3rd February, 2025

To

The Manager - Listing,
BSE Limited,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 543276

The Manager - Listing,
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex ,
Bandra (East),
Mumbai - 400 051
Stock Code: CRAFTSMAN

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call on the Unaudited Financial Results for the quarter and nine months ended 30th January, 2025;

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation and outcome letter dated 6th January, 2025 and 30th January, 2025 respectively, we are enclosing herewith the transcript of the earnings conference call organized on Thursday, the 30th January, 2025 at 4.00 P.M. (IST) on the Unaudited Financial Results for the quarter and nine months ended 31st December, 2024.

The transcript of the earnings conference call will be uploaded on the website of the Company at www.craftsmanautomation.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
for CRAFTSMAN AUTOMATION LIMITED

Shainshad Aduvanni
Digitally signed by Shainshad Aduvanni
Date: 2025.02.03 16:43:50 +05'30'

Shainshad Aduvanni
Company Secretary and Compliance Officer

Encl: As above

Craftsman Automation Limited

Registered Office:
123/4, Sangothipalayam Road,
Arasur Post, Coimbatore – 641 407
Tamil Nadu, India

Corporate Office:
No.1087, 4th & 5th Floor, Krishna Towers,
Avinashi Road, Coimbatore - 641037
Tamil Nadu, India

Tel + 91 422 71 610 00
fax + 91 422 71 612 34
info@craftsmanautomation.com
www.craftsmanautomation.com

CIN NO: L28991TZ1986PLC001816
GST NO: 33AABCC2461K1ZW

CRAFTSMAN AUTOMATION LIMITED

Earnings Conference Call held on 30th January, 2025
for the quarter and nine months ended 31st December, 2024

This document might contain forward looking statements which involve a number of risks, uncertainties and other factors that could cause the actual results to differ materially from those in the forward-looking statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Craftsman Automation Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the opening remarks are concluded. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touch-tone phone.

I now hand the conference over to Mr. Srinivasan Ravi, Chairman and Managing Director from Craftsman Automation Limited. Thank you, and over to you, Mr. Ravi.

Srinivasan Ravi: Good afternoon, everybody, and thanks for joining the earnings call today. This time around, I would like to run through the changes which has happened in the last quarter, which is quite substantial. So, I'll take 10, 15 minutes to highlight the changes and what is the ongoing projects and the status of the acquisitions.

The strategic investment, what we have also announced at Hosur, I'd like to highlight at the end of the first introduction. Investments made during the current year was INR 1,015 crores, mainly for DR Axion 24% stake that is the balance stake, which is INR 250 crores. Sunbeam investment was INR606 crores as OCD. Some of it will come back when the land sale happens. Craftsman Germany, INR 154 crores, that is INR 94 crores for acquisition, and INR 60 crores towards working capital requirement, which is very strategic.

Capex Investments in greenfield projects. capex has been INR 700 crores for the current period, including greenfield at Bhiwadi at INR 219 crores excluding land, because land is also a little common because we planned to house Sunbeam also when we shift the Gurgaon plant. Kothavadi is INR 91 crores.

The status of the project Sunbeam has become our wholly owned subsidiary from 9th October and achieved a turnover of INR 284 crores with a positive EBITDA of INR 10 crores. As planned shifting Gurgaon plant has already started and hope to be completed by Q1 of FY '26 after which we will start looking at the land sale of Gurgaon. 50% of the employees who have opted for VRS were relieved in November '24. Once the shifting is started, which is in April, May, we will be settling the balance of the VRS.

The order book status is comfortable and hope to achieve a reasonable turnover and positive EBITDA in Q4. Craftsman Germany has a consolidated revenue of INR56 crores with positive EBITDA and hope to continue positive results in Q4. The order book for Craftsman Germany is for the calendar year of '25 is full. Bhiwadi commenced its operation on 31 August. And you may know very well, this is the first foray into structural parts, especially the alloy wheel, which is for the BIS initiated change in the country.

we had a timeline, which for the festive season. So, we had to put in all together. So, for a small turnover of INR 38 crores, we had to spend a lot of money during the start-up period. So, we have brought the plant into production in a record time, that is from the land acquired in January of '24. We started commercial production in August. So, because of this, there has been additional costs which were involved there. But the plant is now operating at 25% of the capacity and will be up to full speed by July of this year.

Kothavadi supplied several samples to customers waiting for approval, and we may start production in Q4 of FY '25. The new greenfield project at Hosur have been trying to set up alloy wheel plant in complementary with the Bhiwadi alloy wheel plant to supply to customers in the South. Both the plants have been fully booked for orders for the alloy wheel, Bhiwadi as well as Hosur.

Consolidated EBITDA for the period has been INR609 crores against the previous year 9 months EBITDA of INR684 crores for various reasons of many start-up projects and also massive expansion and the expense related to the massive expansion, which we have created the extra overheads to look at the forward-looking year.

The consolidated EBITDA contribution from the Powertrain is INR 298 crores. Aluminium is INR 315 crores, and Industrial & Engineering is INR 36 crores, unallocated is INR 40 crores. The shortfall is mainly due to the expenses like acquisition costs related due diligence, legal and other initial operating losses at Bhiwadi and Kothavadi. Now I'd like to run through the changes in the structure of the organization a little and also the change in each of the segments as we go on. In the Powertrain -- at the IPO time, we were heavily dependent on the Commercial Vehicle segment, and we are looking forward towards more and more clients mainly the multinational company setting up plants here for their starting of the diesel engine production in India, with the view for the Indian market as well as for the global market, which is still ongoing, and we have received the orders.

At the same time, the ramp-up has not happened. These are orders which will fruitify in the coming couple of years, translating into revenue and profitability. Meanwhile, we have also embarked on a long lead time project for the stationary engines, which we had declared to the shareholders and made them sensitive towards the long-term nature of this sort of investment because it's an exclusive club for the stationary engines. Hardly 10 companies in the world are ruling the market for the stationary engines worldwide.

And there is big inflection point which has happened due to the data centres growth, mainly driven by AI. So, this was also highlighted in my speech (Chairman’s speech) during the annual report, which you might have read. So, I'm proud to say and happy to share with shareholders that we have got at least 5 engagements of the top 10 of the companies in a big way. We have received orders. It is already ongoing.

The machining process of the trial started at our Unit 3 facility and we have started tooling development for the production at Kothavadi plant. Since the nature of these projects are long gestation for development, that is the development period is 18 to 24 months and the customer validation is almost a year. we are almost halfway through the journey.

And 1 year later, we will see the revenues flow into the stream. We got our foot into this business at the right time overall, and we are looking at a revenue of $ 100 million in 4 years’ time, only in the Powertrain division contributing -- the contribution coming from the stationary engines, mainly from the power generation.

Now coming to the Aluminium segment of the business. When we went for the IPO, we were only in the 2-wheeler business, only in ICE portion of the 2-wheeler business with a small marginal presence on the 4-wheeler business. Now what we have transformed in the last year was after DR Axion acquisition, we had become predominantly on the 4-wheeler segment of the business.

The dependence on 2-wheeler came down. And with the latest initiative, Sunbeam acquisition, we have spread ourselves geographically very well and also the clientele of Craftsman and DR Axion, the overlap has been negligible. And also, there is practically no overlap between the clientele of Sunbeam and Craftsman and the process is also more or less not overlapping exactly.

So -- but the strength of each of the companies is helping the Craftsman to leverage on these strengths. For example, the Bhiwadi plant for the alloy wheel has been set, thanks to the DR Axion acquisition where it's clear that without that, the plant would not have come up in a record time of 8 months, which has never been done in this country so far. So now with this sort of execution strategy, we got a second chance at Hosur now for the customers in the South.

The next is with this alloy wheel, which is also today the structural part in the 2-wheeler. Our dependence on ICE for the 2-wheeler also has dramatically come down. Still on the segment-wise end use of the Aluminium products, it is predominantly 4-wheeler with the marquee names in the -- both in the domestic as well as the export customer range. And after this acquisition, we have reached a possible INR 4,000 crores revenue in the Aluminium business in the next financial year, which is still suboptimum when compared to the global majors, which I had highlighted in the past that we are not able to serve the global customers because of the size of the Aluminium segment of the business, but at half a billion or INR 4,000 crores approximately, I think we are attracting a lot of attention globally for also export business.

Now coming to the Industrial and Engineering segment of the business, we have done quite well in the automated storage business. And today, our automated storage business is contributing to a very high percentage of the storage business. And the order book for the next year on the automated storage business is quite full. So, we will reap the benefit of profitability going forward on the storage business.

Never we have given any guidance, but now that there has been a massive shift in the company's revenue growth and the acquisition. So, we need to look at the consolidated numbers of Craftsman going forward. Just to give a thumbs up on a guideline, which normally we never give this is only a guideline. We are looking at a consol revenue going from INR 5,500 crores and ranging from to go in to around INR 7,000 crores in the next financial year.

This is not exactly apple-to-apple because some of the acquisitions have happened in the second half of this year. And the EBITDA consolidated number from, say, around INR 850 crores range should go up to northwards of INR1,100 crores, which is almost a 29% growth in the EBITDA numbers, which will lead to a 40% growth in the EBIT numbers, say, from INR500 crores to INR 700 crores in the coming year.

So, this is the projected revenue of the company, which is for this massive expansion. This is the reason when we also have informed the shareholders when we went for QIP. This one-time QIP, which we have raised. In the history of the company, we had raised INR 150 crores in 2010, 2012 from private equity. And during the IPO, we had raised only INR 150 crores. So, INR 300 crores has been the cumulative infusion of capital into the company. Otherwise, the company has been organically growing, with the massive QIP infusion of INR 1,200 crores.

We have executed the multi-pronged strategy to take the company to greater heights. So, we have developed the escape velocity to reach to the next level of the organization growth. So now there has been -- always when we are putting up the expenses slightly ahead of the project, none of the projects are risky projects, in my opinion, totally overall. But I think the 90% -- 95% of investment has gone into organic or acquisitions within the country and hardly INR150 crores has left the shores of India into an outside subsidiary, which is very, very strategic and which is helping the growth in the stationary engines.

So, we are very comfortable at Craftsman to be at a very low level of debt. But as I had mentioned earlier, for a short period of time, we don't mind exceeding the debt-to-EBITDA levels. So, we are looking at a consolidated debt-to-EBITDA for this financial year is 2.24x, which would have looked at 1.88x if the land sale of Gurgaon, which will fetch around INR 300 crores plus had happened in this financial year, but it's not going to happen. Otherwise, it would have been 1.88x.

So anyway, we are very hopeful and quite confident that we'll be able to sell the land in the next financial year. With that, we expect the consolidated debt-to-EBITDA to be around 1.4x in the next financial year. So going forward, in spite of the capex, which is being done. So, this is the headline, which I would like to reiterate before I open the floor for questions and answers.

Moderator: The first question is from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities.

Mumuksh Mandlesha: Sir. Firstly, just on the stand-alone margins, which has come down sequentially. Any reason for that segment margins to come down, sir? Any one-off there, sir?

Srinivasan Ravi: Yes. On the Powertrain segment, we have built up capacity. So far, we are making only truck engines. We have built up machining capacity and other capabilities for handling large engine blocks are V12, V16, V20, that is weighing in tons that is -- the machining technology is more or less same, but the equipments are totally different. So, we have added more infrastructure plus machinery, plant and machinery and started doing the trial production. So, all those expenses have been booked in the Powertrain segment. The Powertrain segment by itself has not increased on the value addition. And we also have invested for the TREM V for the construction equipment for the engine emission norm change. And the new projects, whatever is there, we have set up some lines for export of -- not direct export, our customers multinationals are exporting. So, it is under trial production again. So, we have made the -- all the investments required and incurred the expenses as well as some overheads and people cost towards the growth.

That is one of the reasons we are now looking at big growth going forward in the coming years. Powertrain will be a little delayed on the growth. Maybe 1 year later, it's more on the FY '27 number. FY '26, we'll see some portion of it. But I think the investments, as I mentioned, is a long gestation, that is the reason. And any increase in depreciation and the stationary number, which is there on the value addition portion of it will directly hit EBIT.

So that is the reason. It's not anything of the organic performance or the execution portion of the company. So, I hope I answered that in total.

Mumuksh Mandlesha: Got it. Generally, I mean, all these efforts, sir, I mean, any quantification you want to give what kind of impact this quarter it would be? And I mean, once all things normalize, I mean -- see in FY '27, any guidance you want to share on the margins for the Powertrain segment, sir?

Srinivasan Ravi: Yes, I have guided as a company on FY '26 overall, which I think the margins will swing back to the original margins in 2 years' time on the Powertrain in the 2 phases, because of the massive expansion.

Mumuksh Mandlesha: Got it, sir. Sir, on this -- on the employee cost saving for this -- the new acquisition Sunbeam and the plant closure, any number you want to share what kind of benefit it would bring on the EBIT margin, sir?

Srinivasan Ravi: You're talking about Sunbeam stand-alone or a consolidated number?

Mumuksh Mandlesha: Sunbeam numbers, sir, where basically you have given the -- you've reduced the employees and whether close the Gurgaon plant, right, sir?

Srinivasan Ravi: We not yet closed it. to say, we are on the process of closing it, but I think we announced and we've taken the Board approval. It is -- it has to go for shareholder approval soon for selling the land of Gurgaon, which is valued around INR 300 crores as a number, approximately. So, which will -- you are asking for the number of plants. Today, Sunbeam has got 5 plants.

Mumuksh Mandlesha: Yes, reduction in employee cost and because the plant being closed, any savings from that also?

Srinivasan Ravi: Yes. 5 plants will become 4 plants in one sense or another totally, but I think that the 1 plant will be the same location as Craftsman current Bhiwadi plant, which will be shifted to there. Yes, the employee cost is going to come down by at least 30% minimum. And further, we need to improve the operations and process to bring down the employee cost further -- employee headcount further. Employee costs will be -- per ahead will be increasing as we move on. But I think the employee headcount will continuously reduce in the next 2 years.

Mumuksh Mandlesha: Got it. Sir, can you share what the capex 9-month has been? And what is the full year guidance? And also, for next year, if you can share the capex guidance.

Srinivasan Ravi: This is, you are looking at stand-alone Craftsman, it is…

Mumuksh Mandlesha: Yes. If you can have consol number also, it's fine, sir.

Srinivasan Ravi: Consol number, I do not have it readily available today for next year on this matter because we are contemplating for Sunbeam, whether we need to modernize quickly or modernize slowly it is a decision yet to be taken. So, we are looking at INR 700 crores until now the capex done at Craftsman and maybe another INR 150 crores for the quarter, so around INR 850 crores for this year. Next year, I think it should be less than half the number including the maintenance capex.

Moderator: The next question is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: My question is on last year, in this quarter, we had multiple different impacts on the performance. So, if you can highlight the exact impact of Sunbeam acquisition on the Aluminium consol margin, what was the impact of that? And then on the stand-alone Powertrain business, you talked about several costs coming in and stand-alone Aluminium also had Bhiwadi plant impact. So, if you can talk about the impact of these transitionary costs, which are there in P&L that will make it easier for us to understand?

Srinivasan Ravi: Sunbeam was EBITDA positive in the Q3, but at the EBIT level and it is negative totally. So that would have around INR 9 crores -- minus INR 9 crores at the Sunbeam level. And with the Bhiwadi plant, I think it is quite substantial because of the start-up costs. It's around INR 20 crores is the negative EBIT at Bhiwadi. So, both put together, we can say around close to INR 30 crores was impacted only in the Q3 on the Aluminium segment of the business.

Jinesh Gandhi: Okay. And similarly for the Powertrain, given there was so much of investment on the stationary engine as well as…

Srinivasan Ravi: I will say, overall, I think 50% has come from the stationary engines, whatever the development we are doing and half of it has come from the new lines and capacity as we set up for various customers, which the production has not -- either it is a start of production or not at ramped up. So overall, I think it's a 50-50 for the cost because we have multiple -- many plants for the Powertrain now totally.

Jinesh Gandhi: Okay. But any sense on combined cost for what would be it?

Srinivasan Ravi: You're talking about costs. One is the inflation of people cost. The absolute value addition has not gone up or the revenue has not seen the growth. So, there is an inflationary pressure. So, I would say 25% or 30% is inflationary pressure because of no growth. Balance, 60%, 80% is because of the new projects, both on the stationary engines as well as some of the newer lines.

Jinesh Gandhi: Okay. Okay. Got it. Secondly, when we look at the derived DR Axion revenues showing about 20% decline on a Y-o-Y basis for Q3. Is that observation, right? And if yes, what has led to that?

Srinivasan Ravi: There's no revenue decline from DR Axion as you're talking about, no?

Jinesh Gandhi: Yes, I'm taking the 38% revenue contribution from -- in the Aluminium consol as DR revenues and then comparing it with last year, which was 20%, maybe that direction...

Srinivasan Ravi: It's not clear and your question is not audible, and I'm not able to understand the question, please.

Jinesh Gandhi: DRA business how was the growth in the DRA business?

Srinivasan Ravi: There's no growth in the DRA business. It is intact. I think it has been very stable because it is directly linked to only to 3 customers, and it is on public domain, the customers' growth in the passenger vehicle or de-growth.

Jinesh Gandhi: Right, right. Okay. I got that. And lastly, what would be our consol net debt now? And what should be the full interest cost say 1Q as some of these projects get commercialized?

Srinivasan Ravi: Yes. I had mentioned the consol net debt projected for this financial year. No, I'm looking at the projected number for this financial year as a consolidated net debt. We are looking at around INR 1,900 crores as the consolidated net debt. So, the debt-to-EBITDA will be 2.24x, which I read out. And if the land sale had happened, it would have been INR 1,600 crores, it's not likely it's not happening this year, financial year, it would have been 1.88x debt-to-EBITDA. So next year we are looking at...

Jinesh Gandhi: What would be our cost of debt for this INR 1,800 crores?

Srinivasan Ravi: No, this is a normal debt we have got, I think there's nothing different from the market trend, I would say. It will appear on the numbers. I think it can be taken offline.

Jinesh Gandhi: 9% to 10%, got it.

Srinivasan Ravi: It will be 9% or 10% plus-minus.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: Congrats for the decent set of numbers despite a lot of challenges. Sir, in this quarter, we have seen a significant growth on numbers like other expenditure and the employee cost. So, if you can throw some light, what is the extraordinary expenditures in this quarter or one-off in the consol year?

Srinivasan Ravi: There are 3 components to it. One component is we have looked at what is the requirement for next year and started taking people, employees and training it. That is one long-term objective. Short-term objective is how to manage the Sunbeam acquisition and the 2 greenfield facilities of Craftsman one at Kothavadi and one at

Bhiwadi. So there has been expenses occurring and people costs incurred even before the start of the production. So, these are the 2 major components.

The third major component is the normal inflation, which is happening for the people cost, which we have been always talking about, and we are more inclined towards semi automation and improvements of processes to not to increase the headcount, which is inflationary.

Abhishek Jain: So, is there any legal and consultant charges in this quarter because of the acquisition of the 3 companies in other expenditures, sir?

Srinivasan Ravi: Yes, that is there because we have acquired -- there is a Sunbeam-related expenditure at Craftsman. There is also DR Axion-related expenditure. Also, for Fronberg, Germany, there is an expenditure. These are all one-time expenditures.

Abhishek Jain: Yes. And how much is this, sir, significant jump in the number?

Srinivasan Ravi: Getting that into detail will not be -- it will be time consuming. If you don't mind, you can come back at the end of the Q&A so that we will give a fair chance to everybody, if you don't mind.

Abhishek Jain: Okay, sir. And my last question on the Powertrain business. Basically, this business can be categorized into 3 parts. So, one is the stand-alone, another is the Craftsman Germany and third one is Kothavadi. So how do you see scale up in all 3 business? And how would be the margin profile in FY '26?

Srinivasan Ravi: Sir, I didn't understand the question and the voice clarity is a little poor. I think one question if you ask a time, I think, is better. I think please, can you repeat?

Abhishek Jain: Sir, I just wanted to understand the scale on the Germany business and Kothavadi.

Srinivasan Ravi: Germany business is not scalable to that level, maybe 5%, 10%, we can grow because it is a fixed plant, and we are expecting to increase revenue by 10%. That's what we're looking at but we are getting a strategic advantage that the same team is working for us for development of products in India. Even now as we speak, the teams of Craftsman and Fronberg are together at a customer place in Europe for discussions for a project to be brought to India. So, this is the advantage.

One good thing is this company has got marked few customers, I think there are 3 good engine customers for that, and they have decades and decades of experience there, people are knowledgeable. So, this is giving a lot of trust to the customer, and they are giving business to either Fronberg or to Craftsman as the case may be, wherever it is suitable. So, we have been able to acquire quite a substantial business in the last few months after the Fronberg acquisition.

Abhishek Jain: Okay, sir. And sir, is there any debt repayment plan for FY '26-'27?

Srinivasan Ravi: Pardon, sir. Sorry?

Abhishek Jain: Total borrowing is around INR1,800 crores, what is your debt repayment plan?

Srinivasan Ravi: Can you -- without the speaker, can you come because I think voice is a problem?

Abhishek Jain: Hello? Are you able to hear me?

Srinivasan Ravi: Now I am able to hear you.

Abhishek Jain: Sir, the total debt is now INR 1,800 crores. So just wanted to understand what is your debt repayment plan for the coming year?

Srinivasan Ravi: No, the debt has been taken recently -- the debt has been spread over I think 5 to 6 years, right? It will be more or less linear, I would say. But the -- as I mentioned, the debt will be coming down in the next year in 1 big chunk when the Gurgaon plant is getting sold, which is quite substantial, it's INR 300 crores.

And next year, with the capex being lower on the consolidated balance sheet itself, our debt is likely to come down. So, I had shared the debt numbers when I read out the debt numbers. I can read it again now. So, we are expecting the debt to come down next year to INR1,400 crores on the consolidated level.

Moderator: The next question is from the line of Joseph George from IIFL Securities.

Joseph George: I have 2 questions. One is, you mentioned that Sunbeam had a negative EBIT and similarly the Bhiwadi plant was also below EBIT breakeven. So, when we think about, say, FY '26, would it be fair to assume that on a full year basis, Sunbeam would be at least EBIT neutral in FY '26? And similarly, when do you expect Bhiwadi plant to become EBIT neutral?

Srinivasan Ravi: The Bhiwadi plant will be EBIT neutral starting from Q1 of FY '26. And the Bhiwadi plant will be EBIT positive high single digits by end of FY '26 totally. And Sunbeam by itself will be EBIT positive by Q2 of next financial year '26. And for the full year, it will be EBIT positive.

Joseph George: Understood, sir. And the second question that I had was in relation to your aluminium segment. So, when I look at the aluminium segment EBIT at the consolidated level, it is about INR 72 crores of EBIT. And at the stand-alone level, it's about INR 20 crores of EBIT, which means that the subsidiaries have a positive EBIT contribution of about INR 52 crores. Now the EBIT for Sunbeam is minus 9, as you mentioned, which means that the residue is about INR61 crores of positive EBIT. Is that entirely DR Axion? Or is there any other element there?

Srinivasan Ravi: See, the -- most of the Craftsman's own EBIT has been -- more or less have been wiped out because of 2 reasons, because of the -- mainly because of the Bhiwadi project, I would say, in total on this.

Joseph George: Sir, actually, I'm sorry to interrupt. My question is more on what is the EBIT in each of the subsidiaries. So consol is INR72 crores for the aluminium segment for -- consolidated aluminium segment EBIT is INR72 crores, stand-alone aluminium segment EBIT is INR20 crores, the remaining is INR52 crores. I wanted to get the breakdown of that INR52 crores.

Srinivasan Ravi: So, I think I will request somebody from my side to answer this, please.

C.B.Chandrasekar (CFO): Joseph, actually this is -- the balance is the inter-group adjustments which has happened because of the -- in the stand-alone it has been categorized as other segment because some trading has happened between the groups. That is the thing. And so, these are -- it's only an inter-group adjustment, which we will explain later.

Moderator: The next question is from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: My question is on the alloy wheels to begin with. So, what would [inaudible] have once the Hosur plant is ready and by when that capacity come in, sir?

Srinivasan Ravi: Hosur plant will be operational by Q2 of next financial year. And Q4 of next financial year, it will be fully at full capacity. The capacity of each of these plants are around INR

400 crores plus. Bhiwadi alloy wheel and the Hosur alloy wheel plant both put together, the peak capacity which we expect in FY '27 will be between the 2 plants INR 800 crores on alloy wheels.

Mukesh Saraf: Sorry, sir. How much is that capacity?

Moderator: Mr. Saraf, we are unable to hear you clearly sir.

Mukesh Saraf: Is it better now?

Moderator: Yes. Can you please switch on to the handset mode?

Mukesh Saraf: Sorry, so could you just repeat the capacity number?

Srinivasan Ravi: We talked about in FY '27, each of the plants, Bhiwadi alloy wheel and Hosur alloy wheel, each will contribute more than INR400 crores on the top line.

Mukesh Saraf: Got it. And secondly, on the Kothavadi plant, you did mention that the stationary engines will start next year, but we'll start with some production in the next quarter itself. So, is that the…?

Srinivasan Ravi: Sorry, it is -- the tooling itself, as I mentioned, the plant is just constructed and the trial production. The tooling's are getting ready in Germany. The tooling itself will be delivered only in the end of next year. So, we will not see revenue from the industrial engine portion, but we are doing some engineering parts on that, that will Kothavadi plant is also going to serve that. So, there will be some revenue from the Kothavadi plant, but not from the Powertrain perspective.

Mukesh Saraf: Right. So, any kind of sense on how big could that business be ex of the industrial engines from Kothavadi plant?

Srinivasan Ravi: Kothavadi plant and the machining capacity, which is in the process of being put up at Arasur plant at Unit 3 in Coimbatore. On the stationary engines, we are looking at around FY '28-'29 in that range, we are looking at around $100 million, around INR 800 crores revenue – INR 850 crores revenue, which I had mentioned in my opening remarks, which will add to the Powertrain which will be quite significant.

Mukesh Saraf: Right. So, in this next 1 year, excluding the -- before you start the stationary engine is what I was asking. This engineering that you were saying that you will start -- some kind of revenues will start from the Kothavadi plant? How much could that be?

Srinivasan Ravi: That should be around INR 150 crores for the full next financial year, because most of the trial run, it's a greenfield facility and the first time we are getting into cast iron foundry, so it will be a little slow start.

Moderator: The next question is from the line of Ganeshram from Unifi Capital.

Ganeshram: My questions are more on the longer-term strategy that we're adopting. So, I have 2 of them, please. The first one is just on the Fronberg acquisition and this move into stationary engines, right? So, there's obviously a long gestation period, 18 to 24 months of development, 1 year for approval, right?

So, what are some of the risks that we have to be conscious of when you go through such a long development process? And overall, what gives you the confidence that there will be acceptability of the product at the end of this journey, right? How are we placed versus competitors? And what's the edge that we're bringing to these OEMs? That's the first question, sir.

Srinivasan Ravi: Thank you for the question. We will answer the question…

Moderator: May I request the participant to please mute your line, sir. There is a disturbance coming from your end.

Srinivasan Ravi: On the Powertrain, the past history, all the stakeholders know that we do not have a cast iron foundry on the Powertrain. We are partnered with one of the leading foundries for the smaller casting 20 years ago. And as Tier 2, when the relations go strong for exports to mainly commercial vehicles segment in North America, it has been going on for more than 2 decades now.

The second tie up we made was a leading axle casting manufacturer, again, another listed company, which is there and this has been almost a decade now, and their exports have grown and we are tied to them.

For the other engine blocks, the leading foundry in India, where we have been partnering ever since we took the Daimler business in 2008, 2009. And we have been partnering with them for I think around 8, 10 projects for the Powertrain. So, we are well covered with this partnership going on, very well.

So, we have not infringed any of these customers by backward integrating anywhere. And our relationship remains strong, and we have opened a new avenue on the stationary engines, which was not available for the Indian market or the global market because most of the multinationals are even today doing in-house overall.

And the outsourcing has been negligible because of the difficulty in technology, both on the casting and machining and the number of casting players also in the whole world, including China, including the OEM themselves, hardly 10 players are there.

And stand-alone machining companies who are going through this criticality, maybe 3, 4 in the whole world, totally, overall. So, we, as a machining company, it is for us a normal migration. It is a challenge, but it has gone through already. We have submitted samples that's got approved.

On the casting side, with Fronberg acquisition, we don't see any risk there because the technology is already in house there. Since only gestation period is there to develop this. Otherwise, the customers themselves will not be placing orders.

Now you may say customer approval may not come, but customer's skin in the game is very high. On the pattern, tooling equipment, for one block, I think it is costing millions of dollars for the tooling cost, which customer pays for.

So, the new customer is going to just like that select a supplier and a lot of engineering costs, they will incur while during the development stage itself, overall. So, it is a very, very strategic relationship. It's a very, very sticky business. So, we will be through with that.

Ganeshram: That's clear. Another question that I had is with all the consolidation and the activity that you've undertaken, what would sort of be -- how should we think about your exposure to ICE from a product portfolio point of view? And how will that evolve over the coming years, right? So, for each of the segments, how would we be exposed to ICE? And how do we sort of derisk that over the coming years?

And would it be possible to sort of maintain these margins or improve them as we go forward through that process as well? I think you'd be in a better position to the granularity and nuances of that, but the broad understanding I'm trying to develop is on those two elements.

Srinivasan Ravi: For the Powertrain, 100% of it is ICE related, I would say 90% is ICE related, somewhat transmission parts, which can be neutral, whether it's ICE or not. But these are not -- I think the passenger vehicle segment on the Powertrain is negligible, totally overall, hardly 5% or 10%. Balance is all related to commercial vehicle, construction equipment and maybe farm segment.

And now we are coming into stationary engines. And all of the multinational companies from the stationary engines are putting up large capex for growth, which they see for the next 10 years, totally on the stationary engine for backup generators. So, I don't see any risk on Powertrain, per say.

And India is becoming slowly and quite a big hub going forward because now there's no more investment happening from multinationals into China. So, we will see growth happening on that front also for the global market. Yes, as we improve our revenue stream there, the operating leverage will be better, margins should improve going forward. We hit the lowest level in this particular financial year. From next year onwards, it will look positive going forward.

On the aluminium business, we have a segment which is now more predominantly on the passenger vehicle and also significantly high on the 2-wheeler segment, which we have derisked with also the structural parts of the alloy wheel. So overall, the capacities and capabilities are fungible, the casting process by itself, high-pressure casting, gravity-die casting, low pressure die casting, the machines or the equipment or the people do not differentiate between what is the end application of these particular parts, whether ICE or non-ICE.

We are more interested in gravity and low pressure going forward more and more because we see, just like on the 2-wheeler, the light weighting has happened on the aluminium front on the passenger vehicle, the aluminium content will go up, whether it's ICE or EV, both it will go up. So, we see the capability of the casting point of view remaining the same. So, these capacities are fungible with EV on the aluminium segment. I hope I've answered that thoroughly.

Moderator: The next question is from the line of Saket Kapoor from Kapoor Company. As there is no response, we'll move to the next question, which is from the line of Jinesh Gandhi from Ambit Capital.

Jinesh Gandhi: First is on the stationary engines, you indicated we are working with 5 of the top 10.

Moderator: Mr. Gandhi, may we request you to please turn on the handset mode.

Jinesh Gandhi: You talked about you're working with 5 customers of the top 10 customers on the stationary engine side, and we have got orders as well. So, any sense on the quantity of the order, quantum of the order which you have got for the stationary engines on that side?

Srinivasan Ravi: I had mentioned that in FY '29, we will be doing around 100 million on the casting and machining front. How it evolves in the in-between period depends on the time for the gestation for the approvals. So, we are targeting 100 million by FY '29, if not earlier.

Jinesh Gandhi: So that's -- we already have orders for $100 million or that's the aspiration?

Srinivasan Ravi: So, I cannot give strategic answer, Mr. Jinesh Gandhi, because there are many people interested in this call in detail which customer, where we are and what we are on this matter. And you see we acquired a company in Fronberg which is, I think, in public domain, INR 250 crores turnover. That is already there. I'm not counting that into the $ 100 million sort of business.

So, you know very well then, we are going to replicate a higher capacity in India. The casting portion itself should be higher. And today, the growth in the market segment is 8%, 10%. I had made a public disclosure in my speech (Chairman's speech) itself that this is going to be a growth area overall and the projections of these customers, whether some of it is going to get organic, they are, again, making capex within. Most of the companies that do not are looking at outsourcing, if possible, and not many outsourcing partners are there.

So I think the size of the business, what you're talking about is $ 100 million is very conservative totally considering the inquiries we have or the orders in hand or the orders are just which are about to be finalized, I think this is -- and this will be a very sticky business, as I mentioned.

Jinesh Gandhi: And the second question on the stationary engine business for Kothavadi plant. We are expecting revenue potential of over INR 800 crores and our capex if I remember it correctly INR 91 crores.

Srinivasan Ravi: Sorry, Mr. Gandhi. I think it is some big mistake what we are looking at. It is the combination of casting and machining together which is $ 100 million, which I had mentioned. The machining capacity has been put up at our Arasur facility at Unit 3, which we have started earlier. And to put the record straight, since you were asking a few more questions, we are getting castings all the way from North America. We are getting castings from Germany as we speak. It is being shipped to Craftsman and we are machining samples.

And next year, we will be looking at export of castings, which we are importing from Europe and from North America because even then our Kothavadi facility will not be up to speed to deliver that. So, this means the customers are going to ship the castings to us, and we are going to machine it in India and send it back. So, this is the nature of the business currently. It is a very exclusive club, so it is not easy to break through, and we have taken a big step towards breaking through into this segment of the business.

Jinesh Gandhi: Definitely, it's a very sticky business. And last question is on the storage business side. So, we indicated automated storage order book is full. But any sense on what percentage of our order book would be from automated storage and what percentage of 3Q revenues came from automated storage?

Srinivasan Ravi: See, the Q3 revenues of the automated storage has come from orders which have received more than 1 year back because of the gestation period for automated storage because it requires a new building site from the customer side and also the execution time for this such long gestation project which is electrical, electronics, mechanical, software and the integration with their ERP system, which is working. So, we are having a storage revenue on the automated storage. Totally for the year-to-date, it has been INR 142 crores for the automated storage.

Jinesh Gandhi: INR 142 crores for 9 months?

Srinivasan Ravi: For the 9-month period. And static has been around INR 250 crores. So, INR 400 crores have been revenue, and this year we'll be closing at around INR 500-odd crores which is a big milestone, overall, because we started practically on the revenue side post-GST, even though we have been preparing from 2012 onwards. In the 5 years of up and running, we'll be touching INR500 crores revenue, and we are already in the top 3 bracket on the static tracking. And among the Indian players on the automated racking, we are among the top 2 already totally.

Moderator: The next question is from the line of Ajox Frederick from Sundaram Mutual Fund.

Ajox Frederick: I have one question. From your guidance, the incremental revenue and EBITDA, where do you think will be -- will those be coming from Kothavadi, Bhiwadi, Fronberg, Sunbeam? So, if you can give some broad sketches on the INR 7,000 crores and the INR 1,100 crores, the incremental is going to come through for next year?

Srinivasan Ravi: So, we looked at the revenue for this quarter, which is an indication of where we are going, we are looking at a revenue of -- Q3 has been, INR1,576 crores. If you are looking at that and into 4 itself, it is coming to around INR 6,000-odd crores. So, we'll be much higher than this number in Q4, without any contribution from Hosur plant and negligible contribution from the Bhiwadi plant totally overall.

So, I think it is quite a conservative number what we have given the INR 1,576 crores into Q3 has been always a lower number because of the market situation. And if you multiply that into 4, it's INR6,300 crores. So, I had given a top line of INR 7,000 crores, which is quite conservative.

Ajox Frederick: Okay. So, you're saying incrementally probably Kothavadi that INR 150 crores you mentioned that will come through and then some Fronberg and Sunbeam. So that's what -- incremental?

Srinivasan Ravi: Kothavadi maybe INR 100-odd crores or INR 150 crores, but I think Bhiwadi will be quite significant in the next financial year. Because we will be peaking at Q2 itself before the festive season on the capacity will be done. Because we have set up the plant within 8, 9 months. Normally, the plant takes 18 months to set up. So, we will be up to speed at that level. So, we are looking at more than INR 300 crores revenue from Bhiwadi plant itself and maybe INR 150 crores from the Hosur plant. So, with that itself we'll be home and dry on INR 700 crores, but I'm a little conservative in saying that a higher number than that.

Ajox Frederick: Okay, sir. And on margins, I mean EBITDA, INR 850 crores to INR 1,100 crores that run…

Srinivasan Ravi: Yes, EBITDA, we are looking at for the consolidated number anywhere between INR 1,000 crores to INR 1,100 crores on the consol numbers.

Ajox Frederick: Which will be driven primarily, again, your Bhiwadi and Kothavadi the same revenue kind of like as you mentioned?

Srinivasan Ravi: I would say this year has been a little -- because of the losses, which we already have shown because we have incurred a one-time expenditure maybe for acquisition. And also, we had losses from Bhiwadi and some expenses in Kothavadi totally. And we have geared up in Craftsman to manage Sunbeam also, and we are supporting Sunbeam for tools and dies and other technical operations because not much of investment has gone into Sunbeam overall. Our engineering resources are working there for that matter. And it's all a combination of many things.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors Private Limited.

Abhishek Jain: Sir, in this quarter, we have seen a significant jump on the interest and depreciation cost. So, if you can give some colour on the quarterly run rate of interest and depreciation in the -- from quarter 1 FY '26?

Srinivasan Ravi: I think it will be a little -- not apples-to-apples because we had in between raised equity and then we had spent it for acquisitions. And then we started also greenfield investments. So, we will not be able to exactly tell. I think this is the current -- the interest cost is around 9% I would say and the debt that we already mentioned, the debt level. Depreciation currently is…

Abhishek Jain: Depreciation is just INR 103 crores.

Srinivasan Ravi: INR 195 crores depreciation, yes.

Abhishek Jain: So, depreciation is INR104 crores in quarter third. So, what would be the run rate in Q1 FY '26?

Srinivasan Ravi: INR 252 crores is the depreciation for the year-to-date, right, totally for -- this is not an apple-to-apple because some of the subsidiaries have been only for this quarter. So, this quarter depreciation, INR 103 crores is the number, So we are looking at around INR 400-odd crores depreciation for the next financial year.

Abhishek Jain: INR 400 crores, sir?

Srinivasan Ravi: Yes, INR 400 crores.

Abhishek Jain: And sir, in the tax because of lot of the depreciation and the losses happened in these companies, can we assume that the tax rate -- effective tax rate will come down significantly because of this?

Srinivasan Ravi: Only the Sunbeam there is some tax cover. Otherwise, there's no tax cover anywhere else. It's always been profitable, I would say, totally on this. And the overseas subsidiary is in slump sale. It is not a company which we have taken over. So, the tax benefits may be around INR 100 crores will accrue to Sunbeam over a period of 2, 3 years as and when they make profit.

Abhishek Jain: So most probably the tax rate will come down to that 20% to 22% in FY '26, because of the INR 100 crores kind of the benefit?

Srinivasan Ravi: No, that is only the subsidiary. It will be on Sunbeam. it will not reflect on Craftsman's tax structure nor on DR Axion tax structure. We have to pay the full normal corporate tax, 25%.

Moderator: Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Ravi for closing comments.

Srinivasan Ravi: Thank you very much for all of you to participate in this. However, I want to make some important concluding remarks. This is the time to scale up when we are looking at import reduction. The government is also very serious about it to grow the Indian industry. We are also having a slowdown -- a little slowdown in growth where our customers are not growing as we would like to. There has been a geopolitical situation. There is an opportunity where we can export a lot or the multinationals are setting up shop in India. On top of it, we are also reaching an inflection point as a company where we need to breakthrough on new avenues for growth trajectory. So, for that, the company has to take up some amount of pain and a little amount of leverage for a short period of time. So only when we have capacity, only then the customers are interested to look at us.

Otherwise, China's growth story has been always that capacity front and then orders follow, we have not been so aggressive there, but we are slightly being a little ahead of capacity now for the first time, and we'll see the fruits of it in the coming years. Thank you very much for staying with us.

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

(This document has been edited for readability purposes)