



ROLEX RINGS LIMITED

(Formerly known as Rolex Rings Private Limited)

[CIN: L28910GJ2003PLC041991]

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Ref. RolexRings/Reg30/AnalystMeeting/Feb2023/1

February 09, 2023

To,
Corporate Relationship Department,
BSE Limited,
Phiroze JeeJeebhoy Towers, Dalal Street,
Mumbai-400001

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Script Code: 543325

Script Symbol: **ROLEXRINGS**

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we wish to inform you that the company participated in Investor/Analyst Call as given below:

Date	Type of Meeting/Event	Location
February 08, 2023	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for 3QFY23	Zoom Meeting (Virtual)

No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.

However, as a matter of better compliance & investors' services, the Transcripts of the said Analyst Call is attached herewith, for reference & record please.

Please take the same on your records

Thanking You,

Yours faithfully
For Rolex Rings Limited
(Formerly known as Rolex Rings Private Limited)

Hardik Dhimantbhai Gandhi
Company Secretary and Compliance Officer
{Membership No. A39931}

File Name: Rolex Earnings Call Recording_3QFY23

Duration: 60:19

Ashutosh [0:53]: Yeah. Hi. Good morning everyone. On behalf of Equarus, I welcome you all on 3rd quarter FY 23 conference call of Rolex Rings. From the management side we have Managing Director, Mr. Manish Madeka and CFO Mr. Hiren Doshi. Without further ado, I hand over the call to Mr. Hiren Doshi for opening comments post which will open for Q&A. Over to you Hiren Bhai.

Hiren [1:21]: Thank you, Mr. Ashutosh. Good morning to all of you. I fully acknowledge your presence for update on the earnings or quarterly call for the quarter ended December 22. I hope my screen is visible?

Ashutosh [1:41]: Yes

Hiren [1:42]: Okay. Straight away taking to the financial numbers and setting important parameters of financials. Ladies and gentlemen would like to update that for the quarter ended December i.e Q3 of FY 23. Pardon me one epic error is there, Q2 is basically a number of Q3 FY 23 which we recorded with 308 Crore rupee revenue, which is the highest in a particular quarter till now, with compared to earlier quarter it was, September quarter was 290 odd Crore and having growth of **[Inaudible 2:28]**. In terms of EBITDA we recorded 75.2 Crore rupees EBITDA in the particular December quarter and which was 69 Crore in Quarter 2 of FY 23. In terms of percentage, it has marginally improved by half a percentage earlier it was 23.4 and by the end of Quarter 3, it is 23.9 percentage. In terms of PBT it was 49 crore in Quarter two, it has increased to 53 crore in Quarter 3 of FY 23. PAT, I'm sorry, it is PAT. In the PBT earlier it was 60 crore and it has increased to 65 odd crore in Quarter 3 of FY 23. In terms of my revenue mix, broadly, it was saying what we have a pattern of bearing rings and auto components. Bearing Rings is somewhere about 50 to 53 percentage and auto components 47 to 49 percentage considering the only two this revenue, but overall revenue considering my scrap and other income that are definitely bearing ring cushion is more that is somewhere about 53 percentage 54 percentage in terms of exports and domestic as it is there almost 60% we are touching to overseas revenue and 40% towards the domestic. Well again, I would like to update you that company is getting consistent new inquiry from the European as well as US market. No doubt the Europe market is bit sluggish and we are facing some kind of slowdown even from our existing customers from the Europe, but the company is trying to maintain or rather to cope up with the addition of the new customer to the best possible extent so that the revenue momentum will be what we have envisaged for this particular FY 23. Down the line the next couple of quarters we do not expect any significant turnaround from the European market. It would be more or less on the same line and that is how we are expecting next fiscal is on the same line and having you know, growth of 15 to 18 % or something like that on our annualized number of FY 23. But looking to the inquiries and the programs, what has already been allotted, and we are expecting the same to be confirmed in the Q4 of this fiscal or in Q1 of the next fiscal definitely company is very much bullish for the FY 25 and expecting growth more than 20-25% over the numbers of fiscal 24. At the same time, I would like to tell you that the inserting uncertainty in terms of raw material pricing, in terms of overseas ocean freight, container availability and all these things, for the particularly last quarter, it has been almost stabilized and we are getting back to pre COVID level in terms of ocean freight as well as the availability of containers and the raw material pricing is more or less stabilized as of now, we do not expect much of the fluctuations in the couple of quarters. I would like to update that we

were in process of installation of ground mounted solar project and out of that 4 megawatt project has already been operationalized in last month, and the remaining 11 to 12 megawatt we are expecting somewhere in between March to April 23, which will give a significant benefit particularly for the entire fiscal in next year. I would like to update that the operating cash flow is quite strong during the fiscal and with that company was able to reduce the short term debt drastically and long term debt as of now, it is almost on the verge of moving out of the balance sheet. As on 31st December, long term debt was hardly 12 crore rupees which company is planning to pay off maybe by the end of this fiscal. By revenue bifurcation what we have been updated earlier also that in between 40 to 44% that comes from the various passenger vehicle segments are 23 percentage in the current fiscal it is from the industrial and the commercial vehicle, heavy commercial vehicle where company is gaining bit, again further it would be strengthened particularly in these three segments rather industrial,CV,HCV and hybrid vehicle and in commercial vehicle LCV we have raised to almost 20- 29% of our revenue, we expect further it will be strong and particularly in industrial segment we are expecting a bit higher in the current, next fiscal. In terms of overall operational revenue would like to bear that for the 9 months company has recorded 885 Crore revenue apart from the other income that is interest and certain financial income which earlier it was 100 and 1016 crore for the FY 22. We are almost on the same line what we have envisaged and we would be able to touch the targets or the numbers what we have given or an estimated for this FY 23. In terms of EBITDA the nine months cumulative EBITDA is 215 crore, which was 240 crore for the entire year. In terms of percentage as I was mentioning, it has gone up by half a percentage point .4 to.5 percentage. PBT of the company for this nine months is 186 Crore vis a vis 194 Crore for the entire fiscal, we can say we are behind hardly 5 to 6 percentage whereas my 25% of the remaining period is yet to come and in terms of PAT, 152 Crore we have recorded in nine months and which was 132 crore for the entire fiscal year the benefit of taxation or rather getting the new tax regime is also factored here. In terms of operating cash flow as I was mentioning it has quite increased compared to previous fiscal in FY 22,my Operating cash flow was somewhere about 59 Crore vis a vis ,in this first half it was 86 crore, but if I tell you by end of December for the nine months it has crossed 140 odd crores. Now this 140 crores have been used maximum it has been used to reduce my working capital to the extent of 90 by 200 crores out of that 30 odd crores something has been invested in CapEx including solar and long term debt has almost reduced by 13 crore. In terms of net debt as on September of last year it was 166 crore, let me tell you and by the end of December this net debt figure is 87 crore and again in this 87 crore ,12 odd crores is the long term debt which is outstanding which company is planning to pay off by the end of this fiscal. So we expect net debt equity yet to be strong in the last quarter. In terms of RoE, again it has increased to 27% by September 23. And it is somewhere about 29 and a half percentage by nine months ended December 22. These are the detailed numbers, operational numbers in terms of profit, P&L and the balance sheet. Would like members to just go through in detail and let us have any query any concerns in this regard. I would like to, I would be happy to answer your queries session is open for Q&A. Thank you.

Ashutosh [11:18]: Thank you, Hiren Sir for the detailed opening remark. We would now like to open the floor for Q&A session. Anyone who has a question can use the raise your hand option. And once you're done asking your question, please use the lower your hand option. We'll wait for a couple of minutes for the question queue to assemble. So we have our first question from Mr. Bhargav. Please unmute your line and ask your question. **[Long Pause 12:24]** Yeah, as there's no response we'll move on to Mr. Sunil, please unmute your line and ask your question.

Sunil [12:35]: Yeah, hi, good morning sir. And thanks for taking my question. Great to see you finally crossing the Turnover of 300 crores a quarter for this quarter. So, just one row I mean get some basic numbers first. So, what was the product revenue for this quarter?

Hiren [12:53]: Product Revenue simply bearing ring the auto component only, it was 287 crores I'm not considering scrap if you adding scrap revenue that is somewhere about 15 up odd crore so both put together it was 302 crore rupees 303 crore rupees.

Sunil [13:16]: And the other operating include?

Hiren [13:21]: That is hardly you know, this one export incentive to the extent of 4 crore, windmill is somewhere about 1 crore put together this 308 Crore with the other income of somewhere about 67 million.

Sunil [13:43]: And so, I mean, just in terms of the outlook like you've mentioned that even though there are challenges in Europe, you are expecting a 15 to 18% growth for next year. So, do you still you see sequentially we will continue to grow go up from this 300 Crore sort of level?

Hiren [14:09]: Yeah. Mr.Sunil looking to the you know, the program which has been already been awarded and I mean after new customers are from U.S. with whom we were talking since from the very beginning of this system, we expect them to be there on the board in the second quarter of next fiscal and apart from that the European new customers what we have added you know, no doubt they have started a bit slow but we expect some kind of additional volume from them and beyond that domestic market particularly in the industrial segment and other segments we are expecting additional enquiry or rather additional lifting.

Sunil [14:56]: Got it Sir, so as of now I mean like will you have visibility for say 15% growth next year?

Hiren [15:05]: We are looking into the numbers and the plan or projections what our customers have indicated as of now.

Sunil [15:16]: Got it sir. Okay. Thank you so much.

Ashutosh [15:27]: We have our next question from Mr. Jehan, please unmute your line and ask your question.

Jehan [15:33]: Yeah, good morning sir, first question is on the raw material cost to sales, that percentage has declined quite a bit, it has been very stable at around 46 - 47% levels, but this quarter it was at almost 50 to 53% levels. So, what was the reason for such a sharp increase in the raw material cost to sales?

Hiren [16:01]: So, there are various reasons towards that, the certain new components what we are developing we are on the trial end stage as of now, and even the product mix what we are selling having a better revenue sometimes it is not like that generally trade is at 46 to 47, sometimes it got fluctuated in between 40 to 52 percentage, and partially as earlier also we were mentioning that sometime like because of a rate increase rate decrease is yet to be passed on to the customer. So, something some recovery from my customers towards raw material that may come, that will come

in the first quarter or rather Q4 of FY 23. So, but on an average by and large it would be in the range, you know 40 to 50% on an annual basis.

Jehan [16:54]: Okay, And another question is on the sales growth that you have guided for 15 to 18% growth next year and FY 25 growth should be 20 to 25%. So, can you explain why this you know, kind of relative slowdown in FY 24 And then acceleration again in FY 25?

Hiren [17:19]: See, the main reason is just because of you know, certain European yet they have got European market yet it has not been stabilized and we are bit not clear how my existing customer may further go down by 5 to 10 percentage even we don't expect you know, the quick restart from the our new customers, couple of customers what they were supposed to you know, lifting or rather big supplies from the last quarter, but yet they are starting in this month gradually, again the volume what they have indicated it has gone down. So, that is how we are not expecting or rather at least for next couple of quarters, a quick recovery from the European market.

Jehan [18:07]: Right

Hiren [Inaudible 18:11]: to some extent.

Jehan [18:13]: Okay, Thank you Sir

Ashutosh [18:20]: So I'll take questions from Mr. Bhargav from the chat. So, first question is how much of the new orders are from Europe?

Hiren [18:30]: Sorry?

Ashutosh [18:31]: How much of the new order wins are from Europe?

Hiren [18:33]: So, to quantify, let me tell you on an average on a quarterly basis from European market, we have almost 5-7 crores rupees particularly in last couple of quarters average of 5-7 crore rupees in last two quarters, we expect it to be maybe for Q4 as well as Q1 of next year. But that definitely thereafter we expect it will be more than 10 to 12 crore.

Unknown [19:12]: Hiren Bhai his question is like what orders we have won and your forecasting the revenue in 25 and all, roughly what percentage of those are from Euro, if you can quantify like order wins that has happened already, how much percentage could be from Europe of that? **[Inaudible 19:33]**

Hiren [19:31]: Out of total quantum or rather the growth what we are expecting from them, we expect at least 20 to 25% would be coming from European market. That is our conservative expectation, If we are talking about 25 numbers

Unknown [19:55]: Okay, is there any question from chat?

Ashutosh [20:06]: Yeah. So there is a second question from Mr. Bhargav. So, he's asking what the current order book is and how is the traction with Korean and German customers?

Hiren [20:18]: My current order book is ranging in between 105-115 crore rupees on month on month basis. And the second portion of your question can you please come again.

Ashutosh [20:30]: Yeah, so, how is the traction with Korean and German customers?

Hiren [20:35]: Okay, I request my MD, Mr.Manish to take this question.

Ashutosh [20:42]: Sir, if you can.Sir you are on mute

Manish [20:52]: Yeah,I could not understand the question what Korean and German?

Ashutosh [20:59]: What traction. Sir, what sort of traction are we seeing from them Korean and German customers?

Manish [21:05]: So Europe as Hiren said they are passing through recession, but we have added new customers from Europe and USA both were present there the simple submission activity is going on and in automotive components, it takes always more than 6 months one year to start the bulk supply and that activity was started in the second quarter and third quarter of this year. So, from April onward, we are expecting some good volume the initial volume we will start supplying.

Ashutosh [21:53]: Sir, what we are also asking is do we expect any competition from the Korean market?

Manish [21:59]: Not from Korean market. You see in Europe you all may know that energy cost has gone up drastically. And now they are looking towards India or China for their sourcing. At present we are getting a lot of RFQ inquiries from Europe and USA and out of that one or two this EV component or electrical vehicle we have been nominated by one of the very big transmission producer USA. So, looking to that we are expecting 15 to 20% growth next year also. Europe is already in recession and whatever revenue we are getting now they are passing through the recession. But by adding new customer, we have maintained that our revenue of 100 Crore

Unknown [23:09]: Yeah. Okay, thank you Sir. Yeah, next question please.

Ashutosh [23:19]: Our next question comes from Mr. Praveen. Please unmute your line and ask the question.

Praveen [23:26]: Yeah. Hi, I'm audible?

Ashutosh [23:28]: Yes

Praveen [23:30]: Hi, thanks for this opportunity. Sir, just one question on the domestic front, if you can just help us to understand how is the demand in the domestic market number one, number two since the **[Inaudible 23:45]** both are expanding their capacity. So if we can just help us to understand any development on those front or any inquiries are started from those?

Manish 23:56]: We cannot give you the name of the customer. But recently we have been awarded a very big business from domestic customer for electrical vehicle. So, now see the penetration of electric vehicle in India is very, they're all are very aggressive. So, a good revenue we will be we have been nominated for that particular component and you know railway now in India railway has increased their sourcing for this Vande Bharat train and

Praveen [24:57]: Against wagon manufacturers?

Manish [24:59]: Yeah Wagon manufacturer

Praveen [25:01]: Okay.

Hiren [25:02]: So, we are you know looking into these inquiries coming from the domestic customers and in terms of industrial segment as well as you know, one of the customer who in turn supply to **[Inaudible 25:19]** were very much aggressive as far as the passenger vehicle segment and all SUVs. So, they're also we have just recently been nominated for supplies to the Indian customer who is our existing customer and they are expanding directivity towards that. So, we will be getting or rather we are getting share into that particularly from the other company who has just you know, recently down the line before six months back, they have announced certain kind of CapEx, which they are in process, but it may take some more time at least to 12 to 15 months from now, once they will be finished out with that expansion definitely we will be getting some chunk over there because the kind of the work we have announced and our facilities are going to suitable to produce such kind of components as we are already supplying such kind of components to their existing plants also.

Praveen [26:20]: Thanks.

Ashutosh [26:40]: We have our next question from Ms Pooja, please unmute your line and ask your question.

Pooja [26:44]: Hi, am I audible? So, the first question is on as the raw material prices have softened, so, what margin expansion are we expecting?

Hiren [26:58]: For this raw material fluctuation it would not affect our margin you know, because raw material price increase and reduction more would be passing to the customers. So, that will not be affected to our margin significant it is only the time lag between where we may got some kind of marginal hit or again.

Pooja [27:30]: Any expectation on EBITDA number?

Hiren [27:34]: For?

Pooja [27:35]: EBITDA

Hiren [27:36]: Yeah EBITDA, for which period madam for this nine month it is almost a 24 percentage

Pooja [27:48]: No for FY 24?

Hiren 27:49]: FY 24 It will be more or less on the same line, it will go up definitely because you know the solar what we are in process and that will be fully operationalized and available for the next fiscal. So, we expect at least you know 5-6 percentage of my current EBITDA to be increased definitely.

Pooja [28:19]: Okay, any CapEx plans and pipeline in coming years?

Hiren [28:24]: For the next fiscal for the current fiscal, the remaining you know those solar CapEx hardly to the extent of 3-5 crore and the other machinery CapEx as we have communicated earlier also that we have ordered one of forging line looking to the new business what we have been

awarded and that will make it perfect would be coming to us somewhere in November 23 or December 23. So, that CapEx including other machining lines and maintenance CapEx, it would be somewhere about 40 to 45 crore in the next fiscal.

Pooja [29:02]: Okay. Thank you.

Ashutosh [29:08]: We have our next question for Mr. Nilesh. Please unmute your line and ask a question.

Nilesh [29:12]: Yeah hi. Am I audible?

Ashutosh [29:16]: Yes.

Nilesh [29:17]: Yeah. Hi. So, I have a couple of questions. So one is see I observed that in your raw material breakup, there's been a overall I think the change in stock is positive. And we just kind of which is a positive number that way and we just kind of pull down your gross profit margins quite dramatically. Can you just explain that and the second is also parallely, I could see that the other expense component which otherwise in recent quarters has been inching up that has also kind of gone down. So can you just explain the reasons for this?

Hiren [30:00]: See first of all you know change in stock that is obviously on the volume or rather the basis of the you know, the future order we our production schedule are different **[No audio 30:13]** was our higher side, Hello.

Nilesh [30:26]: Yeah. So, we couldn't hear you at least I couldn't hear you 15 seconds

Hiren [30:35]: Am I audible now?

Nilesh [30:36]: Yes.

Hiren [30:37]: Yeah okay, what I was mentioning that you know the change in stock or rather increase decrease in finished goods it is as per the production schedule what we have planned for this particular quarter and even for the next quarter. So, obviously, it depends on the lead time what we are having for supplying to our customers earlier it was on a higher side because of container condition and all these things and now, it has quickly moved. So, definitely the inventory which was live with us is nowadays on a lower days. So, which has reduced my this changing stock, that is the one figure and apart from that the other expenses what we were mentioning, definitely the freight push, ocean freight, which wasn't very much on the higher side and it has been stabilized particularly in last two, to two and a half months, but it also matters in my other expense apart from that certain other expenses as the material commodity pricing has gone down certain pricing of my other job or charges or some kind of consumers that has also bit gone down so that it has reduced my expenditure levels.

Nilesh [31:55]: And these I mean by and large these cost structure may remain that way considering assuming that the ocean freight doesn't shoot up the rest of these are like sustainable the

Hiren [32:08]: Yes definitely you know, the chances of 3 to 5% deviation would be there, because you know, sometimes wherever my new development or new products which are under process, which are under development, definitely the certain consumption of certain materials, stores etc, it

has gone up which was very much or rather almost nil in the last quarter. So, down the line for these couple of second quarter of next fiscal which could have setting this planning for the product development trial and runs are going on. So, for that particular portion it may go up.

Nilesh [32:43]: Got it. And one last question again on a P & L line items itself is though you mentioned that you have reduced the debt, but again, on a QoQ basis the interest expense has gone up?

Hiren [32:58]: Here the impact of you know, the restatement of foreign currency that is because of you know, it is somewhere about 16 million, which is accounted in 35 million of my work costs. So, my overall working capital cost is less than two crore on a quarterly basis. And again, you better know that we are using foreign currency working capital where is the US dollar so, far has been increased. So, that will also impact a bit.

Nilesh [33:29]: And concurrently other income and are there any offsetting things, which also has been going up other income, we noticing that?

Hiren [33:39]: It will not be up you know, because other income also consists certain kind of forex reinstatement of my debtors as well as my vendors restatements. So, it would be maybe now, earlier you know, for the last two quarters, the fluctuation of dollar euro is being increased, and we got benefited over there, but now, the dollar is almost stabilized, Euro from last month onwards it is also almost stabilized, so, we do not expect much of the gain from the foreign currency. So, the net last quarter number may be bit lower than this 6-7 million.

Nilesh [34:14]: Got it. Yeah, I think these are the questions from my side. Thanks a lot. I'll get back. Thank you.

Ashutosh [34:23]: We have a next question for Mr. Harshil, please unmute your line and ask the question.

Harshil [34:27]: Hello

Ashutosh [34:30]: Yes, you're audible.

Harshil [34:31]: Hi Sir, I want to understand the basics of the Rings industry. So, what is the industry size globally? What would be a market share and how does a customer approach how do we approach our customer like do we, our customers are Schaeffler, SKF these customers or how does that happen?

Hiren [34:56]: See, first of all let me tell you, your first part of your question was how big bearing industry across the globe, you know bearing industry is quite big or even more than \$60 billion or something like that, and bearings which are available or which are produced say from 50 mm diameter to 10,000 mm outer diameter kind of thing, but when it comes to Rolex, Rolex is there into particular range of the product which is say from 50 mm diameter to 900 mm diameter kind of thing that is bearing ring what I'm talking about. And sorry, we don't know how big is the globally the bearing ring market is because again in a particular addressable segment where we are, but I can definitely tell you in a domestic market in a particular this range and the bearing which are produced from the forging group, we have market share of somewhere about 35 odd percentage. Later part of

your question is how the customers are approaching and how we are you know, addressing them. Definitely, the Rolex is having the facility state of art manufacturing facilities 22 kind of different forging lines and with the various value added processes, what we are offering and the bearing giants across the globe except Japanese and certain Korean manufacturers all are very much aware of what kind of capabilities Rolex is having and what kind of range of the products we are able to produce. So, accordingly you know, they are approaching or rather through their sourcing office in India majority of the global players are they're having their IPO or rather you know, the sourcing office in India and their local officials are very much aware about these things, and they approach us and initial dialogues would be initiated and this gave us some kind of design drawing of the products and we are just taking up further.

Harshil [37:03]: Sir, to follow up on my previous question only. Sir, how much we just make the outer rings of a bearing, correct?

Hiren [37:12]: Inner outer both.

Harshil [37:15]: Okay, and how much So, if we say our bearing is 100 rupees, so, both the rings contribute to how much of the cost of the bearing?

Hiren [37:24]: 20 to 25 percentage,

Harshil [37:26]: Okay. So, basically whatever will be the total bearing industry ours will be 20 to 25% of the total.

Hiren [37:34]: Yeah, but that is the major chunk of my what you say overall cost of production of a bearing.

Harshil [37:41]: Okay. Sir,

Ashutosh [37:43]: Harshil can I ask you to join back the queue as there are several participants waiting for their turn?

Harshil [37:51]: Okay.

Ashutosh [37:51]: We have our next question a repeat question from Mr. Sunil Please unmute your line and ask the question.

Sunil [37:58]: Hi, thanks for taking my question again. Sir just on this quarter's numbers, like somebody also asked that we seen a sharp jump in RM cost while other expenses have gone down. So is there a reclassification or this is some lead lag, like you mentioned?

Hiren [38:17]: No, there is no re-classification, some kind of time lag, as well, as I told you the product mix [**No audio 38:28**]

Sunil [38:30]: Hello, Sir we are not able to hear you. Can you repeat the answer please.

Hiren [38:38]: Yeah. See, the main reason is just because of product mix. Am I audible?

Sunil [38:45]: Yes Sir.

Hiren [38:46]: Yeah, so the main reasons for you know, increasing this thing is product mix. And another portion is just because of time like something what I'm expecting recovery from my overseas customer that would be there in the month of January, February.

Sunil [39:03]: Got. So just because I'm asking this also, because if we see our margins have been incredibly stable, right, like 22% point something for the last six quarters. So I mean, is it a fair way to understand that we don't really have a lot of unexpected costs, etc. And it's a very stable business in that sense. Despite the raw material cost inflation?

Hiren [39:30]: Yeah raw material inflation as we told you that it is definitely it affects our percentage, but apart from that, these kinds of margins are very much expected if we have the same level of operations and down the line or rather the scale of economy if it has gone up definitely will be benefited. And any cost of production any improvement in cost like say for example, electricity costs what we are expecting to be reduced in the next fiscal So straight away, it would be added to my EBITDA, and looking to our experience and this thing more than 22% EBITDA is very much stable at the current level of operations.

Sunil [40:11]: Right. And could you repeat the like, I am not clear, I mean, like we should I mean roughly what portion of your power costs will now be solar and when do you finally expect to commercialize this?

Hiren [40:27]: See, as I was mentioning that 4 Megawatt of my ground mounted solar, which is 25% of my total solar what we are trying, it has already been operationalized in the last month and remaining 11.5 up to 12 megawatts, it would be what we are expecting somewhere in the month of April. So, I would be having entire 15 and a half 16 mega watt solar benefits in the next fiscal

Sunil [40:52]: And that would be what, I mean like what percentage of your sourcing will come from the solar?

Hiren [41:00]: See out of my overall sourcing of power from a discount, it definitely it will reduce to the extent of 25 odd percentage.

Sunil [41:14]: 25 odd and just last question from my side in terms of like, because, despite the challenging environment, you are guiding for fairly strong growth next year and even for the year after that. So, do we see any major CapEx like next year to because if you are going to go 15 -20% then by FY 25, I think your capacity may be fully utilized or something right?

Hiren [41:42]: Yeah, as we have communicated earlier also that we do have certain you know, spare capacity also available. Apart from that, we have ordered one Forging line from Japan, which we are expecting to be installed in the third quarter of FY 24. So, that will definitely increase my capacity to the extent of 15 odd percentage 15 to 20% of my existing level. And apart from that value added process equipment's, what we are going to install, so, that will definitely it would be possible for me to achieve the numbers what we are expecting for FY 24 as well as FY 25. But we do not foresee any significant or big amount of CapEx, as I was mentioning my CapEx numbers for this fiscal remaining maybe 5-7 odd crores something we are going to spend and in next fiscal 40 to 45 Crore we'll be able to help me to achieve these numbers.

Sunil [42:41]: Got it Sir great, thank you so much and all the best.

Ashutosh [42:45]: We have our next question from Mr.Amit. Amit please unmute your line and ask a question.

Amit [42:53]: Yeah, just one question from my side. The 7% **[Inaudible 42:57]** that you have reported is there any benefit from currency in terms of translation games or something like that?

Hiren [43:06]: Not much in particular, because as you have seen that for last couple of months dollar, euro both are almost on the same line. And so, there would be, on a Euro front it has increased but unfortunately or fortunately, my Euro contribution overall my revenue to my revenue is very less. So I didn't have much any of the significant appreciation in my top line.

Amit [43:35]: So, this top line growth is largely on account of increased volume of business?

Hiren [43:39]: Yes. And even the product you know the product what we are selling, or rather the new products what we have developed, particularly in last 6-8 months, where the good amount of chunk has been dispatched no doubt my existing production or rather the existing product, it got some reduction, but certain high value or rather high value added products have also been supplied.

Amit [44:08]: Understood, thanks.

Ashutosh [44:11]: Yeah, we have our next question from Mr. Mahesh. Please unmute your line and ask your question.

Mahesh [44:19]: Hi, I'm audible?

Hiren [44:20]: Yes

Mahesh [44:21]: Sir, I just want to understand I mean, I think half of our revenue comes from the international market and freight cost is very important. So, how do you approach I mean, do you enter into long term contract for freight cost or is it that...

Hiren [44:40]: No, we do not have any long term contract and see that you need to consider a couple of things. First of all, out of my total exports, hardly 50% of those exports are what you say a CIF kind of terms or including ocean freight etc. Remaining is on a FOB, so, there would not be any impact on that, apart from that the freight costs what it was there for before you know, six, eight months back and today it is quite stabilized and it has gone down to almost touching to pre Covid level. So, will not have any impact over there.

Mahesh [45:19]: No, I was just asking that do we need to continue with this uncertainty. I mean,

Hiren [45:26]: No, we don't. You see that was the particular phase that was the particular period because of China, U.S. and there are other factors, but nowadays for last couple of months or even three months, there is no issue as far as availability of container and the things have been released. So that the rate have drastically reduced now, we do not expect any uncertainty over there or maybe you know, this thing 5-7 % plus minus would be there, but that will not be a significant

Mahesh [45:59]: Okay. Sure. And Sir what would be the contribution from the top three customers in our sales?

Hiren [46:07]: If I say top three customer groups, it would be somewhere about 50 odd percentage and when I say customer group, it is having various plans, one of my customer group we are supplying at their seven plant across the globe and all put together seven plants they are contributing somewhere about 25%, but for me those are my seven customers.

Unknown [46:38]: Joined the call a bit late, but what is the CapEx plan for next two years?

Hiren [46:45]: CapEx for the fiscal 24 It would be in the range of 40 to 45 crores and for the FY 25 again considering to value added processes and certain additional facilities requirements may be to the extent of 25 to 30 odd crores.

Unknown [47:08]: So, this is maintenance CapEx I mean, we are not

Hiren [47:12]: My maintenance CapEx is not this much it is hardly in between, 7-10 odd crores, not more than that. So, here I'm considering both my new equipment's as well as maintenance CapEx and that's why I was telling that 40 to 45 crores something in the next fiscal because we have ordered one forging line, which we are expecting somewhere in third quarter of next fiscal. Sure.

Unknown [47:37]: Sure. Thank you so much.

Ashutosh [47:40]: We have our next question from Mr. Nishant. Please unmute your line and ask a question.

Nishant [47:50]: Good morning Sir, first of all congratulations for a good set of numbers and record higher revenue during the quarter. So my first question is related to revenue contribution coming from Europe and US on an annual basis or on a quarterly basis if you can share.

Hiren [48:12]: I'm sorry, please come again.

Nishant [48:15]: I'm saying revenue contribution coming from Europe and US region.

Hiren [48:20]: Say let me tell you, my 60% revenue come from the overseas market where the European continents are contributing somewhere about 15 percentage one five of my overall revenue and you can say 25 percentage of my overseas revenue is being contributed by European continents as of now, it has gone down in particularly last four quarter from my existing customer. But in terms of numbers, we are more or less the same what we had in previous year that is because of adding new customers in European market.

Nishant [48:57]: And for U.S likewise numbers would be?

Hiren [49:01]: Europe out of my 60 percentage overall of this thing, it is somewhere about 65 to 70% that is from US market in terms of overall you can say almost 38 -40% of my revenue that comes from US region.

Nishant [49:19]: Okay, thank you sir. And the second question is related to the margins. First, like you mentioned that in FY 25 or from maybe sector post the second quarter or third quarter of FY 24. We may see CV segment to see improvement in the revenue contribution. Likewise, industrial revenue contribution is also expected to increase. So because of this change in the revenue segment will there be increase in the margin because of this?

Hiren [49:58]: See, wherever the Products carrying more value added processes the margins are a bit on the higher side. So, it is depending on the products what I'm going to supply in the quantum of that particular component. So, definitely CV business we are expecting much from the domestic market and even the industrial segment where we are expecting growth but the margins definitely it is not because of the only product it is also depends on my utilization of my capacity which will give me push up over there so once I'll have a you know, at least 10 to 15% more utilization or more revenue on a quarterly basis definitely my margins would go up by at least what you say 1 & 1.5% of my current exist EBITDA level.

Nishant [51:01]: Sure, sir, and in case of other income, because last two quarters we have been missing that the other income is in the range of say 5-6 Crore if I'm not wrong, you have highlighted that is mainly because of the Forex related changes and now the currencies have stabilized. So, we may not see the similar kind of number going forward. Am I correct in that understanding or?

Hiren [51:27]: Yeah, definitely, but at the same time, I would like to add that save for the nine months number where I stated 19 crore rupees by way of other income here the major chunk is just the realized gain loss what we had you know, as I was mentioning that my working capital utilization has drastically gone down during this fiscal and the Forex portion of what we had an open you know, invoicing. So, I will be getting dollar realization on a best rate where my export rate was much on the lower side. So, that fluctuation has gained me and out of this 19 crore, what is there in the for the nine months, these more than 60% is the realized number what we had. So, coming to the quarterly numbers 67 million what it is there on December this thing, definitely it will come down because we do not expect much of the fluctuation in the last quarter of current fiscal.

Nishant [52:27]: Sure Sir thank you. I'll fall back in queue. Thank you.

Ashutosh [52:31]: Yeah, our next question from Mr. Sandeep. Please unmute your line and ask your question.

Sandeep [52:37]: Yeah. Hi. Good morning Sir.

Ashutosh [52:43]: Yeah Sandeep

Sandeep [52:48]: Hello, am I audible to you?

Hiren [52:52]: Yes

Sandeep [52:53]: Hi, sorry, I was on mute. Sir one question is on the margin side just wanted some more clarification. Typically, our gross margins are in the range of 52 to 54%. And it came down to 47% this quarter, which you explained is a function of mix, but it should also normalize because there are some delayed price hikes also that you should get and mix should also come back to where it was earlier, while your other expenditure which largely consists of these freight costs going down and some benefit will get out of the solar plants that will get installed are we talking of material increase in margins in that case, because that can lead to a 4-5% point increase in margins, if the same were to be true?

Hiren [53:42]: No sir, we don't expect 4 to 5% straight away in the next fiscal, because, you know, there are certain fluctuation I was mentioning that wherever the new development or rather the

new product development is going on, definitely certain kind of expenditure level would definitely go up and overall my raw material margin, it is ranging in between 48 to 52 percentage. So again, it depends on that kind of angelic. So, there would be something even in the next quarter also, which may be toward recovery and on the subsequent quarter. So, we are expecting this because of solar and other operational efficiency, definitely, you know, to the extent of 1-1.5%, additional or rather, the improvement in our EBITDA level for the next fiscal.

Sandeep [54:33]: Okay, so was this 22% where we are in this queue? We should be somewhere about 24% or in next financial year is what are saying?

Hiren [54:41]: Sir if I'm not mistaken my current EBITDA is more than 23% or touching particularly this quarter is touching 23.5 or so. So we are expecting more than 23% it would be stabilized definitely.

Sandeep [54:55]: Okay, all right. We actually, its a different way we calculate but understood the just similar to where it was. Second point was on, clarification on top line guidance we guiding for 15%. growth next year, I think previous quarter you're guiding for 12 to 15%. So you're saying you should be on the higher end of this number and then another 20 to 25% in FY 25 is that correct?

Hiren [55:22]: Yeah, definitely what we are expecting and looking to the current, you know, the program status, and the our target dates what my customers are indicating. So we are expecting somewhere about 15% growth in the next fiscal yeah.

Sandeep [55:38]: And on the next point was on the tax rate, we are consistently around it at 18- 19% effective due to the unutilized benefit, if you could just highlight how much of this unutilized benefit is there.

Hiren [55:53]: That has already been using the last fiscal and I mean in this current fiscal, my effective current tax rate, you need to consider which my tax outflow is. That would be 25 percentage.

Sandeep [56:07]: Okay,Sir but the reported numbers are around 19%.

Hiren [56:11]: That is a deferred tax, the reversal of deferred tax, which is not having any impact on my inflow or outflow.

Sandeep [56:19]: Okay. Yeah. Understood and last point was on this land monetization, I think we had guided that we'll be looking forward to do one forward any update on that if you can just give us please.

Hiren [56:35]: Status is rather what you say as it is, but you know, we are looking for a good customer or rather the good buyer for that particular piece of Lands and we are inclined to liquidate that land , but the current scenario of real estate market and the size of the particular land parcel that is bit restricting and we are again trying to move it off, but down the line definitely we inclined to liquidate as of now, it status is status quo.

Ashutosh [57:12]: Alright, thank you so much for taking this question.We have one last question from Mr. William, please unmute your line and ask the question.

William [57:26]: Hello, thanks for the opportunity Sir, this might be covered but just want to confirm. Sir any plans to bring down the debt level further since we are not going to have any further major CapEx?

Hiren [57:42]: Yes, yes, definitely see, as I was mentioning that, as on 31st December my long term debt was somewhere about 12 Crore further within the one month only it has gone down by another 20% of that amount and the working capital again what it was there in December it is further reduced and it is our continuous endeavour to reduce my entire debt whether it is short term long term both. As I was mentioning that long term debt we are planning to pay it off before March also.

William [58:17]: So Sir our plan is to be debt free by FY 24 end?

Hiren [58:25]: Yes, definitely.

William [58:27]: Okay. And sir, the second question, in terms of the growth considering if the current global scenario remains the same, the probability of achieving 15 to 18% growth is fairly I would say high right?

Hiren [58:49]: Yeah, definitely see, I was telling that 15% that is on the basis of the estimates, forecasts schedule and indicating numbers given by customers or even with the new customers that may prolong because of certain uncertainty or maybe any what you say abnormal or adverse factors, definitely it will affect and we are part of overall economy and particularly automobile and infrastructure industry. So, something would be hampering over there It will definitely affect me.

William [59:23]: Understood sir, thanks a lot.

Ashutosh [59:31]: That was the last question of the day I would like to hand over the floor to Hiren Sir for any closing remarks.

Hiren [59:39]: Thank you very much to all the participants. Hope the company satisfying your queries and concerns and again, would like to tell that management is very much concentrated on the utilization of capacity and to continue with the momentum what we had in last three quarters As we are also envisaging that the overall revenue what it has been estimated it will be there in FY 23. And looking better for the FY 24 numbers. Thank you. Thanks a lot for joining us