note that we commissioned our coating line, making us the only commercially available source for revarnished laminations using hydro and thermal power generators. This will help us gain business as we'll be able to offer import substitution to our clients in a niche market.

As I conclude the opening remarks, we can begin the Q&A session.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Dipak Saha from KR Choksey Shares and Securities.

Dipak Saha: Sir, my first question is, if we look into your gross margin in this particular quarter, there has been an expansion, material expansion. So is it more of a seasonal development? Or do you see this kind of gross margin will sustain hereon?

Akshay Pitti: So if you see, the machine components business, which has grown significantly during the quarter, typically has higher gross margins. Therefore, the overall gross margins for the company look better when compared to the previous periods. We see that this level of gross margins will fluctuate slightly between the historical and current levels based on the product mix between the machine components and the sheet metal business.

Dipak Saha: Okay. So this higher mix of machine component is the reason that has led to this. And you think it would kind of sustain in the coming quarters, right?

Akshay Pitti: Yes.

Dipak Saha: Okay. Sir, looking at the volume numbers, if you can share consolidated volume for the quarter?

Akshay Pitti: So consolidated volumes on the lamination products is about 14,738 tons.

Dipak Saha: 14,738 tons?

Akshay Pitti: Yes.

Dipak Saha: Okay. And sir, when we look into the bifurcation you have given in your PPT, if you just can help us, because there are certain minor differences we get when you try to club it up with the numbers. So what are the heads that we need to consider on the standalone side?

Standalone side, we have lamination, loose lamination, and high value-added and machine component. If you take these 3, then we are getting somewhere close to the numbers of previous quarter that you said on the con call. Anything else that we are missing or any clarification you'd like to give here?

Akshay Pitti: See, what we are doing, we are giving the breakup between machine castings as well as lamination. So if you see the Slide number 7 in the PPT, we have the top paragraph where we have Pitti engineering sales. The first 5 line items, loose laminations, high value-added assembly, stator frame, shaft, and child parts. If you cumulate these 5 items, you get the standalone lamination volume.

When we say consolidated volume, you have to add the sales of Pitti Industries Private Limited, which is in the second paragraph of the WoS sales, 2,982 tons. So that will give you the total lamination volume. Post the Pitti Castings merger, we have started giving this machine components rate as well, which was not there before, as we used to do only the machining.

So to understand the machine components rate or the casting rate in total, you have to take the machine components, raw casting, stator frames, as well as the Dakshin Foundry Private Limited volumes.

Dipak Saha: Okay. Fine. That's clear. Now sir, on the 62,000 tons volume guidance that we were talking about last quarter, I think that remains intact for the full year, or we see some moderation there? This is one part. And secondly, on the INR2,000 crores revenue guidance that we are talking about for the full year, I think this is because of the slowdown that we have seen on volume side?

So I think there will be some stoppage for the full year. So what would be the revised guidance or what kind of number you're looking for the last quarter, if you can share some clarity there?

Akshay Pitti: So see, on the volume front, 62,000 tons on the lamination volume on a consolidated basis, we are all good for. In terms of revenue, we should be ending up somewhere around INR450-odd crores for quarter 4, in the ballpark vicinity of INR450 crores for the quarter 4.

Dipak Saha: Okay. Got it. So there would be some sort of, okay, fine. That's clear. And you're talking about slowdown. If you can elaborate the nature of slowdown in the industries that you're alluding to?

Akshay Pitti: No slowdown, just volatility in the LV motor segment, basically on the small motors, as the raw material prices are kind of fluctuating in India and China, and we are seeing some increases in pricing, sudden increases in pricing vis-a-vis a declining trend till last quarter. So because of that, there's some volatility in the LV motor market. There is some pushout of orders because of the pollution control norms Bharat VI related to DG sets.

So the alternators, which are used in that, are getting delayed as the engine manufacturers are upgrading themselves to meet Bharat VI requirements and the market accepts those products. These are the 2 things that are happening structurally. Other than that, there's a seasonality to certain products.

So like if you see our pumps and appliances segment, those products are typically seasonal in nature. Although not significant part of revenue, they have higher volume contribution. That's why you see a small volume decline.

Dipak Saha: Okay. That's helpful. Sir, just one clarity. As per our discussion with different players, especially in the railway segment associated with this motor business, some feedback we were receiving that the volume offtake has been kind of slower, at least in last quarter, right, the December ended quarter. What is your observation? And do you see any slowdown as far as volume offtake is concerned, especially on the railway side? And what is the reading you have? And how should we look at this?

Akshay Pitti: If you're asking me as a sector or from our company's perspective, because those 2 things are quite different. As a company, we don't have a very large exposure directly to Indian Railways today. We are just ramping up that business. So despite certain slowdown, if I may say, on the order pickup at the railway side, our business with them is still growing.

At a broader level, certain of their product fleets, they are definitely deferring certain purchases. Again, there are many reasons for that. There's a systemic thing wherein the Vande Bharat trains are only produced at one manufacturer today, and there's a capacity issue also on that front.

Dipak Saha: Okay. Noted. And on the export side, do you see any early discussions with your customers, anything on the tariff side that might come from US? I know that might be a very small part to our overall revenue as far as only US is concerned. But if you can clarify, because I think 30% to 35% of the 9-month revenue is exports. And within that, how much would be US? And is there any kind of risk we are exposed to? It's not first order, but at second order level, is there any kind of risk that we are exposed to?

Akshay Pitti: On the export side, out of the 35% revenue coming from exports, about 30% is to the North American market. If you factor in the second level orders that go from Mexico or Canada or Brazil to US, I think that would take care of the entire 30% that goes to the North American markets. On the tariff side, we are not seeing much effect at least for our products there.

On the contrary, there's opportunity as there is a willingness at the customers to further accelerate their move from China to India for the supply chain flexibility. The situation on that remains fluid because we don't know what future tariffs may come.

Dipak Saha: And sir, last question before I fall back in the queue. I think earlier we were talking about somewhere around December we'll have the Aurangabad facility ready. What is the update there? Because when I look at the PPT, the consolidated number for annual capacity is still at 64,000. I mean, it is somewhere around 64,000 tons, standalone level. But if you can give some color when we should expect that Aurangabad facility 72,000 tons that we're talking would be ready for commissioning?

Akshay Pitti: As on date, it is being commission. And in quarter 4, we shall be getting that capacity in our PPTs.

Dipak Saha: Okay. So in Q4 PPT that would be there, right?

Akshay Pitti: Yes.

Moderator: We'll take the next question from the line of Sanjeev Zarbade from Dream Ladder Investment.

Sanjeev Zarbade: My first question is, how is your EV business taking shape as we are hearing reports that you are getting into the hydrogen segment also?

Akshay Pitti: So those 2 things are very separate. The EV side of the business is mostly from the lamination that go into the motors. More than the EV, we are excited about the internal combustion engine. The current sales of EV as to internal combustion, internal combustion is far higher than EV. So while we are developing ourselves into making EV-related products, we believe that today, the volume will come from internal combustion. So both parts of the business is growing.

Coming to hydrogen, this has got nothing to do with the automotive. This has got to do with hydrogen production. We are making parts which go in electrolysers, which basically split water into hydrogen and oxygen. And these are predominantly export oriented to the European market.

Sanjeev Zarbade: Okay. And sir, my second question is, we are hearing a lot of slowdown related reports so far as the European automobile market is concerned, and several domestic auto component stocks have also come off following the news. So what would be the current size of your components business from Europe? And how is it going?

Akshay Pitti: See, on the automotive side, our business is entirely domestic, and it's entirely from the lamination side of the business. It constitutes only 1.3% of revenue for quarter 3. If you see the last 3 years, that percentage is growing. So we are seeing scope where the domestic auto companies are having to bring in a lot of the parts and localize them. These are the parts which are left out in their supply chain and were imported.

So as they move to localized parts, we will continue to get orders despite the slowdown. But it's a very, very long-term project. I mean these are complex supply chains that need to be established in India, and we are just one part of that supply chain.

Sanjeev Zarbade: And sir, we are seeing a lot of new clientele being added in your presentation. Can you throw some light on which are the businesses where you would have added these clients, especially Tata?

Akshay Pitti: So see, Tata Group, we've added mainly on the automotive components with Tata Auto Components Private Limited. We've added in the automotive side, Dana, Varroc, they already are customers. And then other customers that you see added like SKS and all, they are primarily from our subsidiary company, Dakshin Foundry, where they make parts for locomotive gear cases and axle houses.

Sanjeev Zarbade: Okay. And sir, just last question, if I can squeeze in. How is your IC vehicles business faring?

Akshay Pitti: See, we are just starting that. Even on the IC side, we do things like alternators, small motors, which are required, like we are talking of steering motors, etc. So that business is very small. Like I said, about 1.2% of consol revenues. And we are seeing that business growing as the supply chains localize in India.

Moderator: We'll take the next question from the line of Het Choksey from Deven Choksey.

Het Choksey: Akshay, congratulations for a phenomenal Q3 and 9 months performance in FY '25, and best wishes for the last quarter of FY '25 and FY '26.

Akshay Pitti: Thank you so much.

Het Choksey: It's absolutely amazing to see this kind of resilience in your earnings vis-a-vis the entire industry. So I really wish that we scale up our capabilities and move up the ladder in the years to come. So keep it up. So there are a few questions which are pertaining to the entire export revenue and the concerns around the US tariffs. What is exactly your percentage of exports as a percentage of revenue? And if you can just put US into that picture, how much would that be as a percentage of total revenue?

Akshay Pitti: About one-third of our revenue approximately is export-oriented, 30% in quarter 3, about 31% of revenues were export. Of that, about 25% would be directly or indirectly going to the US. As far as tariff risks are concerned, on quite a few many parts, I would say, about 75% to 80% of the parts, we are the sole supplier for our customer globally. So tariff or no tariff, that particular part of the business will not have sensitivity to any regulatory action that the US Government might take.

Only where we have competition at a global level, where there are other sources where there's no tariff in play, then a tariff barrier may affect sales. As far as I understand from our customers, because they also were quite concerned with these things, if there's a tariff, it's going to be similar in nature to both India and China, which, let's face it, are the only 2 manufacturing countries that export such products to the US.

And within that, the generic view is that China will face more tariffs when compared to India, if at all India faces tariffs. So overall, we have been given a direction and a viewpoint from our customers based in US that you should gear up for more product development in the coming years, as they would want to eventually move out and get products developed in India which are currently happening in China.

Het Choksey: So if I take 31% of your total revenue from exports, if I just say 25% of the 31%, that is around 7% to 8% of your total revenue comes from the US market, in general.

Akshay Pitti: 31% of the total revenue is exports, of which 5% is non-US-based. The remaining 26% of the overall revenue is US-based.

Het Choksey: Okay. So 26% of the total revenue is US-based. And out of that, you are saying that close to around..

Akshay Pitti: Around 75% of that is insulated as we are the sole sources for those products.

Het Choksey: And you don't see any impact going forward?

Akshay Pitti: Yes. See, even if the tariffs continue for long duration, the nature of these products are such that it takes 3 to 4 years for any development to happen. So if we are slapped with unequal tariffs when compared to some other lowcost country, even for our customer to move up the supply chain will take 2 to 3 years.

Het Choksey: Okay. And what is the possibility that if US is imposing such kind of tariffs that we may allocate some of the manufacturing dedicatedly for the US market in US to escape these tariffs?

Akshay Pitti: So see, this product, I don't think is possible to manufacture in US, because the steel is the base input product and the tariffs for steel in US are such that if you do a cost-benefit, it's better to pay the tariff and manufacture it in India. So the steel is cheaper in India as well as labor is cheaper in India.

Het Choksey: So that means that still those customers will prefer, despite the tariff hikes, our products?

Akshay Pitti: Absolutely. See, the only arbitrage or opportunity for our customer would be that compared to India, some other low-cost country like China, Vietnam, Thailand, where such a product might be made, and what the tariff arbitrage is, and what the risk of moving such complex supply chains, which have taken 3 decades to develop is? So those are very complicated questions to answer.

Even when in 2018, there was this tariff on China, there was a lot of euphoria that products will move. It's been, say, now 8 years. And still we are hardly seeing $2 million worth of business moving from China to India as a result of that. So even though that tariff is there on China, it's not easy to move those supply chains. It takes a lot of time.

Het Choksey: Okay. And second question which I had was, we've seen some kind of a slowdown in execution of orders in the railway components and traction motor business in this quarter. I understand that might be primarily because of the consistent central and state elections in this year, which has resulted into delay in order execution or distribution of funds as a part of the budget reallocation of the central government.

Do you see this reversal happening in the quarter 4 and going forward in the next financial year when capex will be much more streamlined, and as a part of the budget reallocation, the allocation might happen on time?

Akshay Pitti: See, most of our railway and traction motor-related business is export oriented towards the countries I mentioned earlier. And that volume drop is purely seasonal in nature. Last quarter being the financial year-end as well as the holiday season, they typically buy less. So you could see a resurgence in quarter 4 in that business.

Het Choksey: And also, could you throw some light on the power generation business as to how do you see this thing going forward in the next 3 to 4 years? With the entire HVDC market shaping up in India, how do we see ourselves being positioned in this space?

Akshay Pitti: See, in the power generation side, our business is threefold, leaving aside the renewable energy, threefold. One is for hydropower, second is for thermal power, generator component that is, and the third one is DG sets. So on the DG sets, like I said, we are currently being slightly impacted as a result of the CPCB's Bharat VI norms for one customer base in South India. So that should get streamlined by April or so, and we should be back on track.

As far as hydro and thermal power goes, we are seeing resurgent demand. And as a result of that, we have commissioned this coating line, because these products require the laminations to be coated with a special varnish, as it's exposed to corrosive environment in hydro and steam thermal power plants. So we are the only commercially available source for this, and we expect the business to grow in this over the next 2 to 3 years as we do import substitution for our customers.

Het Choksey: Okay. And my last question would be on Dakshin Foundry. This acquisition might be probably a star in our -- like a feather in our entire cap. How would you see the new product line, new product development happening in this? Can you also throw some light on the potential applications which might come out from this facility in the near future, the potential areas of applications?

Akshay Pitti: See, again, Dakshin is a railway and metro business heavy sales portfolio. About 50% to 60% of its revenue comes from that segment. What's interesting is that they export to Deutsche Bahn in the European Union, which is a very, very specialized quality requirements, and they have those accreditations.

What's interesting is, historically, they have never done much machining, as they didn't invest in machine shop. And where we see the juice for us is that this casting that they produce, which are critical in nature to a very discerning customer, we can provide the complete solution in machining at Pitti Engineering. So over the next 1.5 years, we see a massive margin profile increase in that business as a result of this supply chain transition.

In terms of other applications for those products, in the past, from what we understand, the company used to also do parts for gas turbine generators, transmission housing, off-highway vehicles. So similar portfolio like ours, but different size of components. So it will slot very well with our overall product line. The missing gap in smaller casting will be fulfilled by Dakshin. And we will fulfill the machining at their end.

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

Balasubramanian: Congratulations for a good set of numbers. My most of the questions have been answered. Sir, like what is the order book status on Pitti Engineering stand-alone Bagadia and Dakshin Foundry as of Q3?

Akshay Pitti: Bala, like I said last time, order book is not much relevant in our context of business. But still, I think the order book in Pitti Engineering on a stand-alone basis would be in the vicinity of INR800-odd crores. And consolidated, you can add probably about another INR100 crores. I don't have the consolidated number with me as I have to split it between Pitti Industries and Dakshin. I would estimate it to be about INR100 crores.

Balasubramanian: Okay, sir. Okay. Sir, in this Bagadia Chaitra Industries are majorly like supplying agriculture pump sets to like Texmo. How do you see in this business over the next 2 to 3 years? Because right now, it's around 2 percentage of our overall sales?

Akshay Pitti: Yes. So see, the pump market is interesting. It's early days, but from what we are given to understand from some of these customers, there is a huge demand coming from US as a result of the trade war with China and other countries. But again, the situation is fluid. So I can't give you a specific answer as to how that segment will do in the future.

Balasubramanian: Okay, sir. Sir, regarding our working capital side, like if you could throw some light on how is our inventories payables and receivables side?

Akshay Pitti: So on the inventory side, we have a slight expansion in inventories when compared to the previous quarter and the year ago. It's mainly on account of stocking some extra material, as we are expecting disruption in the electrical steel market starting in April. There are BIS licenses which are not being renewed for the Chinese mills, which contribute about 25% of the Indian market's consumption.

And if you see the Indian market and the capacities that are available in India, India is short by about 20% of its consumption in terms of manufacturing capacity. So we see a tightness and supply chain disruption in the electrical steel industry in the next 6 to 9 months.

So other than that, I think all of the parameters on the days sales outstanding are better. We have about 60 days DSO. payable is about 66 days. So net working capital stands at about 67 days. Only the inventory piece is slightly up on a quarter-on-quarter basis. On a year-on-year basis, we are down from 77 net working capital days to 67 days.

Balasubramanian: Got it, sir. Sir, my next question regarding this Bagadia facility is, like earlier we planned to transport around 6,000 metric tons from like Aurangabad facilities to this Bagadia. But after these facilities, like the transportation cost around INR3,000 per ton, like how much synergies we have achieved till now?

Akshay Pitti: See, at Pitti Industries Private Limited, we, as I mentioned earlier, have a space constraint. The facility is small. We are moving into a larger facility on a lease basis, and we expect to have that operational by quarter 1. Once that starts, production which is happening in Aurangabad, we shall start moving to Bangalore. The basic raw material savings and material utilization savings have already started. The last bit, which is the logistical savings, will accrue to us once we move these operations there.

Balasubramanian: So basically, from FY '26 or FY '27 onwards, we can expect around INR12 crores to INR13 crores kind of synergy benefits?

Akshay Pitti: Already, a lot of the synergy benefits have accrued to us, if you see. What is left is, like you mentioned 6,000 tons x INR3,000 is barely INR1.8 crores, which is remaining to be accrued.

Moderator: We'll take the next question from the line of Neerav Sen from Julius Baer. As the current participant is not answering, we will move on to the next question, which is from the line of Naysar Parikh from Native Capital.

Naysar Parikh: Am I audible?

Moderator: No, sir. There is an airy disturbance. We can't hear you clearly. Please use your handset.

Naysar Parikh: Okay. I will join back in the queue.

Moderator: We'll take the next question from the line of Dipak Saha from KR Choksey Shares and Securities.

Dipak Saha: Akshay sir, just one follow-up. The volume number you gave for 14,738 tons, if you can just help me with the breakup. I'm struggling a bit to add it up with the PPT number?

Akshay Pitti: Let me just go back to Slide number 7. So if you add 7,657 tons, which is the first line; second line which is 2,484 tons; third line, which is 768 tons; fourth line, which is 283 tons; fifth line, which is child parts, 564 tons. So that is my stand-alone number. Add to that Pitti Industries Private Limited sales volume, which is 2,982 tons, you get 14,738 tons. So this is lamination sales.

When you come to machine components and casting sales, it is 1,452, 590, 295, plus DFPL volume, 714. So historically -- second summation which I have given you was never mentioned historically because we were only reporting the lamination volumes. So in the past, when we used to do EBITDA per ton, we should take this tonnage breakup of the stand-alone number and divide the EBITDA by that.

Dipak Saha: Okay. So what you are saying is...

Akshay Pitti:) So, if you want to compare it to the old method, on a standalone basis, we are about INR51,000 EBITDA per ton. And on a consol basis, we are about INR45,500 EBITDA per ton.

Dipak Saha: Got it. So what you're essentially saying is this 14,738 ton is basically the lamination number. And if we add this casting, then stone frame and your DFPL sales volume, you are getting the consolidated volume, right?

Akshay Pitti: No, no, no, no. I'm not -- yes, consolidated volume, but you cannot add both. You have to keep both separate, because they are completely different type of products.

Dipak Saha: Exactly. That was my doubt. Cleared. My second question is just on the guidance part, the guidance earlier you mentioned for FY '27, do we stick to that? And secondly, what is your guidance for FY '26?

Akshay Pitti: So for FY '26, we still maintain our original guidance of about 66 -- 69,000 tons to 70,000 tons on a consol basis and about 54,000 tons on a stand-alone basis.

Dipak Saha: And FY '27, we stick to the earlier guidance that we have given, 72,000 tons?

Akshay Pitti: Yes, peak utilization of the consolidated 90,000 tons at 80%.

Moderator: We'll take the next question from the line of Neerav Sen from Julius Baer.

Neerav Sen: Sorry, I got disconnected the last time. I wanted to confirm with the revenue guidance that you gave earlier in the call. I could not hear it properly. So if you could repeat it, please?

Akshay Pitti: I'm sorry, you're not very audible.

Moderator: Sir, can you repeat your question, please?

Neerav Sen: Yes. I was saying, I'm sorry I got disconnected the last time. I wanted to confirm with the revenue guidance that you gave earlier in the call. I could not hear it properly. So if you could repeat it, please?

Akshay Pitti: So for quarter 4, we are guiding to a revenue of about INR450 crores, and that will take our consol revenue for the year to roughly about -- so we have reported INR1,271 crores of revenue and INR450 crores on top. About INR1,750 crores, you can round it up for the full year.

Neerav Sen: INR1,750 crores for full year. Okay.

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

Balasubramanian: Sir, a quick question regarding our incentive side. Q4, how much is expected to accrue?

Akshay Pitti: For quarter 4, we don't expect anything further. For the year, we have fully accounted the INR35 crores other income in the first 9 months.

Balasubramanian: Okay, sir. And from next year onwards?

Akshay Pitti: So Bala, next year also will be about INR32 crores. And for the year after, it will increase to about INR40 crores.

Balasubramanian: Okay, sir. Sir, how much capex is left for -- out of this INR190 crores for capex? Earlier, we planned for some automation?

Akshay Pitti: So all of that is entirely in CWIP and will be capitalized by the year-end.

Balasubramanian: And any other plans, sir, to expand the capex after this?

Akshay Pitti: No. As of now, we have no plans. This capacity is good for us till FY '27. We shall review something towards H1 of FY '27.

Balasubramanian: Got it. Sir, any plan to repay the debt?

Akshay Pitti: So we are monitoring and balancing our net debt. We do not intend to further prepay any debt. We want to create a cash pile and keep that in case there are any opportunistic things that come our way. So we are keeping ourselves with the cash balance available to take chance of those opportunities.

Balasubramanian: Okay sir. So what's the cost of funds as of now?

Akshay Pitti: So weighted average cost of funds, I think it should be about 8%, around 8%. See, about half of our debt is US dollar denominated, and the remaining is INR at about 8.25%, 8.5%. Debt typically will keep moving with the SOFR and the benchmark rates.

Balasubramanian: Okay. Sir, you mentioned about INR3.76 crores like MTM losses. And like is there any reversal expected in coming quarters? And what are the strategies we are taking for this to manage the forex side?

Akshay Pitti: So see, this is as a result of how we manage our forex rates. So with our customers, we have an INR-denominated price agreed, for all our export customers. And on a quarterly basis, the price is recomputed based on the price variation formulas, which take into account raw material, scrap, and currency fluctuations.

The currency reference rate for the exports is always taken 1 quarter prior to the sales. So for example, in quarter 3, we would have to take the average of quarter 3 for our quarter 4 sales. So we hedge 100% of our exports based on that contract with the customer, back-to-back formula. So at the end of the period, if the rate has moved vis-a-vis the contracts we have taken, we do MTM loss. That gets reversed as we make the actual sale. This is purely notional in nature.

Moderator: We'll take the next question from the line of Ramchandra Naik, an Individual Investor.

Ramchandra Naik: Akshay, well done again. I just heard in the previous question about the consolidated turnover you're going to be reaching for financial year '25, and it looks like it's going to be around INR1,750 crores, if I'm not mistaken. About 6 months ago, when we had this discussion, you were quite optimistic about trying to hit INR2,000 crores turnover. My question to you is what has changed in the 6 months that there's a gap of around INR250 crores? And second, when do you think you would be aiming to cross that INR2,000 crores mark?

Akshay Pitti: See revenue, like I mentioned the last time also, in our business is quite misleading. It has to do with the price of raw materials, and we have a quarter-to-quarter price variation clause. So for example, if I guide today for INR2,000 crores revenue for next year and the raw material prices jump up by 10%, then that number is going to be something like INR2,400 crores.

So the real barometer that the company needs to take is the sales volume. So we published that in the operational highlights, Slide number 7, what our sales have been in quantitative terms. And that is what we have to track in terms of growth and degrowth. So on the volume front, we are pretty much on target for our guided numbers.

Ramchandra Naik: Okay. Excellent. I'm also looking at your Slide number 13, which talks about the various industries. I mean, you've given the breakup from the industry standpoint. I wanted to check with you on the progress you're making in terms of -- I see data center as a big opportunity across -- whether it's in India or also across the world. And I wanted to check with you what is it that you're planning to do in this area? I mean do you see this to be around 3%, or you think the next 2, 3 years, this is going to jump significantly?

Akshay Pitti: See, as an individual line item, we see the data centers doubling. As a percentage of overall revenue, that will depend on how the other sectors perform. But yes, on an individual level, the revenue from data centers looks to double, if not more than double, over the next 1 year.

Ramchandra Naik: Okay. That sounds very good. Last question. I mean you've done these 2 acquisitions. And so far, it looks really good. Just wanted to check with you how is the entire integration process coming along? And are you seeing any benefits that are now beginning to flow into your financial statements?

Akshay Pitti: Yes. So the integration is ongoing. Pitti Industries is fully integrated. Dakshin Foundry's integration is ongoing. And like I said, the machine components is a big opportunity for the parent company. Dakshin predominantly sells raw castings and the customers anyways require machining. So that's a good opportunity where we can make a lot of revenue and profitability gains. Other than that, I think the administrative integration is a matter of formality to go through.

Moderator: The next question is from the line of Dhrumin Shah from Native Capital.

Dhrumin Shah: So I have 2 questions. Like why we are missing the guidance of INR2,000 crores revenue for FY '25. And the next question, for FY '26, volume and revenue guidance…

Akshay Pitti: Dhrumin, I'm sorry, I couldn't understand what you were saying.

Moderator: Sir, your voice is echo-ish. So I would request you to use your handset, please.

Dhrumin Shah: So I'm asking why are we missing the guidance target of INR2,000 crores revenue for FY '25? And second question is, can you provide me the guidance? Can you help me for volume guidance for FY '26?

Akshay Pitti: See, in volume terms, we had estimated roughly 63,000 tons to 65,000 tons for the full year when we had given that guidance about a year ago. And we estimate to end somewhere between that 60,000 tons to 64,000 tons. So it's not really off in terms of volume on a consolidated level.

Dhrumin Shah: In revenue terms?

Akshay Pitti: In terms of revenue, it is, like I said, the price variation is always a factor when we do all the projections and we give you the revenue for the next year is based on last year's selling prices. And in terms of volume, like I already said earlier, we are estimating about 54,000 tons at Pitti Engineering next year and about 16,000 tons -- sorry, 14,000 tons to 15,000 tons in Pitti Industries.

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

(This document has been edited to improve readability)