Date: February 04, 2025

To,

Listing Department
National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block, Bandra Kurla Complex,
Bandra (East), Mumbai - 400 051.
Symbol: SYRMA

Department of Corporate Service
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai - 400 001.
Scrip Code: 543573

Subject: Earnings Call transcript of the Investors Conference Call held for the Unaudited Financial Results (Consolidated and Standalone) of the Company for the quarter and nine months ended December 31, 2024.

Dear Sir/ Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find attached the Transcript in respect to the Earning Conference Call on the Unaudited financial results (Consolidated and Standalone) of the Company for the quarter and nine months ended December 31, 2024, held on Wednesday, January 29, 2025, at 10:30 AM (IST).

The transcript of the conference call will also be accessed at the website of the Company at https://www.syrmasgs.com/investor-relations .

We request you to take the same on your record.

For **Syrma SGS Technology Limited**

Komal
Malik

Digitally signed by Komal Malik
DN: c=IN, o=Personal, title=7041,
2.5.4.20=3e8fa6985b3dd66edd2e0bb2ddd1e850ab2f16ece9d3090638c7bacaf5f96033,
postalCode=121001, st=Haryana,
serialNumber=87d2e458e0af9048e1576dba78de477134ca756644dbf86c6fd01faf7a0b793e,
cn=Komal Malik
Date: 2025.02.04 22:28:26 +05'30'

Komal Malik
Company Secretary & Compliance Officer
Membership No: F6430
Place: Gurgaon

"Syrma SGS Technology Limited Q3 and 9 Months FY25 Earnings Conference Call"

January 29, 2025

MANAGEMENT:	**MR. JASBIR SINGH GUJRAL – MANAGING DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED** **MR. JAYESH DOSHI – DIRECTOR – SYRMA SGS TECHNOLOGY LIMITED** **MR. SATENDRA SINGH – CHIEF EXECUTIVE OFFICER – SYRMA SGS TECHNOLOGY LIMITED** **MR. BIJAY AGRAWAL – CHIEF FINANCIAL OFFICER – SYRMA SGS TECHNOLOGY LIMITED** **MR. NIKHIL GUPTA – HEAD INVESTOR RELATIONS – SYRMA SGS TECHNOLOGY LIMITED**
MODERATOR:	**MR. ANIRUDDHA JOSHI – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good morning and welcome to the Syrma SGS Q3 FY25 Earnings Conference Call hosted by ICICI Securities.

As a reminder, all participants' lines will remain 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 the operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Yes, thanks, Ryan. On behalf of ICICI Securities, we welcome you all to Q3 FY '25 Results Conference Call of Syrma SGS Technology.

We have with us today Senior Management, and now I hand over the call to Mr. Nikhil Gupta – Head of Investor Relations, to introduce the Management and take the call forward. Thanks, and over to you, Nikhil.

Nikhil Gupta: Thank you, Aniruddha. Hi, very good morning to all. Welcome to Syrma SGS Q3 and 9 Months Fiscal Year 2025 Earnings Call.

We have with us today Mr. J. S. Gujral – Managing Director, Mr. Jayesh Doshi – Director, Mr. Satendra Singh – Chief Executive Officer, and Mr. Bijay Agrawal – Chief Financial Officer, Syrma SGS, to discuss the Performance of the company during the 3rd Quarter and 9 months 2025, followed by a detailed question and answer session.

Kindly note, during this call, certain statements that will be made are forward-looking, which involve several risks, uncertainties, assumptions, and other factors that can cause results to differ materially from those in such forward-looking statements. All forward-looking statements made herein are based on the information presently available to the management and the company does not undertake to update any forward-looking statements that may be made during this call. In this regard, please do review the disclaimer statements in the earnings release and all the factors that can cause a difference.

With this, I will now hand over the call to Mr. J. S. Gujral – Managing Director, Syrma SGS. Thank you. Over to you.

J. S. Gujral: Good morning. A warm welcome to everyone to the Q3 FY '24-'25 Earnings Syrma SGS Technology Limited.

The quarter gone by has been a satisfying quarter, and the nine months have also been satisfying, which is reflected in the performance of the company. Revenues for the quarter were at about 892 crores, which represented a 24% year-on-year growth. And for nine months, they were at 2,900 crores, a growth of about 40%.

What is more satisfying, apart from the revenue growth, is that the steps taken by the management to bring back the margin profile of the company has started yielding results. For the 9 months FY '25, our EBITDA, operating EBITDA margin stands at 7.2% against a guidance of 7% given at the start of the year. For the quarter, notably, this stands at 9.1%. So, this gives us confidence that 7% achievement would be possible, and if any movement, it will be only north of 7% in the coming quarters.

PBT also has shown healthy growth of 37% for 9 months and 144% for 3 months YoY.

Exports stand at about 20%. Exports have had a subdued sort of muted scenario because our geographies which we are servicing are essentially America and Europe. And in Europe, it's primarily Germany. And Germany is today the sick baby of EU. It has the highest delinquencies per month. So, we have had muted growth, but the turnaround is visible from the orders and the indications which we have received for the next year, that is FY '25-'26, I think will rebound back though it will be a painful and a long journey. It is not going to be a one-quarter sort of recalibration to the original level.

MedTech business also has been a bit slow because of push-out by some customers and delay in the development of the products, which we are very confident that in Q1 of next year, it will bounce back to whatever we had envisaged when we had taken over the MedTech business of Johari Digital, which is now known as Syrma SGS Johari Digital MedTech Devices Limited.

On an overall basis, we are confident that we would continue to grow at the industry plus average with the margin which we have guided that is a min EBITDA margin of 7%. We hold that guidance for this year and when we come out with the final results for FY '25, we will come out with the guidance for the next year.

As of date, we are on track to achieve the guided EBITDA in percentage and absolute numbers, what we had said, of 305, 310, something of that rate for the current year. And next year, we expect a growth of about 30%, 35%, with corresponding increase in the EBITDA margins.

We have onboarded some good automotive and industrial clients in the current quarter, and going forward, which will be '26-'27, we expect significant business from these clients. In '25-'26, these clients will be yielding sub-200 crores of revenues.

With this, I hand over to Bijay Agrawal, to take you through the detailed figures. Thank you.

Bijay Agrawal: Thank you, Mr. Gujral. Good morning, everyone. I will now take you through our brief of financial performance for the quarter and nine months ending December 2024.

On a consolidated basis, my total revenue from operations for the 9 months is about 2,862 crores. That grew by almost 41% year-on-year basis, and for the quarter it is 869 crores, which is a growth of 23% year-on-year basis.

During the 9 months, robust growth is broadly based on across multiple industry levels, largely contributed by industry, industrial work segment, consumer segment and primarily on the IT segment here.

Similarly for the quarter, we had a strong overall growth in the auto industrial sector again. Our export revenue for the quarter is Rs. 200 crore, which is approximately 23% of our total operating revenue for the quarter. And for the 9 months, it is about 583 crores. Our ODM revenue for the quarter is about 13% and for the 9 months it is approximately 11.5%.

This quarter, we had a strong rebound of the margins led by expansion in gross margins on the back of change in the business mix. The consumer sector business is slightly lower than other segments here. The gross margin for the 9 month is 21.3% and for the quarter it is with a very healthy gross margin of about 26.7%. Broadly 200 bps of expansion on quarter-on-quarter basis.

Our operating EBITDA for the quarter stood at about 79 crores with a year-on-year growth of 88% and an operating EBITDA margin of approximately 9.1%. For the 9 months, it is around 208 crores, growing 53% year-on-year basis.

Similarly, PBT for the quarter is 66 crores, again with a growth of 144% year-on-year, and for 9 months it is 146 crores broadly. PAT for the quarter is 53crores, again approximately 6% of the PAT margin and for the 9 months, it is around 113 crores.

Coming to our open order book visibility as on date, as on December 2024, it is around 5,300 crores, which comprises almost 30% plus of contribution from auto segment, about 38 to 40% from consumer segment, approximately 20-22% from industrial segment and balance from healthcare plus IT and railway segment as well.

On the working capital side, currently, as on quarter end, we stood at around 64 days of net working capital days investments. Again, it is slightly higher than the last quarter. We continue to make efforts to keep this net working capital below 60 days on a sustainable basis.

Moving to our debt position, we have a gross debt of approximately 685 crores, against which we are maintaining a treasury of Rs. 412 crore, and with that my net debt position is Rs. 273 crore. Out of this total debt, it is primarily funded through the working capital and only 65 crore is what is the term loan here.

Coming to my capex, for this 9 months we had spent approximately 180 crores of CAPEX and largely towards building up this new campus facility in Pune and a facility there in Germany. Some bit of additional capex towards some SMT lines and plant and machinery stuffing for new customers' onboarding.

My asset turn for the quarter is about 5.5x and ROCE for the quarter is around 13% on an adjusted basis. We expect this to improve further as we work on higher utilization of our CAPEX going forward.

Slight a bit of update on the merger side. We are waiting for the final order from the NCLT, and we hope we should be able to complete this merger in another 3-6 months of time.

We expect this full year we should be able to close at around 300 plus crores of overall EBITDA for the full year of FY '25.

With this, I will hand it over to Satendra Singh, our CEO. Thank you very much.

Satendra Singh: Thanks, Bijay. Good morning, everyone. I think Gujralji and Bijay covered the numbers pretty well.

I would like to start with the comment which is to thank all my colleagues in the company who worked hard to execute the strategy which we have been kind of sharing with you and executing every day. So, thanks to the colleagues. I think we have had this very, very good quarter.

To repeat a little bit about this strategy, I think we continue to build for future which is to focus on the people, to focus on the processes and to focus on the plant capabilities. And Pune which was opened in October is one such investment which we have made to build our capability and also to fill in the white space which we have had as a company because we were not present in the western region. So, that kind of takes care of our ability to fulfill the customer needs in the region.

Overall, I think we are executing day in and day out on the operational side. So, there is a lot of initiatives which we have done to streamline and improve our processes on the process excellence side.

So, with this, I think I will say thank you everyone once again and back to Nikhil to take the questions and answers.

Nikhil Gupta: Thank you, Satendra. The operator, request you to please take us to the Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use their handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Dhananjai Bagrodia from ASK Investment Managers Limited. Please go ahead.

Dhananjai Bagrodia: Hello, sir. I just wanted to ask you regarding your debt position. Debt has increased year-on-year. So, how should one look at that going ahead and how are we thinking about this?

Bijay Agrawal: So, year-on-year basis, debt has increased slighter with primarily basis the working capital investment. In this quarter, we had additional working capital towards some bit of new, additional inventories related to new customers onboarded. Within this quarter, these aberrations may come. But on a full-year basis, we have already guided that we will bring down this overall working capital investment below 60 days. That's what we are confident we will be able to maintain on a sustainable basis.

Dhananjai Bagrodia: So, the 60 days working capital that is 7%?

Bijay Agrawal: Yes, that's there. As on this quarter end, December end, we are at 64 days of net working capital investment. But gradually on quarter-on-quarter basis can again come down below 60 days. And again, it's a dynamic number. When the business is growing, revenue is growing, overall working capital investment, it may increase depending upon the business. That's how the overall working capital borrowing is also linked with the working capital investment.

J. S. Gujral: And last quarter we also commissioned our Pune plant, which is yet to give revenues, but the inventory builds up happens when you start up a new plant and you bring in new customers. The prototyping and all that takes time, but the inventory goes up. And as you have seen a marginal increase of about four or five days in working capital net working capital, which we believe that we are very confident that in the coming quarter by the end of this year, we should be sitting at about 60 days of net working capital. And this is all working capital and there is no sort of long-term loan on this.

Bijay Agrawal: Gradually this is reducing.

Dhananjai Bagrodia: And these are in terms of order book, what would be the order book for this quarter? And how do we see, how much do we see that executing over the next 18 to 24 months?

J. S. Gujral: See, Bijay will go into the details. Orders we normally track it on an annualized basis, as on all the time we have seen. We are mindful of quarter-on-quarter, but what we are very focused on is what is a long-term story. Is it intact, growing or is it having some issues? So, figures are available, but we don't track orders on quarter-to-quarter basis because in one quarter a new customer comes, he gives us 200 crore orders, it will show a bump. On an annualized basis, we have a very solid order book which Bijay will deal with in detail.

Bijay Agrawal: So, during this quarter, we have had decent orders intake.

Dhananjai Bagrodia: No, I am saying these order book, how long are you seeing them being executed over?

Bijay Agrawal: So, this is getting executed over a period of 9 to 15 months. The current order book which is approx. 5,200 - 5,300 crores.

Dhananjai Bagrodia: 5,300 crores. Sure. And sir, lastly, most of our businesses excluding industrial have Q-on-Q been flat. Is there any seasonality in these businesses in terms of auto, consumer and you mentioned healthcare, but auto and consumer, is there any seasonality in the businesses?

J. S. Gujral: See, quarter-on-quarter it could have bumps because each industry has its own, what you call, dynamics. For example, the auto industry or the consumer industry, where we are not present, typically stocks up for Diwali in Q2 for the financial year. At the dealer end, the sales happen in Q3. But at the production end, the manufacturing and the uptake happens in Q2. So, this over a period of time gets neutralized and we are on track to achieve the growth rate in the respective verticals which we have set out to.

Dhananjai Bagrodia: Thank you so much. Congratulations again for a good set of numbers.

J. S. Gujral: Thank you.

Moderator: Thank you. Ladies and gentlemen, we request you to restrict to one question per participant. The next question comes from the line of Rahul Gajare from Haitong Securities. Please go ahead.

Rahul Gajare: Good morning, gentlemen, and congratulations for the very strong performance in this quarter. Sir, my question is on the margin profile improvement that we have seen. You know, if I see your order book composition, I think auto and consumer continues to be almost 60 to 70% of your order backlog. So, is it that incremental order that you all are taking are at a better margin or what would we really attribute to the margin improvement over here?

J. S. Gujral: See, the margin improvement, as I have all the time been saying, is a function of the product mix which we sell. For example, in Q3, my consumer business is only 31%, high-volume consumer business, which is a tight-margin business, whereas my industrial business is 30% for three months against the average of 25% for 9 months. My automotive is 24% of my revenue for this quarter comes from automotive. For 9 months it is 21%.

So, the product mix change results in this change in the margin profile. And as I had said earlier that for this year we are guiding, we have targeted about 40% of our revenue coming in from consumer business. The wish and the desire of the management on which we are working with a very focused strategy is to bring this high-volume business to about 35% of our revenue. I would be happy with 30%. But I don't see it happening immediately. If it comes down to 35, it will have a natural positive impact on the margins. Bijay?

Bijay Agrawal: Additionally, the operating efficiencies we have been working upon since last maybe almost two years, both on the supply chain side and maybe operating scale side, both have been at least now delivering on the retail side as well.

Rahul Gajare: Okay. So, this is basically product mix. It is not that the incremental orders that you all are taking are or you all are getting are at a slightly better margin. It is basically the product mix that is driving really the efficiency over here.

J. S. Gujral: Every industry has its own margin profile and every customer has its margin profile. We always endeavor and strive to increase that margin profile within the industry. For example, if an automotive customer gives me a 22% growth margin, our endeavor is to take it to 24% with some customers, 28% with some customers, so that the granted margin comes down to about 23%, 24%, 22%. So, it's a mix of a vertical wise the sales and then the endeavor of management that new businesses which we take in the upcoming season in EV and all that, they should be at a better margin.

Bijay Agrawal: So, when we say this is business mix, in that business means this is automatically getting covered that higher margin business are now we are adding much more in the profile.

Rahul Gajare: Sure. Thank you very much.

Moderator: Thank you. The next question comes from the line of Indrajit Agarwal from CLSA. Please go ahead.

Indrajit Agarwal: Hi, thank you for the opportunity. I have two questions. First, what exactly is happening in the consumer segment? Because we have had this 38, 40% of the order book as consumer last quarter as well, but growth over has been tapering. So, is it more like by choice or there are some execution issues? What exactly should we read through over there?

J. S. Gujral: There are no execution issues, normal execution issues. The normal execution issues are running in a factory, they are always there. What we have done in the last quarter is that we have started renegotiating prices for the high volume consumer business to see whether we can have a bump in some margins or not. And that is a long-term strategy of the company to move to the high-profit, high-margin business, low-medium-volume, high-margin business.

Consumer business will continue to be about a high-volume consumer business, will continue to be about one-third of my revenue. That's the desire. And that is also guided by the PLI. See, we have a limit on the PLI. So, there is no point of bumping up the business which is not with PLI.

Bijay Agrawal: So, we are structuring the business in a way so that we can maximize on the PLI side, on the benefit side and additionally then improving the overall margins either through pricing and that is where we are at least this business on a deliberate side we are keeping as a check here. We should be keeping it as a balanced number in the overall profile also.

Indrajit Agarwal: Understood, sir. A follow-up on that. Does low margin also mean low ROCE or asset turns are better so that the ROCEs are offset in the consumer segment? And secondly, is consumer largely exports?

J. S. Gujral: See, typically in the industry, in the EMS industry, a high margin business will have a low asset turn, higher working capital involvement. You can't have all the positives, all the negatives in one. So, a low margin business has competitively significant lower working capital involvement and a higher asset turn. So, this is the typical nature of the industry.

Bijay Agrawal: And on this question of the export side, this is largely domestic business. So, maybe almost as of now, this is a consumer segment business about 80-85% is domestic and balance is export.

Indrajit Agarwal: Sure. Thank you. I have more questions, I will join back.

Moderator: Thank you. The next question comes from the line of Sonali Salgaonkar from Jefferies India. Please go ahead.

Sonali Salgaonkar: Thank you for the opportunity, and congratulations on a great set of numbers. Sir, my question will be regarding, firstly, could you reiterate what is your guidance for FY '25 and also you mentioned for FY '26? Sorry, I joined the call a bit late. And secondly, what is the kind of steady margin that we should expect considering and we do appreciate that every quarter will have its own product mix changes and every segment will have its own margin?

J. S. Gujral: See, for the FY '25, we had guided a 7% EBITDA which comes to about 305-310 crores or something around that, north of 300. And we are confident that we will be able to achieve that in this quarter and for the year. Now, FY '26, we believe, and we are confident that we are higher than the industry rate and the industry growth rate is typically 30-35% currently and if we grow at 30-35%, then there will be a corresponding bump in my overall EBITDA margin also when the operational leverages kick in and all those things. So, we are on track to achieve what we have guided for FY '26, early on that but this is a wish list. Now we are on track for achieving that.

Sonali Salgaonkar: Great, sir. And secondly, a very important point is that for the last two quarters we have been showing considerable improvement in our EBITDA margin. This is the second consecutive quarter. So, has anything structurally changed in terms of (a) whether we are targeting certain sub-segments within the key segments or how should we look at it, or probably it is finally boils down to the function of our product mix change, which could be transitory?

J. S. Gujral: It could be a product mix. See, in Q1, we are 54% high margin consumer business and that hit us badly on margins. In Q2, this came down to about 40 odd percent and we have sort of bumped up to 8%-odd EBITDA margin. This quarter, it is down to 31%. So, the EBITDA margins go up. So, EBITDA margins are a clear play of the product mix and operational efficiencies kicking in.

The endeavor of the management on a long-term basis is to bring down the high volume consumer business, which is inherently low margin, to below 35% mix. 35% is the bare thing. I would be happy if it can come down to 31%, 32%, 33% of mix and grow over other businesses.

The efforts of nurturing clients over the last two years in other sectors like industrial, like automotive, have started yielding results. And in industrial, we have got some very formidable names in various applications. For reasons of confidentiality, I will not be able to take the names. But they are with superior margins and reasonably decent revenues.

Sonali Salgaonkar: Understood, sir, very clear. And also, is exports a driver of our margins in any way? Is it a higher margin business as compared to….

J. S. Gujral: Export is a higher margin business. Unfortunately, for the current year, we are only at 20%. So, we are down from 25% because of slowdown in Germany. Germany is today a sick baby of EU and Trump has just come in. I think it will be a while before the policies gets settled down. But on a long-term basis, again I said we are worried about quarter-on-quarter, short term. On a long-term basis, we are very focused that exports should constitute north of 25%, possibly 30% of my revenues.

Now whether it is 25% or 26%, that I really can't say, because it's a play of domestic business also panning out in various segments other than the consumer. But yes, exports are a comparatively higher margin business and we intend to bring it back on track to about 25% of the revenue which currently has come down to about 20%.

Sonali Salgaonkar: Understood. Very clear, sir. All the best, and thank you so much.

J. S. Gujral: Thank you.

Moderator: Thank you. The next question comes from the line of Deepak Krishnan from Kotak Institutional Equities. Please go ahead.

Deepak Krishnan: I just wanted to understand on the new JV, the new entity that we have formed for laptops. What sort of revenue potential can we see from this new venture that we are entering into? And maybe just on revenue guidance, wanted to check if the 4,500 crores guidance still stands or is that number sort of revised down with a higher EBITDA margin?

J. S. Gujral: Okay, what I could understand is about the laptop business and the guidance which we are giving of 30-35%, does it include laptop or laptop will be in addition to that. Is this your question?

Deepak Krishnan: No, the laptop business revenue potential and the 4,500 crore revenue guidance that you have given for this year, does it still holding?

J. S. Gujral: Okay, the laptop business is just started last month. It's still in the infancy stage. It will mature in the coming quarters. And in the coming year, it would also mature going up to the backward integration of board level assembly. Currently, it's a laptop assembly. On the guidance of revenue, we are more focused on the margins. And we are very confident that whether we do 4,200, 4,100 or whatever, the 300+ 305 crores of EBITDA margins are intact. Revenue is the play of consumer business, other businesses. So, to us, based on the inputs for the street, we are both focused on growing as per the industry rate with margins of 7% or 7%+.

Deepak Krishnan: Sure, sir. May be just wanted to check if any PLI incentive is booked this quarter and is there any one-off income because the other income is a little bit higher? Just wanted to check?

J. S. Gujral: See, one-off income we had acquired a piece of land for expansion in the North. Once we put up the campus in Pune, we felt all expansions should happen in the Pune campus. So, we sold off that piece of land in Haryana, Manesar, and that has resulted in a one-off income which is shown separately and not in the operational EBITDA.

Deepak Krishnan: Sure. Okay. Thank you, sir. Best of luck for future quarters.

Moderator: Thank you. The next question comes from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Gujral sir, this time actually asking Bijay. You have referred to the EBITDA margin of 7%, but I suppose what you mean is operating profit margin of 7% because EBITDA margin will mean operating profit plus other income.

J. S. Gujral: Operating EBITDA margin of 7%.

Bijay Agrawal: Yes.

Bharat Shah: Sorry.

J. S. Gujral: Without treasury income.

Bijay Agrawal: This is the operating EBITDA margin which we are referring 7%+.

Bharat Shah: Bijay, couldn't hear your voice.

Bijay Agrawal: I am saying this is operating EBITDA margin which we are referring 7%+ and other income will be over and above that.

Bharat Shah: Because he kept saying EBITDA, therefore I just wanted to clear the confusion, you know, because that what he means is operating profit margin of 7%.

J. S. Gujral: Yes.

Bharat Shah: And the outlook for the year coming, we were earlier discussing turnover of closer to 6,000 crore or thereabouts. So, is that something intact?

J. S. Gujral: I think we would come back with that figure, but with the current estimates, I think there could be a marginal variation in that. But with the caveat, the EBITDA margins which we had guided based on 6,000 crores of revenue would be intact.

Bharat Shah: Okay. Sir, which means it will be a play on the overall profits. Turnover will be a resultant number.

J. S. Gujral: Yes, absolutely. So, we say that okay, if you are guiding the street for X EBITDA margin, absolute figure, then that X can be constituted by 100 revenue or 120 revenue based on the product mix. But to us, it is the X which we are guiding the market. That is more important.

Bharat Shah: Absolutely. Lastly, on capital efficiency, return on capital employed, what is the progress being made? One element you highlighted, that the working category will be sought to be kept below 60 days and hopefully it will improve further going ahead. New facilities have been built. New hiring and talent investment has happened. So, physical infrastructure, people infrastructure, other initiatives, all are in place. Therefore, hopefully with the growth of the business, should it result in a measurable improvement in return on capital employed?

Satendra Singh: That's right. That's what we are also targeting. My overhead costs are much more stable now and the expansions have largely been taken care of. So, with this, the way we are anticipating next quarter also, we are targeting like this year we should be closing around 14.5% to 15% of ROCE and gradually it should then move towards our targeted ROCE of 20% over the next two years.

Bharat Shah: So, by Fiscal '27, they should be hugging closer to 18% to 20% return on capital employed.

Bijay Agrawal: Yes.

J. S. Gujral: Yes.

Bharat Shah: Thank you, and all the best.

Moderator: Thank you. The next question comes from the line of Keyur Pandya from ICICI Prudential Life Insurance. Please go ahead.

Keyur Pandya: Thank you. So, just to clarify, as you mentioned that revenue may vary and margin may vary, so you are targeting for absolute EBITDA. So, in that backdrop how should we think about, say, gross block asset turn or is there any other measure say, EBITDA per 100 gross block, whichever way, basically how should we think of that measure of ROCE?

J. S. Gujral: Bijay?

Bijay Agrawal: So, currently we are at a weighted average asset turn of around 5.6x. With this increase in scale, we are hoping we should be around somewhere around 6x of asset turn, and that is where we are staying this year. We may be much more closer towards 14.5% to 15% ROCE and gradually then this should improve thereafter.

Keyur Pandya: So, anyway between 5 to 6 asset turn is sustainable and or I would say more optimum asset turn that is possible and targeting EBITDA margin, operating EBITDA margin of 7-7.5%. Is it correct?

Bijay Agrawal: Yes, gradually the operating margin will, again, we see an improvement in the operating margin there. Or maybe the asset turn should improve thereafter 6x to 7x in that case. So, that's the play between revenue and profitability.

Keyur Pandya: I mean, as you discussed that share of consumer should or would come down, that should impact theoretically negatively to your gross block asset turn and that should be offset by higher margins. That is how it will play out or just want to understand the construct of the ROCE within mix change.

Bijay Agrawal: Let me say this 35% or maybe less than 35% of consumer business, that is actually not a negative growth. There will be growth and positive, but other businesses may grow at a better pace so that overall in the overall total portfolio, this business should be within the check of 35%. That's what we are saying. So, asset turn side, I still don't see a negative from 6 to below 6 that way. Gradually it should improve further, then increase in scale. And as my Pune facility also ramps up, this will also add to my asset turn going forward.

Keyur Pandya: Okay, last follow up. So, based on current gross block, what is the maximum revenue that we can generate, ballpark?

J. S. Gujral: With the product mix which we have set about 35-37% consumer and all that, we should be able to achieve 6,500 crores of, 6,000-6,500 crores of revenue with this gross block with marginal addition for balancing equipment and all that.

Keyur Pandya: Understood. Noted, sir. Thanks a lot, and all the best.

Moderator: Thank you. The next question comes from the line of Bhoomika Nair from DAM Capital. Please go ahead.

Bhoomika Nair: Yes, good morning. Congratulations on a good set of numbers. Sir, just wanted to understand how JDHL has performed in the quarter and for the 9 months, if you can share revenues, EBITDA and PAT and the outlook for the same? And my second question is on the auto and the industrial segment. We have seen all the backlog growing quarter-on-quarter, but I guess, I am not too sure if I got the number right, but you said that the Industrial was about 20-25% of the total order book. So, if you can just give some outlook on industrial, what are the new segments, what orders we have seen, because it seems a little lower than our historical trend?

Bijay Agrawal: I can explain the MedTech business and then maybe, Gujral, you can add on the industrial side. MedTech business is slightly subdued in this quarter which we have already explained at the start of this call, that we are expecting this to rebound from next quarter onwards or maybe this current quarter onwards that way. So, as of now in the last quarter, this business has done approximately 20-25 crores of revenue with less than 10 crores of EBITDA. And going forward we see this should rebound better on a quarterly basis.

J. S. Gujral: See, on the MedTech business, we are building the platform and there has been a slight sort of a delay in customer lifting, customer approvals and all those things. But we are very confident that in the coming years, so we are delayed, pushed out by about 9 months.

But in the coming year financial Fiscal '26, I think MedTech should come back to what we had envisaged. And thereafter, beyond '26, it should grow because the customers, the designing and the products and the area which we have entered in the last one year, we have recalibrated the entire business in the MedTech space so that we are now more outbound, more customer centric rather than executing businesses which were historically coming in. So, more outbound and customer centric than inbound businesses.

I still believe and I maintain that in the coming years, MedTech business should be a very reasonable, decent chunk of our business. Currently, it's at about 6%. Now, if we grow at 35% and this business also grows at 6%, it has natural growth. But I expect it to grow at a faster rate in the coming year.

Bhoomika Nair: So, I mean, what is the current, you know, where do you expect? What is the order book out here? And you know, when you are seeing FY 26, 27, you will see a significant ramp up. What kind of revenues are we looking at from this business?

J. S. Gujral: I would not be able to share the revenues to be very honest. But the pipeline, the product development pipeline, which we are today capturing too, including designing, which would go into production in the coming years, I think gives us the confidence that in the year '25-'26, we should be closer to maybe 160, 150, 170 or 200. But it's a bit early because it also involves designing. It's not a pure play manufacturing of a product which has already been developed.

Bijay Agrawal: In the order book also, the MedTech business in fact is contributing almost 7-7.5% of the total order book visibility.

Bhoomika Nair: The second part was on the industrial business, if you can throw some light on how the order intake has moved and what is the outlook in terms of new client additions, etc. And which segments are we seeing growth being driven by?

Bijay Agrawal: Our current order book on the industrial side is about 20-22% of my total sales. On the sub-segment side, we see a lot of traction on the smart metering business side mainly and we have added one more new customer recently and previously as we have explained uneven business is also now picking up gradually. So, we see this sub-segment will perform much better in the industrial side. Additionally, we are working on the renewal piece, which is kind of a solar segment here in this case and maybe other power supply business which will contribute to this particular segment.

Satendra Singh: Just to add on to what Bijay and Gujralji covered on industrial, it's a combination of Indian business as well as exports business. So, in exports, I think we see we have couple of customers which we would not be able to share the names at this point, but we have the business logged in and that should start trickling in in the FY '25-'26. So, we would see growth over there from those customers.

J. S. Gujral: Just to delve on the applications within the industrial segment, utility metering, including smart metering, whether for gas, electricity or water is one dominant component. Power supplies and power management units for data centers is another dominant segment. Industrial cleaning, wet dry steam is a decent-sized business. Then we have into the renewable like solar trackers or solar inverters, which is developing, which I think in the coming years should go up. And then it would be like automation. Communication cars, automation cars, I can't take the name of decent, very good orders from a global giant for interface cars. And this goes in a very, very high volume.

Bhoomika Nair: Got it, sir. I have more questions. I will come back in the question queue. Thank you, and all the best.

Moderator: Thank you. The next question comes from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Sir, two questions. One, what is the total PLI benefit that we would have booked in nine months and also means in a way is the money received or is it accounted for? That is question number one. And secondly, we have seen now a back-to-back slowdown in the consumer business. So, how do you see the outlook over the next two odd years? And also as I understand generally the Q4 is quite heavy from a RAC perspective and Q1 and Q2 are strong because of demand for water purifiers. So, Q4 and Q1, we should see a higher revenue share of consumer business. Is that understanding correct also? Yes, thanks.

J. S. Gujral: On the business part, the consumer business, which is not high volume, it is going at per track, and that's a high margin business. It's not a low margin business, though it's clubbed in the consumer segment. And for this quarter and the coming quarter, we are entrapped to grow as per the industry rate with the margins which we had guided.

Again, end of the day, it is a focus of the management to give margins and see that the margins consistently over a period of time inch upwards. So, with that in mind, you have a flexibility to play with the product mix without sort of sacrificing the margins and still doing the business. As I said, we are renegotiating some of the prices to see what incremental margins we can get. So, that's a work in progress.

On the PLI, I think Bijay will take that answer.

Bijay Agrawal: On the PLI, for the current year, we are estimating it should be around Rs. 15-17 crore. For the 9 months for current financial year, we have accrued around Rs. 14 crore.

Aniruddha Joshi: And what was the number last year, 9 months?

Bijay Agrawal: Last year also, full-year number, I don't have a 9-month number that way, but last year also for FY '24, this number was around Rs. 12-13 crore full-year basis, FY '24.

Aniruddha Joshi: Sure, Yes, that's helpful. Thank you.

Moderator: Thank you. The next question comes from the line of Aditya from Investec. Please go ahead.

Aditya: Hello. Hi, good morning, sir. So, my question again is on the PLI scheme. I remember in one of the earlier conference calls you had indicated that there is a PLI benefit due of almost Rs. 45 crore in respect of FY '24, of which our share would be around Rs. 16 crore. So, just want to clarify these numbers that we are saying, is this our share which we retain and which we kind of record as income in our books of account? So, it's the total quantum that we have received in nine months of the fiscal.

Bijay Agrawal: This is the net basis …the numbers which we are quoting are all net basis which should be our share retention.

Aditya: Okay, so 14 crores that we have received in 9 months of the fiscal is roughly our share.

Bijay Agrawal: Yes.

Aditya: Correct.

Bijay Agrawal: And the current financial year.

Aditya: Understood, sir. And this will be in respect of entirely FY '24, correct?

Bijay Agrawal: This will be in respect of current financial year. Current financial year, what we are saying, it will be around Rs. 17 odd crore, of which 9 months numbers will be around Rs. 14 crore on a net basis.

Aditya: And we record it on a cash receipt basis, or we are doing it on an accrual basis?

Bijay Agrawal: They are doing it on an accrual basis.

Aditya: Understood. Because last year, sir, wasn't it a case that we thought of doing it on a cash receipt basis and therefore we weren't really recording lot of PLI benefits and we had spoken about PLI benefits coming into the books of accounts in the following year?

Bijay Agrawal: So, that is something, previously in the initial for first year we were doing, right till the time we were getting the first approval there. So, which has changed then later on. It is now consistently on all accruals basis.

J. S. Gujral: The first year is always a tough year when the entire application has to be vetted by the department and the agencies nominated by it. So, that takes a lot of time and hence we were conservative to not account for it. Once the products are approved, the CAPEX is approved, then it's only our data which generates the sort of how much sales and how much is the PLI. So, it's a very simple methodology and hence, as per the industry practice, we have migrated to accrual basis.

Aditya: Fair point. Sir, does that mean that in one particular year we would have recorded on cash basis PLI benefits, which was meant for the preceding year, as well as on the accrual, we would have recorded the benefits of the same year?

Bijay Agrawal: Yes, previously it was on cash basis. Now it is currently on accrual basis.

Aditya: Sure. So, this year like 14 crores is in respect of current year accrual, but we would have recorded on for cash for preceding year also, right? So, the overall PLI benefit that we would have recorded would have been higher. There would be some amount for FY '24 as well.

Bijay Agrawal: So, for previous years, it is all linked to whenever we get it. So, that's how it is slightly different that way. For current year related, we have approved around Rs. 14 crore.

Aditya: Sorry, sir, your voice was clapping a little.

Bijay Agrawal: So, I am saying previous related, it is linked to receiving the cash. But currently, for current year related, we have approved around Rs.14 crore.

Aditya: No, that's a fair point, sir. I am just requesting for one simple data. 14 crores is in respect of this year. Have we recorded any amount in respect of the preceding year FY '24 as well, which we may have recorded on a cash basis?

Bijay Agrawal: Preceding year related; it is linked to the receiving of the amount and accrual happens gradually.

Aditya: Understood, sir. Thank you.

Moderator: Thank you. The next question comes from the line of Sumant Kumar from Motilal Oswal Financial Services Limited. Please go ahead.

Sumant Kumar: Hi. Can you talk about the railway order inflow and also what are the sub-segments we got ordered for railway?

J. S. Gujral: Railways?

Sumant Kumar: Yes.

J. S. Gujral: Railways, I think we have guided that this year we will be doing about 70 crores of revenue from the railways, and we are on track to achieve that revenue this year. New product approvals are in pipeline. So, till those product approvals by RDSO happen, because every product has to be approved by RDSO, it will be tough to give a figure, but I believe that next year, this figure should be higher than 70 crores. Even if it's a 50% growth rate, it will be about 100 crores. So, anything between 100 or 100 plus crores in railways in FY '26 is what we are targeting.

Sumant Kumar: Which are the sub-segments in railways, sir?

J. S. Gujral: Sorry?

Sumant Kumar: Which are the sub-segments in railways? The product type?

J. S. Gujral: There are many. There are brake controllers. The bulk of it will be signaling equipment and other products which go on to the baggage. But bulk of it would be the signaling system for the railways. So, it should be a mix 50% what goes on to the locomotive or what goes on to the wagon and 50% what goes on to the infrastructure which is the signaling.

Sumant Kumar: Thank you so much.

Moderator: Thank you. The next question comes from the line of Bharat Shah from ASK Investment Managers Limited. Please go ahead.

Bharat Shah: Gujral sir, earlier you mentioned that big turnover from the current infrastructure can be around 6,500 crores, which means virtually before the next year ends, we will need to raise the physical infrastructure to prepare for the growth ahead.

J. S. Gujral: See, we have this facility in Pune where the equipment can be plugged in. We have just got two lines in Pune, and it has capacity to take in like a number of more lines. And then, yes, for '26-'27 onwards, we will be constructing within the same campus a production facility to take care for the '26-'27, '27-'28 because there will always be an overlap. But the bulk of the cost is the land which has already been acquired, the building and all that cost, but it's not comparable to what the land cost is.

Bharat Shah: So, which means if we need to raise the capacity, we can do it fairly quickly.

J. S. Gujral: See, currently for the 9 months my capacity utilization is around 70% or little less than 70%. So, if I have done 3,000 or 2,900 crores of revenue at 70% that this takes us to 4,000 crores in the new setups which we have just put in, which are not called or taken into the capacity, would yield additional results. The Pune facility has just been set up. So, we don't count that into the capacity because it takes time for us to build the output from a new plant. You have to get customer approval. You have to get quality approval.

But with this asset base, with some marginal balancing equipment, 6,000-6,500 crores is achievable, and this would also depend upon the product profile. Hypothetically, if I was to do only consumer, then it could be even more than 7,000. But with a low volume, high mix, all those things, the blended output should be about 6,000 to 6,500 crores.

Bharat Shah: So, basically, as we get into the next year, at some stage, we will have to unlock new capacity to prepare for '26-'27. So, basically what you are saying is that can be done reasonably quickly at Pune facility to raise the overall production capacity.

J. S. Gujral: Yes, you are right. You are right. Since it's not a vertical growth, it's a single story growth in Pune, it takes about six months to set up a manufacturing facility and by the same time you order the equipment and you can sort of align the receipt of the equipment with the completion of construction.

Bharat Shah: Sure, and Bijay, just one issue. For the current year, what is the likely tax rate for the profits?

Bijay Agrawal: This is approximately 23 to 25% there. For the quarter it is lower because there is other income which attracts a lower capital gains tax, and that's where it is lower. Otherwise, it will be around 23 to 25% current year.

Bharat Shah: And the next year would be presumably be similar.

Bijay Agrawal: Yes.

Bharat Shah: Okay, thank you.

Moderator: Thank you. The next question comes from the line of Praveen Sahay from Prabhudas Lilladher Capital. Please go ahead.

Praveen Sahay: Yes, hi, sir. Can you give the CAPEX number for '25 and '26?

J. S. Gujral: Bijay?

Bijay Agrawal: So, current till 9 months I have already spent around Rs. 180 odd crore. In this quarter, I may spend somewhere around 32 crore. So, current year it will be around 200 to 245 crore, and next year I may spend around Rs. 100 crore to Rs. 150 crore.

Praveen Sahay: Okay. And also in the past you had announced the QIP. What's the status of that?

Bijay Agrawal: We have the approval from the Board and stakeholders together. As of now, we have not initiated anything on that thing. We are internally working on few of the expansion growth projects. If we need any further additional capital, then we will probably go for that.

Praveen Sahay: Thank you, sir. All the best.

Moderator: Thank you. The next question comes from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: Yes, hello, sir. Thank you for the opportunity. So, sir, if we understand our progress as a company over the last 2-3 year period since we went public, so does it mean that our strategy as a company is now more focused on EBITDA margin, the way you mentioned about, you know, you renegotiating the contracts, going back to the customer, versus the kind of growth we were talking about and chasing growth.

You know, the working capital had expanded and that's where we also thought of doing fundraising. And now we are more of talking more on the margin front. So, what has led to this change in this thought process over the last two years? You know, you saw things changing on the customer side, demand front, competition front. If you could help us understand on this part, number one.

And number two, going forward, in the order book, consumer is still high. But the industrial order book is also increasing. So, does the increasing pie of industrial and other, which is railway, IT also benefit your margin? And will we now consistently be looking at on an annual basis 7% plus kind of EBITDA margin without other income? These are my two questions.

J. S. Gujral: See, we have recalibrated our strategy based on the inputs and the growth areas available, which I had earlier also said it was not that we were sacrificing the high margin business for the sake of low margin business, and that continues even today. We are more focused on generating EBITDA. And that's the recalibration we have done.

Why we have done it? It's because of the inputs we have received from various quarters. And correction is always, I think, a welcome thing, if it's for the better. We continue to focus on margins with growth at the industry level.

Now, on your other question of railways and others, those businesses are factored into a normal plan which we share. And I am very confident that going forward, what we have guided for this year and next year, we will be able to achieve that.

Dhaval Shah: Okay. And for this and the sustainable 20% ROCE, so what sort of margins would it require? Like 7-7.5 because the way asset turns will change depending on the product. So, what sort of margins are we looking at for that sustainable 20% ROCE number?

J. S. Gujral: Bijay?

Bijay Agrawal: So, I think if we are able to improve the overall asset turn somewhere between 6.5 and 7x with an overall EBITDA margin of 8%, I guess we will be nearing towards our targeted ROCE.

J. S. Gujral: And also better working capital management and control.

Dhaval Shah: Okay, so 6.5 to 7x asset turn with an almost 8% EBITDA margin. Now this is possible when we go for what sort of product mix in this then because the margins are also higher, asset are also higher than the historical.

Bijay Agrawal: When we talk about margin percentage, that already factors in the different product mixture. So, whichever product mix, we are able to deliver that EBITDA margin with lower working capital investments. So, automatically the ROCE will improve a bit.

Dhaval Shah: Okay. Thank you. Good luck.

Moderator: Thank you. The next question comes from the line of Vipraw Srivastava from PhillipCapital. Please go ahead.

Vipraw Srivastava: Hi, I am Audible, right?

J. S. Gujral: Yes.

Bijay Agrawal: Yes.

Vipraw Srivastava: Yes. Sir, quickly on the PLI thing which one previous participant asked, so in FY '24, it was cash based, in FY '25, it's accrual based. Is this correct or am I wrong?

Bijay Agrawal: So, current year accrual. Only FY crores 23 was cash basis. Then gradually we have changed the practice.

Vipraw Srivastava: So, '24, '25 both were accrual based, right?

Bijay Agrawal: Broadly, yes.

Vipraw Srivastava: Okay, thank you. And secondly, sir, quickly on the consumer segment. So, if I remember correctly, you were saying 40% should be from consumers. So, if we take nine months, and if we take the revenue mix for nine months, we already are on 40%. So, in Q4, should we see the same mix of business or do we see consumer going up in Q4?

J. S. Gujral: I personally don't see consumer significantly changing in Q4. At the end of the year, I think we will be around 40%, maybe a percentage lower or a half a percentage higher, maybe 38%, 39% consumer business. The endeavor of the management, as I have all the time been saying, is that to bring it down to 35%.

Vipraw Srivastava: Right, sir. And sir, lastly, I mean, we do know that in the electronics ecosystem, Government of India is coming up with a PLI on components, where they are going to incentivize a component, let's say like bare board. So, do we see some risk from that end? Because if your peers backward integrate into bare boards in your consumer segment, how do you plan to compete with them?

J. S. Gujral: See, on the backward integration, I have been dealing with it all these quarters. So, the backward integration essentially would be into either the PCB manufacturing or the semicon manufacturing. And PCB manufacturing and semicon manufacturing, they are independent business units, business projects to be evaluated on an independent basis.

Now, hypothetically, if I set up a PCB plant, Will it give me a positive rub on my EMS business? The answer is no. I manufacture 700-800 type of SKUs of all types. There is no way I can manufacture the entire thing in my factory. So, maybe some critical boards are manufactured in the factory, but I will continue to outsource PCBs from the PCB vendors. Today also we have got a dozen PCB vendors for each category, seeing the cost and the capability.

So, these projects are to be evaluated as tag alone projects. It gives you a de-risking of business, fair enough. But there is a downside as the EMS business goes down, who will use the semicon component which I make? It's the EMS which is the major consumer of the semicon component. Who will buy the PCBs which I make if the EMS business goes down?

So, it is to be evaluated as such. Nothing negative, nothing positive. It has to be evaluated on a standalone basis. If it fits the parameters which the management has set, Johnny will go ahead for it. But it has no significant leg up to my EMS business.

Vipraw Srivastava: Sure, sir. But sir, I mean, one or two large players, they have been saying that they will consume the entire PCB board they manufacture internally. So, do you think this understanding is not correct? I mean, you can't consume whatever they manufacture internally?

J. S. Gujral: See, there is a difference. For example, again, I will try, right? For example, if I am making televisions, I am just naming a product not meaning why I am making air conditioners and I make 500,000, 1 million air conditioners then I can logically configure my plant so that I can have that board from my own production.

But in our case which is a well-diversified portfolio. and not concentrated on one model or one vertical or one application, I don't see that situation arising. But yes, if I was to make a million televisions in a year, then logically I can put up a backward PCB plant to supply me 1 million PCBs. But still, it has to be evaluated on its parameters whether it's giving me the returns or not.

The value addition, which I am giving to a PCB manufacturer, which I retained in-house, has to justify the CAPEX and the ROCE.

Vipraw Srivastava: Got it, sir. Thank you, sir.

Moderator: Thank you. The next question comes from the line of CA Garvit Goyal from Nvest Analytics Advisory. Please go ahead.

CA Garvit Goyal: Hi, sir, I am audible?

Bijay Agrawal: Yes, please.

CA Garvit Goyal: My one question is on the product portfolio side like the end industries. So, our product portfolio is catering to various end industries including auto, consumers and railways and our industrial segment may be including power and capital goods sector as well. So, I just want to hear from you like based on your discussions happening with the ministries, like is there any change in the government budgetary allocation expected for capex and growth in any of our end industries, sir?

J. S. Gujral: See, end of the day if I go to the utility metering which is end user would essentially be government or these big private DISCOMs which come up, and I personally don't see that on a sustained basis there should be any problem with that. Monthly, quarterly bips, some payments not coming to the guy, funding arrangements and all those things is part and parcel of the thing.

But on a sustained basis, I don't think funding would be an issue. And again, this particular business is less than, if my memory serves me right, would be less than 20% of my industrial business. I think I should be doing about 200-250 crores, 220 crores of utility metering electronics this year. And my budget over industrial will be about 1,000. So, it's about 20-25% which is directly related to funding from multilateral agencies at the moment. The rest of the industrial business is purely with private sector.

Now, you scratch it and that private sector may be selling it to data centers or private utilities or power supply, power management units globally or within the country. I personally don't believe that funding should be a crunch for us on a sustained basis. Peaks and clocks will happen.

CA Garvit Goyal: Understood, sir. That's it from my side, sir. All the best for the future.

J. S. Gujral: Thank you.

Moderator: Thank you. Ladies and gentlemen, we take the last question from the line of Aniruddha Joshi from ICICI Securities. Please go ahead.

Aniruddha Joshi: Yes, thanks. Sir, just want to clarify further on the possibility of QIP. So, I guess we were contemplating entry in OSAT business. So, just wanted to understand any update on that. And secondly, even if the company decides to go ahead with the QIP, will it be for the existing business or will be largely for OSAT or third, for any acquisition, because the existing business seems to be doing fairly well. So, I am not sure whether we require any funding in that business as such. So, if you can clarify a bit more on that. Yes, thanks.

Bijay Agrawal: We have taken our QIP approval just to be ready for any future growth. We have never contemplated any growth.

J. S. Gujral: Inorganic.

Bijay Agrawal: We have never contemplated QIP for our existing business related any kind of a working capital funding. That's very clear. Regarding our OSAT plan, we have already communicated previously also, we are evaluating. We have been evaluating this business and once we are clear in our strategy, yes, this business makes complete full sense in terms of overall profitability, business numbers and capital risks, then only we will plan for it. But QIP, anyway, whenever we at least plan, it will be much more for the growth opportunities, not for the existing businesses. The approvals were clearly taken only just to be ready for any future growth opportunity.

Satendra Singh: And just to add to what Gujralji and Bijay said, I think equity raising is the most costliest of funding. We are very clear on that, that only when such an opportunity does arise which requires equity funding, we will raise it.

J. S. Gujral: Yes, that's true.

Satendra Singh: We have enough accrual happening in the business itself to sustain continuous period of growth.

J. S. Gujral: Yes.

Aniruddha Joshi: Sure, sir. So, this is very helpful. Just lastly understanding on the inorganic opportunities, whether we are looking at opportunities in India or internationally and again which segments we would be looking at the opportunities, means in a way PCBA or we would like to expand the services in overall EMS portfolio itself or anything else.

J. S. Gujral: Okay. You see, we have all the time been maintaining consistently for last several, several quarters that the inorganic acquisition will not be made only for the sake of having a bump up in my EMS business. We would do an inorganic acquisition if it gives me access to technology, fills in gaps in my product offering, gives me access to regulatory approvals. Then I would look at an inorganic acquisition because reinventing the wheel in such cases is a very long time consuming.

Another thing, I think, where clarity will emerge in the coming months is Mr. Trump's policy on manufacturing in USA. I am just sharing my thoughts a lot. Nothing on paper, nothing on plan.

But that may necessitate Indian industries to have a near-shoring facility to the USA. It all depends upon what the plans and what are the policies which pan out in the coming quarters.

Currently we are evaluating, what you call, inorganic acquisitions, but there is nothing which has reached the stage where we can share it with the street or the analysts. There would be areas of design, there would be areas of defense and other things where we are not present today.

Aniruddha Joshi: Sure, sir. This is very helpful. Thank you.

Moderator: Thank you. Ladies and gentlemen, that concludes our question-and-answer session. I now hand the conference over to Mr. Gujral for his closing comments.

J. S. Gujral: Well, ladies and gentlemen, thank you very much and for an insightful Q&A session. From the management side, I would like to assure each and every one of you that we are, as I have all the time been saying, focused on building an organization and an institution. Business is a by-product. Business will happen.

But a growth, sustainable growth in business has to be backed by tangible steps to create the organization to which we are fully committed and we are doing. One of the steps is that instead of standalone units, we have started going on the campus routes to save on the cost. That's one of the long-term strategies of the company.

We have commissioned or in the process of final commissioning of our facility in Germany. Germany currently is in a bit of a spot. So, I can't say today how fruitful that would be, but I am sure in the long run it will be a big leg up to my export business. We are very, very mindful of our social responsibilities, diversity and nurturing and retaining talent. Respect mutual admiration, care of the employees and all the stakeholders is at the core of our philosophy.

I will just ask Satendra to share his thoughts on it for the final word.

Satendra Singh: Thank you, Gujralji. I think, thank you everyone for good questions. Your questions are motivating us to think different and make sure that we are doing everything we can to satisfy all our stakeholders which is, of course, the shareholders, customers, suppliers, as well as our employees and society at large.

We are committed to a strategy. We are always talking about consistency, thinking long term. Yes, we are keeping very close eye on the quarterly results like we report every quarter to you. But on a long-term strategy, we are clearly focused on building this organization for future. And we are continuing to invest there. We are definitely encouraged with the progress we have made over the last couple of quarters, and we expect to keep the momentum going. Thank you.

J. S. Gujral: Thank you, gentlemen. Thank you very much, ladies and gentlemen.

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