Date: 14-02-2025

BSE Limited	**National Stock Exchange of India Limited**
Department of Corporate Services, **P. J. Towers, Dalal Street,** **Mumbai - 400 001** **Scrip Code: 544244**	**Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East),** **Mumbai – 400 051** **Scrip Name: GALAPREC**

Dear Sir/Ma'am,

Sub.: <u>Transcript of Earnings Call held for the quarter and nine months ended December 31, 2024</u>

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on February 13, 2025 regarding discussion on operational and financial performance for the quarter and nine months ended December 31, 2024 (Q3 & 9M of FY 2024-25) is enclosed herewith.

This intimation is also being made available on the Company's website at www.galagroup.com

Request you to take the aforesaid information on record

Thanks & Regards,
For Gala Precision Engineering Limited

POOJA LADHA

Digitally signed by POOJA LADHA
DN: c=IN, o=PERSONAL, pseudonym=c0f66915b1494a399f469ab74552698c, 2.5.4.20=c60964b3436e63c116983b2e2c67c22f49e096ce26c80d4b711e98ad8ac268dc, postalCode=400610, st=MAHARASHTRA, serialNumber=2b122bd2c557885cddb303d2f7b0b82b6f904c9e93faf000009770ad01cb6f2e, cn=POOJA LADHA
Date: 2025.02.14 16:08:00 +05'30'

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Company Secretary and Compliance Officer
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Gala Precision Engineering Limited
Q3 and 9 Months FY'25 Earnings Conference Call
February 13, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Ladies and gentlemen, good day and welcome to Gala Precision Engineering Limited Q3 and 9-month FY'25 hosted by Valorem Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mrs. Purvangi Jain from Valorem Advisors. Thank you, and over to you M'aam.

Purvangi Jain: Good afternoon everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of Gala Precision Engineering Limited.

On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's Earnings Call for the 3rd Quarter and 9 months of Financial Year 2025. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings Call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's earnings call, and hand it over to them for opening remarks. We have with us Mr. Kirit Gala, Chairman and Managing Director; Mr. Balkishan Jalan, Whole-time Director; Mr. Satish Kotwani, Whole-time Director; and Mr. Srinivasan Giridhar, Chief Financial Officer. Without any delay, I request Mr. Gala to start with his opening remarks. Thank you, and over to you, sir.

Kirit Gala: Thank you, Mrs. Purvangi, and a very warm welcome to all of you. We are truly excited. This is our first-ever earnings call to discuss the performance of the 3rd Quarter. Let me first start by giving you some brief on the company. Gala Precision is basically a preferred manufacturer of high-quality precision components. We mainly serve renewable energy, industrial, and mobility sectors. Geographically, we are quite focused on India, Europe, and USA. We supply to OEMs, Tier-1, and channel partners. We manufacture customized products of over 750 SKUs to serve almost 175 active global customers across 25 countries. Our facilities are fully equipped with advanced technologies and integrated capabilities for designing, developing, and manufacturing a diverse product portfolio. To further strengthen our manufacturing footprint and expand the product range, we have established a new facility in Chennai. This plant will focus on producing various High Tensile Fasteners, including bolts. These are mainly complementing the existing products and enhancing our ability to meet customer demands.

With this brief, I would like to hand over to Mr. Giridhar, who will brief you on the financial highlights and once again, a very, very warm welcome to all of you.

Srinivasan Giridhar: Thank you, Kirit Bhai. Good afternoon, everyone. Welcome to the Earnings Call today. Let me provide you a brief overview of the financial performance for the 3rd Quarter and 9 months ended of the Financial Year 2025.

For the quarter-end review, consolidated revenue from operations stood at around 58 crores, which increased by 17% on a year-on-year basis. EBITDA for the quarter was around 8 crores, with EBITDA margins at 13.25%. Net profit was reported at approximately 5.3 crores, with PAT margins of around 9.12%

For 9 months under review, the consolidated revenue from the operations was at around 163 crores, representing a growth of approximately 12% year-on-year. EBITDA for the nine months was around 28 crores, which grew by 10% on a year-on-year, with EBITDA margins reported at 17.17% and net profit for the period was approximately 17 crores, with PAT margins of 10.34%.

Now, I will hand over to our Executive Director, Mr. Balkishan Jalan, who will brief you on the operational highlights.

Balkishan Jalan: Good afternoon, everyone.

For the quarter-end review, our turnover grew by 12% year-on-year due to the continued growth in volumes. We have a strong order book and pipeline, which gives us confidence of continuing our growth momentum. We secured a new business award from Smart Fasteners from a leading European wind turbine manufacturer and also, we finalized new business and received an order for Disc Springs from one of the largest fastener distributors in the USA. We have improved our operational efficiencies with the fixed asset turnover ratio from the existing ongoing plants, improving to 3.03 times for the period ended December 2024, from 2.89 times in the previous period. On the CAPEX front, our Chennai plant construction was completed by end December 2024, and we have started trial run as well. We expect that this plant would be commissioned by Q1 of FY'25-26. We are also establishing a hot forging line at Wada for bolts up to M36.

With this, we can now open the floor for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to withdraw yourself from the question queue, you may press "*" and "2". Participants are requested to use only handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited. Please go ahead.

Hardik Gandhi: Sir congratulations on the new listing and good set of numbers, and thank you for hosting the concall. I just appreciate it from the investor community. Just a few questions on your new expansion. So, here the proposed capacity mentioned in the PPT is in terms of metric ton. So, we just wanted to know on overall capacity-wise, what would that translate to, like a 50% increase from the existing capacity on those lines?

Balkishan Jalan: Basically, we are going to put a CAPEX at Chennai plant in phase 1 and phase 2 and in phase 1, approximately, in value term, the capacity will be approximately 55 to 60 crores and phase 2, which will be happening in next year, we will be touching the overall capacity in Chennai in value term approximately 100 and 110 crores.

Hardik Gandhi: Okay. So, that is the CAPEX and what kind of capacity would be added? Here it is mentioned as 4600 metric tons. So, that would include phase 1 and phase 2, or that is just phase 1?

Balkishan Jalan: Including phase 1, phase 2, yes. We will be touching the capacity of 110 crores in value term.

Hardik Gandhi: Understood. And what kind of asset ton are we looking from such a CAPEX?

Balkishan Jalan: 2.5 times.

Hardik Gandhi: Understood and going forward, since I know this capacity is located near to the port, and we propose to do a lot of exports from this end. Going forward, what kind of margins are we looking, EBITDA margins with this new facility on a blended term, EBITDA margin?

Balkishan Jalan: It will be in the similar range what we are delivering currently.

Hardik Gandhi: Understood and how fastly we can ramp up this facility?

Balkishan Jalan: We already started the trial runs, and I think so we have a good order pipeline, and we should be able to ramp up in 3 to 6 months in FY'25-26 and very soon, then we will be, in fact, we will start putting an order for the machine for phase 2.

Hardik Gandhi: Understood, sir and when are we expecting this to reach the peak capacity?

Balkishan Jalan: In FY'26-27, maybe 3rd quarter or 4th quarter.

Hardik Gandhi: Understood, sir and just last question on the competitor side, who would we consider, how is the competitive landscape in this front? Are we the market leader or?

Satish Kotwani: Yeah, so basically, we have 3 product groups, which is Disc Spring, Coil spring, and Fastener. So, in Disc Spring, mainly we compete with German producers like Mubea and Schnorr, and we are number one in India and maybe at the global level, number 3. In Coil Spring, we are doing mainly Indian market and we are competing with Japanese companies like NSK and in Fasteners, again, we have exports, so we compete with European producers based in Germany and in India, we compete with Sundaram Fasteners and Randack Fasteners.

Moderator: Thank you. Participants, to ask a question, you may press star and one. Ladies and gentlemen, to join the question queue, you may press "*" and "1". Next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Just a couple of questions. I have recently started tracking the company. So, if you could just elaborate our right to win in terms of why our customers are choosing us and what technical capabilities do we have?

Satish Kotwani: So, basically, again, we have broadly 2 product groups, springs and fasteners. In springs, Gala has been doing business since more than 30 years. So, particularly for Disc springs, we have, of course, the advantage of scale, we have very high competency of tool design, development, and of course, in-house processing like heat treatment, shot peening to offer high fatigue life. So, most important is for OEM customers, we are able to understand their technical requirements. We are able to meet their technical requirements, which are very critical from testing point of view and most of these OEMs have been buying these products from Germany and because of cost advantage of production in India and offering same level of quality because this is proven and tested in German labs and also by many OEMs globally, we are having competitive advantage over them and as far as the fasteners are concerned, since we have been doing this business now again for more than 7-8 years, and with agility and also very flexibility to develop new products with global wind OEMs and going forward for industrial application, we are able to meet their stringent requirement again, because most of these fasteners are customized and require very high precision of machining, knowledge of coating. So, all this knowledge what Gala team has is able to offer a differentiator and able to get us entry for the new customers and also enhance our business with the existing customers.

Khush Nahar: All right. So, thank you for the detailed answer. So, second, I want to ask what would be the price gap when you say that you are competing with German and Japanese players? What would be a price benefit globally and in India?

Kirit Gala: Yes, so basically when we compete with German producers in the export market, we are able to offer about 15% to 18% price saving as compared to the German prices and in terms of India of course, we are the market leaders in our products, particularly for spring. In fastener category in India, we are able to offer 3 to 4% saving because customers are looking more technical solutions, more customized suppliers rather than only price saving as compared to their local suppliers.

Khush Nahar: All right, sir and is it right to assume that so all of our products are fully machined 100%? There are no semi-finished products, right?

Kirit Gala: No, we can say not fully machined because it depends on the product. So, in each product category of springs and fasteners, there are some products which are not machined also. But I think we can say about 60% to 70% of the products, particularly in spring and fastener, require some form of machining.

Khush Nahar: Which we are doing in-house?

Kirit Gala: No, we do in-house also, but we also have vendors. So, the process of establishing the tolerances, accuracies is done in-house and then we offer this complete solution to our vendors and they do the continuous production for us. So, some capacity is in-house and some capacity is outsourced.

Khush Nahar: But for our customers, we are end of the day providing almost finished products only.

Kirit Gala: Yes, we are supplying the product which are fully finished and ready to assemble in their product basically or in their equipment. They are not doing any value addition on our products what we are supplying to them.

Khush Nahar: Right, right and sir just one last question. So, what kind of any kind of guidance that you can give? What kind of revenue growth we are seeing considering that we are market leaders and we have this cost advantage and sustainable EBITDA margin also in the next, say, 3 years?

Srinivasan Giridhar: So, next 3 years, we are looking at the growth rate of around 15% to 20%. Although, we will target to achieve more, but 15% to 20% definitely we will be able to achieve and EBITDA margins, we expect the EBITDA margins to be at the same, similar lines across the product.

Khush Nahar: So, we will maintain the 19% yearly margin that we did last year.

Srinivasan Giridhar: Yes.

Moderator: Thank you. Before we move to the next question, a reminder to the participants to ask a question, you may press "*" and "1". Next question is from the line of Parikshit Gujarati from Niveshaay Investments. Please go ahead.

Parikshit Gujarati: So, sir, I had a question that you are doing an investment on approximately 11 crore CAPEX in the Wada plant, Mumbai. So, can you describe where will the money go?

Balkishan Jalan: So, basically, we are this engineering company, we have to have incremental CAPEX based on the bottleneck in the processes. So, we will be investing this CAPEX of 11 crore in different machines, in the Disc Spring, Coil Spring, and Fastener as well. For Disc Spring, we will be putting CAPEX for a metal braces. Gallock is one of the products in Disc Spring category. Or we will be putting some CAPEX for machining. We will be putting some CAPEX for a coating plant. For coil spring, we will be buying some coiler and grinding machine. So, these are the machines which we will keep on adding for improving the capacity so that we can meet the demand.

Parikshit Gujarati: Okay, sir and my second question is, sir, out of the total revenue, so can you bifurcate what percentage comes from the wind energy sector, and what percentage comes from the industrial sector, and what percentage comes from the mobility sector?

Satish Kotwani: So, I think we are basically catering 3 vertical, as you rightly mentioned, renewable energy, industrial, and mobility. Within mobility, we have railways and automotive as the segments. So, in quarter ended on December '24, renewable energy contributed about 36%. Within renewable, we have wind energy and also hydro energy and industrial contributed about 35% and mobility contributed approximately 30%.

Parikshit Gujarati: Okay, sir. So, as we are looking in future, what do you think that which sector will contribute the most revenue? So, I am asking that in future, what do you think, sir, which sector will contribute the most to your revenue?

Satish Kotwani: I think as a business, we continue to grow in all the segments. Of course, our focus will be a little lower on automotive. But so industrial will grow bigger, because currently we are supplying partners mainly in renewable energy, but we just started supplying to industrial applications. So, I think, broadly, renewable and industrial will be the major drivers of the growth that will be about 30 to 40% and mobility will be about 20-25%.

Parikshit Gujarati: Okay, sir and so can you explain the size of the Fasteners which you are catering to the wind energy sector?

Satish Kotwani: In terms of size, we are supplying up to M72 diameter. So, we are not doing small fasteners, we start from M20 and go up to M72.

Parikshit Gujarati: Okay, M20 to M72. Okay. Thank you so much.

Moderator: ` Thank you. Next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Hello, sir. Thank you for the opportunity. So, my question was on the wind segment specifically. So, what is the benefit that we have from the domestic content requirement for the wind in India? So, are we a beneficiary of it and how do you expect that to play out? That was one. And second is on the export side in wind fastener, wind energy fastener. Rohan, there is some background noise coming from your end. Phone ringing.

Moderator: Yes, please request you to rejoin. Thank you. Next question is from the line of Apurva Sharma from RAAS Capital Research Analysts.

Apurva Sharma: First of all, congratulations to Team Gala for delivering such a fantastic result and for having this first call as an appreciation to the investment community. My first question would be, we had a slight dip in the EBITDA margin from 14.95 to 13.25 YoY basis and I am seeing a slight increase in the total expense which I suppose would be the raw materials. So, is this a price increase that we recently had in steel?

Srinivasan Giridhar: Basically the drop in EBITDA margins is mainly the slight increase in the personal cost and the other expenses. Because of that the EBITDA margins are, because the GPA level is more or less remain the same.

Apurva Sharma: Alright. My next question would be, we have a capital work in progress in our balance sheet to the tune of 95. By when would it be shown under the fixed asset property plant?

Srinivasan Giridhar: Mainly the Chennai plant only where the commission, we should be able to produce the commissioning part by first quarter 1 of 2025-26.

Apurva Sharma: Alright. My next, last question would be, by when are we planning to achieve our maximum capacity utilization for Chennai plant?

Balkishan Jalan: Financial Year 26-27, the 3rd quarter.

Apurva Sharma: Okay. So, do we have any sort of further CAPEX in mind?

Balkishan Jalan: Chennai plant, we have phase 1 and phase 2. Both are there. Both of the phase 1 will be completed, which will be completed by this year end and phase 2 will get completed in next year.

Apurva Sharma: Alright. My another question would be, last one. Are we focusing more towards any government projects lately or support from the budget?

Satish Kotwani: So, basically I think the budget point of view, if the government is spending more money on infrastructure, so we supply our products for off highway equipment, construction equipment, tractors and also heavy commercial vehicles. So, depending on the increase in these areas, it will be beneficial to us.

Kirit Gala: No, no. Satish, I think he is asking whether do you do any government projects. Actually we don't.

Satish Kotwani: No, directly we do not do anything.

Moderator: Thank you. Next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: Satish, one question I have. So, exports, do we expect to maintain it at this percentage in terms of our revenue mix or we are focusing more on exports and less on domestic since exports might be a better realization and margin?

Satish Kotwani: So, I think as a business development focus, we are developing both domestic and export market. Normally whenever we launch any new product, we initially supply and develop supply chain in domestic market with domestic customers and once these products are matured, then we of course take them to the global market with the learning curve established in India. So, currently also we have products which were launched 4 or 5 years back which we have started exports in fastener category since last 2 years and also the new product goals which we are developing and launching in this year will be initially supplied in the domestic market. So, broadly the export and domestic mix will remain same which is about 35 to 40% exports and about 60% will be domestic even going forward.

Khush Nahar: My question was do we have a margin difference between DSS, CSS and SFS in terms of...

Satish Kotwani: All these products are broadly at the similar level in terms of margin. There will be marginal difference but at very broad level they are at the similar product margin levels.

Khush Nahar: Okay and like you said I think mobility will grow slower compared to industrial and renewable.

Satish Kotwani: In mobility there are 2 verticals we are focusing, railways and automotive. So, automotive growth will be slightly slower but railway growth will be there. So, in terms of overall mobility sector share will be slightly lower in coming years but railway business will grow particularly because of high speed train, metro train growth in Indian market.

Khush Nahar: Okay. Just to understand, so for example there is a metro tender and all. So, is it like the full tender goes to us or how is the order booking done with us?

Satish Kotwani: Yeah, so basically we do not supply directly for tender business in metro. So, companies, EPC companies who won the business during this metro have different type of component suppliers and for those component suppliers we are either Tier-1 or Tier-2 depending on the product. So, we do not have any direct exposure in the tender business for metro applications.

Khush Nahar: Okay and then renewable, what is your view because I think US President also is a bit not you know pro-renewable energy. So, our focus is basically domestic only or they are exporting also in terms of renewable because I think Vestas is one of our customers who is a global number 1 player in wind. So, are we looking at any delays in orders or any reduction of postponement in orders?

Kirit Gala: So, currently our export in fastener business is approximately 40% which is mainly in renewable sector and US is also one of the segment or country we export. But based on the discussion with customers of course in last couple of weeks we do not see any major impact in next 1 year because most of the projects are allotted. Of course there is uncertainty in the market particularly for US over a period of next couple of years but Gala has been aggressively developing other markets like industrial for fasteners, hydro energy applications, railways and also Europe is the market of we are focusing and growing in that region also.

Khush Nahar: Okay. So, just to confirm you said fastener business 40% is export?

Kirit Gala Yes.

Khush Nahar: And what about the other two?

Kirit Gala DSS and CSS, CSS is mainly domestic market and DSS is approximately 45% exports.

Khush Nahar: Okay. Alright. So, thank you.

Kirit Gala: And company level will be about 37-38.

Moderator: Thank you. The next question is from the line of Jehan Bhadha from Nirmal Bang. Please go ahead.

Jehan Bhadha: So, my first question is on capacity at Wada plant. So, we are operating at almost close to 80%. So, what is the maximum revenue that we can do and whether there is scope for further Brownfield expansion at this plant?

Balkishan Jalan: So, basically in engineering company we have sunken process which have a bottleneck and we can keep on adding machine and de-bottleneck this capacity. So, yes on an average we are utilizing 80% and we have incurred some CAPEX in the current year. With that we are able to achieve current year turnover. Going forward with some incremental CAPEX we will be able to achieve around 325-350 crore from Wada itself. That is what internal target and as of now we do not see further additional capacity or CAPEX can be added at Wada. Then we have a plan. In future we may have some more additional location for future growth.

Jehan Bhadha: So, similarly at the factory which is close to Chennai. So, there as of now the plan is for around 110 crore of capacity. But will there be scope over there let's say beyond FY'27 to expand over there as well?

Balkishan Jalan: No. In terms of land we will be completely utilizing by FY'26-27 or so and then again that's only for Wada and for Chennai. We may have to look for another third location based on the customer demand and requirement.

Moderator: Thank you. Next question is from the line of Parikshit Gujarati from Niveshaay Investments. Please go ahead.

Parikshit Gujarati: Sir my question was that recently BIS norms are getting very active by the side of government. So, does BIS play a role in our business or not? Using BIS requirements of that what factor does it play in Gala?

Balkishan Jalan: Sure. So, yes BIS plays a very important role in Gala because we have to import certain special steel material from China, Korea, even Taiwan and due to that we sometimes face difficulties in getting the material released from the custom and going forward we are seeing that we are developing more and more sources in India and as of now we have not faced any challenges per se. There was some delay in between which is now sorted out.

Parikshit Gujarati: Okay. Sir so my question was that a lot of automobile players import the fasteners from China. So, will that revenue portion come to us or not?

Balkishan Jalan: Okay. I discussed about the import of raw material side. But indirectly I see this is a good opportunity for fastener manufacturer and we are already seeing the fasteners ordering more and more from Indian sources from Gala. So, yes we see that there is opportunity.

Moderator: Thank you. Next question is from the line of Rohan Vora from Envision Capital. Please go ahead.

Rohan Vora: Yes. Sir my question was basically on the increase in other expenses and employee cost. How does one see it? And what are the sustainable margins going forward? That was one. And second was competition from China in the fastener business in the export market. Thank you

Balkishan Jalan: As far as margins, we expect the margins to be similar in the future also. We do not see any lift in that. As far as competition from China.

Satish Kotwani: No. So, basically we don't compete with China.

Kirit Gala But Satish you want to highlight who are our competitors and how we are positioned in the market globally.

Satish Kotwani: Basically for different product groups we compete with different type of competitors. So, as far as the fastener is concerned, in India we compete with Sundaram Fasteners and Randack Fasteners which is a German company and in European market again we compete with mainly German producers of fasteners who are supplying to the global OEMs in Europe and also in the US market. So, we do not compete with China for these markets and also in other product groups like Disc Springs and Coil Springs also we mainly compete with German producers or Japanese producers having plant in India.

Moderator: Thank you. Next question is from the line of Hardik Gandhi from HPMG Shares and Securities Private Limited. Please go ahead.

Hardik Gandhi: So, just one follow up. I read an article few days back regarding support from home for local manufacturing of wind parts. So, how big or small of an impact would that create on competitive landscape as well as just your thoughts around it? So, the whole point was that I read an article a few days back regarding support from the government on local manufacturing of wind parts. So, just wanted your views on how big of an impact or small of an impact would that be on us and your thoughts around that?

Satish Kotwani: Yes. So, I think this impact is mainly from the generators for the wind turbines where they are focusing. So, of course we have some business for our fastness in generator category but this will not have any major impact at least for Gala in short term or medium term.

Hardik Gandhi: Understood and sir do you see any top out in the wind segment going at least 2-3 years from now or do you think it is going to be a very robust business and are our parts replaced on a regular basis or are they just one time installations?

Satish Kotwani: So, I think as far as wind market is concerned as per the reports and of course discussion with OEMs at least down the year 2-3 lines business looks very positive particularly in India and European market. Of course U.S. also was looking very positive but because of Trump of course short term still remains okay but mid to long term is uncertain. So, overall growth will be positive at the global level. Second question, our parts are not replaceable. They do not do need to be replaced when the regular maintenance is happening. They have the life of life turbine of the wind turbine. So, we do not have much replacement market with this OEM.

Moderator: Thank you. Next question is from the line of Apurva Sharma from RAAS Capital Research Analysts.

Apurva Sharma: My questions have been answered by the other analysts so thank you so much.

Moderator: Thank you. Participants to ask a question you may press "*" and "1". Next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: I just want to ask what percentage of our raw material is imported since you mentioned the special steel that we import?

Balkishan Jalan: Yeah. It is a very product to product and quarter to quarter of the year but broadly approximately 20- 25% material we import.

Khush Nahar: And this is what we are trying to locally source now?

Balkishan Jalan: Yes. I can say that some 3-4 years back the percentage was high and then we were able to develop good sources in India and that we keep on reducing and same for the fastener where we are growing. Now we are almost successful to procure, get this material from Indian mills.

Moderator: Thank you. Next question is from the line of Nitin Gandhi from Inoquest Advisors Pvt. Ltd. Please go ahead.

Nitin Gandhi: Did I understand correctly that the peak revenue potential of Wada is 350 and Chennai will be 110. Is it correct understanding?

Balkishan Jalan: Yeah. 325 and 350 depend upon the product mix and 110 at Chennai.

Nitin Gandhi: Right. Okay. And that will be somewhere 27-28, right?

Balkishan Jalan: I do not want to give specific year.

Nitin Gandhi: No issues.

Balkishan Jalan: As we mentioned targeting growth of 15-20% but we will target higher number as well.

Nitin Gandhi: Okay. And besides…

Balkishan Jalan: Depends on the pipeline and we will be utilizing these capacities.

Nitin Gandhi: Thank you. Are there any other plans at drawing board stage at this point of time?

Balkishan Jalan: We will start looking the space maybe next year based on the how we are utilizing the capacity in next year.

Nitin Gandhi: Right. Okay. So, at least not for two quarters. Only thereafter you can share some thoughts on that, right?

Balkishan Jalan: Maybe around 3rd or 4th quarter FY'25-26 we will get more visibility about the next year and plan for further expansion.

Nitin Gandhi: And are there any trades which you see for maintaining your 19% EBITDA?

Balkishan Jalan: Broadly no. 15-20% quarter on quarter. Broadly we see we should be achieving that EBITDA.

Nitin Gandhi: But major risks are there which can threaten this. In past history of last 3-4 years leave aside COVID as any time you faced any issues?

Balkishan Jalan: Post COVID in fact year on year we are able to improve our EBITDA if you see our last 4 year performance and going forward we are thinking we should be stabilizing this EBITDA level 15-18-17 something and so there will be quarter-on-quarter there will be some plus and minus but because of the various reason or product mix or some one time cost and all. But otherwise going forward I do not see any major challenge or risk in that.

Nitin Gandhi: Okay. Thank you. And when is the lock-in getting over?

Balkishan Jalan: Lock-in? Not clear?

Kirit Gala Of the promoter, I mean the existing shareholder. I think 6th March or something around that. 9th March.

Nitin Gandhi: What will be the size of that? How many shares will be getting? What percentage of shareholding will become free after 6th March?

Balkishan Jalan: As per my understanding, Giri, what is the percentage of share which will lock-in? We need to check honestly. We don't remember immediately.

Nitin Gandhi: Yeah, because like I think float is comparatively less so we are just waiting for the lock-in to get over and your float is right now just 12-13% if I am not mistaken.

Kirit Gala: Yeah, sure.

Nitin Gandhi: I think details from offline from somebody who can tell me.

Kirit Gala: Yeah, you can approach CFO and he can check and give it to you. Thank you very much.

Moderator: Thank you. Participants to join the question queue you may press “*” and “1”. Next question is from the line of line of Neel Behal from Negen Capital. Please go ahead.

Neel Behl: Just wanted to check with you considering all these uncertainties that we have. Do you foresee any risk to the kind of growth that we could see over the next 3-5 years?

Kirit Gala: So, I want to start answering and then of course Satish and Jalan can pick up. In general Neel, what we have done is as usual Gala has been constantly getting into new areas, new applications and now developing products with much larger markets than earlier. So, hence we do not force. So, hence we remain basically it is a smaller size itself. So, we do not see any issue in achieving that CAGR of 15-20% or even of for the next 3-4- 5 years. This is my answer but if you want more specific then Satish or Jalan can answer.

Neel Behl: No, I just wanted to understand your broad sense of how you are foreseeing the market right now. Being in at the front lines, you always come to know if any kind of disruptions or hiccups.

So, I just wanted to have a sense from you that are you foreseeing anything? Actually, are you seeing anything right now or do you foresee any kind of hiccups going forward?

Satish Kotwani: So, basically Neel, the positive is that pipeline is very strong also in India and Europe and also in US. So, just to give you little more deeper insight, India, as you know, we have been focusing for fasteners only on renewable in last year. But now we started aggressively working on industrial and railway applications of our fasteners. So, this is a growth area. We appointed Universal Consulting and they are working on the go-to-market strategy for us and we are working very deeply with our existing relationship with these customers which are there for Disc Springs and Coil Springs. So, I think one area focus is on diversifying and also adding new regions. So, particularly US market where the focus was very less and industrial sector US, we started really getting good response in last one year. And Europe, we are expanding, we added a new German guy coming from fastener industry knowledge and adding more value by adding more customers where they are still buying from the European producers. So, I think in general, we are working on all fronts to expand the market, expand the customer and also expand the wallet share with the existing customers. As you rightly mentioned, we foresee some uncertainties in not short term but definitely mid to long term particularly because of Trump in US. But being very agile and close to market, we are definitely working on adding more and more opportunities in pipeline so that we come up with the plan to compensate these uncertainties.

Neel Behl: Thank you, Satish. That helps me to kind of get a sense. So, basically from what I understand, correct me if I am wrong, currently you see nothing, but what you are saying is we don't know, on what basis Donald Trump coming, what could happen in the future. That's the case for all companies, I guess.

Satish Kotwani: Yes. We started looking around more opportunities where we see more positive things happening and working on those areas.

Neel Behl: Noted also, second thing, I believe our phase one is largely done in Chennai and phase 2, you said sometime next financial year. Have you thought of anything beyond that? Because if we are long term investors, we are thinking much more down the line. So, I know you cannot give any official guidance, but any kind of thoughts at a broader level that you have thought about growth going forward beyond this phase 2 also?

Balkishan Jalan: Neel, actually, yes, we already started discussing the location and we are not zero down, but we have discussed the third plant can be in Chennai itself near to the present plant, but we still want to concretize by getting the feedback from customers once we start delivering from the Chennai plant. Alright, and this will be for Fasteners itself, right? Mainly Fasteners, and again, strategically, we are evaluating two options. One option is Fasteners plus there can be some product which we are anyway producing at Wada can be option one based on how we are seeing customer distribution or second option can be we move Fasteners, some of the capacity from Wada to Chennai and free up some capacity at Wada, and add capacity for the spring or coil spring in Wada. So, these are the two options which we broadly evaluate but we will still wait for customer feedback and then we will finalize our strategy, location, and the product mix.

Neel Behl: Okay, noted. Couple of questions, one of them is that I saw that there is a small bit of expansion that you announced at Wada. I think it was 11 crores, am I right?

Balkishan Jalan: Correct.

Neel Behl: In terms of expected top line addition from this, what would it be, about 30 odd crores, 35 crores?

Balkishan Jalan: Yes, approximately 35 to 40 crores because we are investing mainly in the plant and machinery rather than the land, building, and infrastructure. So, just for your understanding, if you have to start a greenfield project where we have to take land, building, infrastructure development apart from the plant and machinery, the total asset turnover is 2.5 but when we are doing incremental investment mainly in CAPEX of machine, then the asset turnovers are slightly higher.

Neel Behl: Noted. So, basically I just wanted to understand how much more space do you have at Wada because I want to understand what more can you do at Wada? Are you kind of maxed out over there?

Balkishan Jalan: We almost will be maxed out next year once we complete this CAPEX and in one of the questions I mentioned that we are seeing from Wada we will be maxed out 325 to 350 depend upon the product mix.

Neel Behl: Got it, got it. This helps a lot. Thank you so much, Kirit bhai, Jalanji, and the team and I just wanted to say great initiative to keep the concall. Please keep this going.

Kirit Gala Sure. We always want to be transparent and straightforward with all our investors because we are collectively doing a great work for not only ourselves but also for India and probably for the global markets.

Moderator: Thank you. Next question is from the line of Khush Nahar from Electrum PMS. Please go ahead.

Khush Nahar: I just wanted to ask, are we planning to enter in terms of segments in the defense and aerospace segment in the near future?

Kirit Gala: Definitely not organically.

Khush Nahar: Okay. I just see that we have I think around 78 crores of cash on book as per balance sheet. So, have we deployed all of this or anything is pending?

Srinivasan Giridhar: Major portion of the 78 crores 68 crores is actually unutilized IPO funds which has been kept in fixed deposit which will get utilized for the Chennai and Wada CAPEX over the period of next 6 months to 1 year.

Khush Nahar: Okay. Sir, like you mentioned there is no advanced thing anything right now?

Satish Kotwani: We are contemplating we are discussing but there is no concrete thing right now.

Khush Nahar: Okay. So, broadly this will be domestic only not overseas or we are open for both?

Kirit Gala: No. We would prefer domestic. Okay.

Khush Nahar: Alright and it will be in adjacent segments? Not anything new?

Kirit Gala: No. So, we are always going to be in precision engineering which is what we love and we excel at.

Moderator: Right. Okay sir. Thank you. Thank you. Next question is from the line of Utkarsh Chhajed from Equitree. Please go ahead.

Utkarsh Chhajed: I just wanted to know your visibility in the fastener segment and how much growth are you expecting there in the fastener segment particularly?

Satish Kotwani: So, I think company level we are looking at about 15 to 20% growth CAGR for next 3-4 years and of course fastener being a much smaller base and we just started adding more and more customers more and more segment. So, growth in fasteners will be higher than the other product groups category.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for the closing comments.

Srinivasan Giridhar: Thank you all for participating in this Earnings call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR managers at Valorem Advisors.

Moderator: Thank you sir. On behalf of Gala Precision Engineering Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.