



RISHABH INSTRUMENTS LIMITED

(Formerly Rishabh Instruments Private Limited)

June 3, 2024

To,
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block, Bandra-
Kurla Complex, Bandra (East), Mumbai –
400051
NSE Symbol: RISHABH

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001
BSE Scrip Code: 543977

Dear Sir/ Madam,

Sub: Earnings Conference Call Transcript for Q4 – FY 2023-24

Please find enclosed herewith the copy of transcript of the Earnings Conference Call held on May 29, 2024 in respect of Audited Standalone and Consolidated Financial Results for the Quarter and Year ended March 31, 2024.

Kindly take the same on your records.

For Rishabh Instruments Limited

Ajinkya Joglekar
Company Secretary and Compliance Officer
ICSI Membership No.: A57272



Measure



Control



Record



Analyze



Optimize

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Rishabh Instruments
Q4FY24Result Conference Call
Event Date / Time: 29/05/2024, 17:00 Hrs.
Event Duration: 01 Hr 01 mins 02 secs

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 29th May 2024 will prevail.

CORPORATE PARTICIPANTS:

Mr. Narendra Goliya
Chairman and Managing Director

Mr. Dinesh Musalekar
CEO

Mr. Vishal Kulkarni
CFO

Mr. Anand Laddha
Finance Director, LUMEL

Mr. Tushar Pendharkar
Ventura Securities Limited

Moderator:

Ladies and gentlemen, good day, and welcome to the Rishabh Instruments Limited Q4&FY24 Earnings Conference Call hosted by Ventura Securities Limited. 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to point out that this conference call may contain forward looking statements about the company, which are based on the belief, opinions and expectations of the company on the date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand the conference over to Tushar from Ventura Securities Limited. Thank you, and over to you, Tushar.

Tushar Pendharkar:

Thank you. Good day, ladies and gentlemen. On behalf of Ventura Securities Limited, I welcome you all to Rishabh Instruments Limited Q4&FY24 earnings conference call. The company is today represented by Mr. Narendra Goliya, Chairman and Managing Director, Mr. Dinesh Musalekar, CEO, Mr. Vishal Kulkarni, CFO and Mr. Anand Laddha, Finance Director, LUMEL. I would now like to hand over the call to the CMD of the company, Mr. Narendra Goliya, for his opening remarks. Thank you, and over to you, sir.

Narendra Goliya:

Thank you. Thank you very much and thank you all the participants for joining us on the Rishabh Instruments call. As he pointed out along with me on the call are Dinesh Musalekar, Vishal Kulkarni and Strategic Growth Advisors, who are our Investor Relations consultants.

We have already uploaded the results and investor presentation on the stock exchanges and probably some of you would have seen it. If not, after this, the people who have not seen it, can have a look at it. It's on the website.

Financial year 2024 has been a milestone year for us. We got listed on the Indian Stock Exchange in September '23 and are excited to conclude the financial year with a growth of 21.1% in our top line as compared to previous financial year FY23. I'm thankful to our entire team of Rishabh Instruments, LUMEL, both LUMEL SA and LUMEL ALUCAST, V&A and Sifam Tinsley who are spread across the globe; UK, USA, China, Poland and India. I wanted to thank all the stakeholders, including our investors who have shown faith in our business.

To begin with, let me give you a background of the industry that our products cater to. Where do the demand for our products come from and where are the products consumed. Rishabh Instruments is

in the business of energy efficiency solution products. And as stated earlier, we are highly influenced by spending in energy sector developments like transition to clean energy sources, industrial automation and infrastructure spendings. Many countries who have pledged for net zero transition, EV charging infrastructure, industrial automation, tend to reduce the carbon footprints and encouraging for adoption of energy efficiency solutions.

This evolution requires an accelerated and inclusive transition of energy efficiency products to ensure the delivery of efficient, secure and equitable energy with best in class solution. These investments in the clean energy sector and infrastructure development poses a healthy demand for our products on large scale. Such increased spending in India and Western nation positions us to capitalize on higher demand across Indian and overseas markets and gives robust growth opportunities for our business with favorable momentum in large addressable markets. With a large addressable market and a product basket of nearly 0.13 million SKUs and continuous R&D, we are poised to grow our top line by 20% to 25% YoY, keeping the quality norms at the forefront. We also remain committed to increasing our product portfolio and wallet share going forward to achieve a CAGR of 20% over the next few years.

This steady growth will help us in mitigating the geographical risk and hedge the business from various business risks. Secondly, we are slowly and steadily moving towards the professional management. And in the past, we already announced that Mr. Dinesh Musalekar will lead the whole company as the group CEO. He has been with us for the last 10 years and has strategically steered the Poland business post its acquisition 2012 and turned these loss making businesses to healthy EBITDA margin businesses.

Thirdly, with respect to acquisition in the aluminum diecast segment in India, we completed the due diligence process for the potential acquisition we had informed you in the last call. The list of CPs, conditions precedent are being investigated and informed to the seller to take action in the coming 6 months after which we will make the financial decision and the commercial decision on whether to finally acquire the business or not. At last, I would like to thank all of you for keeping good faith in us, and we remain committed to grow our business both domestically and internationally.

With this, now I hand over the speech to Mr. Dinesh to take you through the operational highlights for the last quarter and financial year ended March '24. Over to you, Dinesh. Thank you.

Dinesh Musalekar:

Thank you, sir, and good evening, ladies and gentlemen. Let me start with key operational highlights for the quarter year ended March 2024. We are delighted to announce that our revenues grew by 21% in financial year '24 compared to the previous year. Additionally, our revenue for the quarter increased by 2%. Our Electrical Automation and Metering and Control Devices segment achieved 17% YoY growth in financial year 2024. Our aluminum diecasting business also grew by 19% YoY in financial year '24. Additionally, our portable test and measurement instruments also saw a robust growth of about 31% YoY from last financial year to this financial year '24. Solar string inverters has been an immense growth. It has a growth of 142% in Q4 of financial year '24. If I look at the overall YoY comparison, we have grown 348% compared to last year.

So it has, as we believe, has a potential to add significant revenues in the next 2 to 3 years, and we believe that it can become about INR 100 crore company in the next three years. We are also working on reducing the cost of manufacturing and redesigning our products in order to make this business more profitable. At the moment, this is at a breakeven. We are not making money out of this business, but there is a work which is going on, and this business will become more profitable in the coming years. For For capacities and utilisation, we have added a new slide in our Q4 investor representation for your understanding. We continue to remain at a good capacity utilization level and have enough unutilized capacity to continue to grow in the next 4 to 5 years.

Having said that, we have also planned CapEx to cater to our growing demands for the next 2 years. We have been granted approval of the MIDC in Nasik to set up 6 storied building to double some of our existing capacities in core business segments. Further, in Polish entity, LUMEL SA, we have already placed order for new SMT line, which will be operational within this financial year. This will also give us a lot of scope to increase our EMS business and our electronic manufacturing in Poland.

Apart from this, we are also in the process of finalizing a new state of the art SMT line in India. This will increase our capacity to grow in our digital products as well as EMS business, which also is seeing a big growth for us and this we will do by having a clean room and online AOI and X-ray machine to have the best in class for EMS and high end electronic manufacturing. We also added next generation inverters, NEO RADIUS, in 3 phase ranging from 3 kilowatt to 20 kilowatt and continue to develop this range right up to 120 kilowatt in our R&D. We are in the process of developing, we are at the last stage of development of single-phase inverters, which we call as UNO ranging from 2 kilowatt to 10 kilowatt. This will help us to tap the business of micro installations, which is a big market which is opening because of lot of government schemes which are coming in India.

Our Poland R&D team also has developed a lot of new products which have been introduced during the year ranging from paperless recorders like KD6, KD10 and then universal programmable digital meters like N31U and then some IoT products like ND31 to enhance the power quality analyzer segment. During financial year '24, we have overall added 19 new products, designed and developed from our R&D centers in Nashik, Zielona Gorain Poland, Shanghai in China, in line with our commitment to continuously innovate and introduce new products. We also have about 20 products in the pipeline to be added by financial year '25. These new products added in the last 2 years have contributed to about 10% of our top line in the electronic segment.

In our pursuit to enhance the customer experience, we are actively investing in our R&D facilities to innovate and design, develop and manufacture products fully in house. We are also exploring the possibility of setting up R&D center in IIT Mumbai campus for a cutting edge research for the group apart from 5 R&D centers, which we are having so this is the 6th one which we are looking at very closely. Further, as stated earlier, our aluminum die casting business is undergoing a transformation phase. We are developing numerous critical products, ranges tailored for us with the evolving future EV technology space alongside our continued commitment to innovations in the automotive sector.

This strategic approach will also not only enhance the product basket, but will also diversify our end user industry application with long term revenue visibilities. We are supplying to EV OEMs, the

cooler systems for battery aggregate systems and critical components, throttle bodies in engine parts, compressors, seat belt safeties, brake safeties, HUDs. We are supplying parts which are not so much structural, but which are with the safety characteristics and operational functionalities, which make them more complex and challenging. Our current emphasis lies to increase our geographical reach, to increase market share across our existing product categories, together with the launch of new products on a continuous basis. We remain committed to expanding our business by leveraging our in-house capabilities to achieve a distinct cost competitiveness.

We have witnessed a positive response from our existing customers on the back of our quality norms, and this gives us confidence to tap higher market share across geographies. We hold a positive outlook on exploring untapped markets to enhance our existing market share as well as penetrating new markets to broaden our customer base. Let's quickly dive into our entity wise performances. Let's look at our stand alone business at Rishabh in India. The revenues have been INR 2,246 million in the financial year '24, having registered a growth of 14.6% on the YoY basis from financial year '23.

We believe we have immense potential to grow our business in India. The Indian government has announced higher spending in infrastructure development during the budget speech, and this will give more opportunities with our growing product portfolio to capture the market. Demand in India is increasing for our products and as the Indian infrastructure and economy grows, we will see its direct impact on our performance in the near future. Further, we started to see positive traction in our solar inverter business, especially after introduction of our Second generation R-NEO inverters. Our team is now actively working on cost optimization techniques to make this healthy margin business and become a close competitor to all the Chinese made inverters.

Moving on to LUMEL SA, the electronic manufacturing division of our group in Poland. Revenue for financial year '24 stood at INR 1,745 million and registered a growth of 28% YoY. When everybody in Europe is talking about slowdown, we had registered such a tremendous growth there. Electronics operations in Europe continues to thrive with higher YoY growth.

This is due to company's penetration in medium voltage segment, Industrial Automation and Green Energy. Further, we have invested in the state of the art third dedicated SMT line last year, which is to support EMS business in LUMEL SA. So all of this is giving us a lot of growth and on top of that, we'll be investing in the fourth SMT line there during this financial year. In LUMEL ALUCAST revenue for 2024 stood at INR 2,709 million with a growth of 20% YoY from financial year 2023.

The aluminum die casting business has seen revenue increase considerably YoY basis. So our products are accepted and are in a very high demand there. However, the margins continue to be under stress, particularly from the automotive industry in this company. Some of the contracts that we signed long back have not been revised for the price revision because of the tight contracts that we have and after the energy and the wage crisis happened in Europe. So we are now firmly renegotiating these contracts with customers.

For few contracts, which are non-profitable, we may let them go. So after we did whatever we could do in optimizing the cost, so we have gone back to our customers and renegotiating. If they are not

coming up with the revised prices, we may let go some of the contracts. That's why we moderated our growth for the next year for aluminum die casting business from about 20% to 10% in view of that so that we can work more on the bottom line. We have made some progress also on the stabilization of these new projects, which we launched for EV to generate higher revenues.

So this is work in progress. We remain committed to get back to desirable, profitable levels in the die casting business. Overall, our aluminum die casting business did experience some impacts in profits primarily attributed to the energy and wage crisis, resulting in higher inflation environment. However, it's noteworthy that we have, as I said, negotiating with our customers to revisit these contracts and come back to our normalized EBITDA levels.

Coming back to our China business. Our China operations has started to grow post extended COVID shutdown that we had in China. So as you recall, the China business was acquired just before the COVID, and we had 3 years of lockdown there and now we are putting things together and started to grow. This is 1st year that we saw a growth of 19% from China business. This will help us and not only that, we are using China also to help us to source electronic components for Rishabh and LUMEL SA to reduce cost of raw material.

Now what we did is we already set up a purchase desk there to support this. This has already started, and we are introducing more products in Chinese operation. This is going to help us to serve clients in China, Europe and USA. Apart from that, having office in China, we have set up a full time area sales manager to sell electronics products, which are manufactured in Poland from LUMEL SA because there is always a niche market for European products in Chinese market as well. So about other entities like Sifam Tinsley, USA is steadily growing. USA business has grown by 17.5%. Our UK business shrunk by 1.4% because part of that UK business is also contract specific. Some projects come in some years thick and fast. So this is something which we see on a longer horizon. So, but it is a quite profitable business, small profitable niche business that we have.

Just to summarize, our Electronics business has been performing well, contributing a significant increase in margins, owing to our in-house cost optimization efforts and better inventory management and the growth drivers in the domestic market like infrastructure development, increasing activities in manufacturing sectors continue to boost our instrumentation sales. The energy optimization and industrial automation are helping us to sustain growth in our international markets, particularly in Europe. We hold a positive outlook on exploring untapped markets in India, USA, China to enhance our existing market share as well as penetrating new markets to broaden and diversify our customer base.

We have witnessed a positive response from our existing customers on the back of our quality norms, and this gives us confidence to tap higher market share across geographies. We remain highly committed and optimistic for coming quarters on the back of high infrastructure and energy transition spendings, which will fuel our growth going forward. With this, I would like to hand over to Mr. Vishal Kulkarni, CFO, to delve into financial performance of the group after which I'll be open to your questions. Thank you very much. Vishal.

Vishal Kulkarni:

Thank you, Good evening, all, Let me just give a brief snapshot on the financials. Let me start with the margins front. The consolidated adjusted EBITDA remained at INR 214 million in Q4 of FY2024, down by 35% from Q4 of FY2023. The consolidated adjusted EBITDA margin stood at 12% in Q4 FY23. Consolidated PBT was at INR 112 million in Q4 FY24, down 42% on YoY comparison from Q4 FY23. Our consolidated FY24 adjusted EBITDA stands at INR 950 million up by 14% from FY23. We have achieved our FY24 consolidated PBT of INR 511 million, down by 16% on a YoY comparison from FY23.

The decrease in FY24 adjusted EBITDA for the quarter is mainly on account of the following three factors: Increase in employee cost by INR 88 million from rise in minimum wages in Poland, which occurred twice during the FY24. Increase in manufacturing costs by INR 28 million is primarily attributable to increased rates of power cost, elevated subcontracting expenses driven by higher inflation in Poland and other operational factors. The addition of new projects has impacted on the EBITDA margins temporarily. However, these are long term contracts expected to generate higher revenue going forward with better margin profile due to operating leverage plans.

Our newly introduced product, the solar inverter, has seen a multifold growth of more than 3.5x in revenues for year ended March 2024 on YoY basis. However, the product is in its initial phase and hence the margins are lower, which are anticipated to expand going forward. Adjusted EBITDA, I mean excluding use of expense and withholding provisions, increased by 13.6% on a YoY basis, but reduced by 91 basis points, mainly due to higher increase in minimum wages in Poland and increased power costs, altogether resulting in higher inflationary environment.

This has impacted the overall EBITDA numbers and margins in Q4. Starting with the company wise key financial highlights. India business, the stand alone revenue for FY24 stood at INR 2,246 million which is grown by 14.6% from FY23. LUMEL SA, the electronic business revenue for FY24 has remained at INR 1,745 million grown by 38% on YoY basis from FY23. The EBITDA stands at INR 331 million for FY24, grown by 225% from FY23.

LUMEL ALUCAST has shown a steady growth of 20% in revenue in FY24 and it remained at INR 2,708 million. The EBITDA has remained at INR 95 million in FY24, which has shown a degrowth of 65% on YoY basis as compared to FY23. On the consolidated level, we remain net debt free with a strong balance sheet. Net cash and cash equivalents as on 31 March 2024 stand at INR 998.87 million. A healthy cash flow from operations is INR 776.89 million. With this, I shall now leave the floor open for Q&A.

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press * and 1 on your telephone keypad and please wait for your turn to ask the question. If you would like to withdraw your request, you may do so by pressing * and 1 again. We will wait for a moment while question que assembles. Our first question comes from Jaiya Shah from Wealth Securities. Please go ahead.

Jaiya Shah:

Hello. Thank you for the opportunity. My question is that despite experiencing revenue growth across various segments, what factors are contributing to the suppression of our margin? Is it primarily due to employee cost? And can we expect this trend to continue in the future as well?

Dinesh Musalekar:

Yes, if I may. Okay, thank you for the question. If you look at the overall business, at the consolidated level, we have healthy 21% growth and even if you look at company by company, every company has done reasonably good on the top line. So including LUMEL ALUCAST, which is an aluminum diecasting business.

All that those employee cost and inflation and all of that is coming from Poland operations. We have got 2 businesses there. In the electronics business, we are able to transfer all of that to our clients because it's more like our own brand and we sell, we have control on our pricing strategy and we can do it immediately and the market also has absorbed. So we have in fact, of all the 3 companies, LUMEL SA was able to perform very good on the profit side. But when it comes to aluminum die casting, in the same environment where we have got wage increases 2x last year, more than 20% wage increases had to happen.

And also energy costs were high and apart from that, we also introduced a lot of new projects. All these three factors pushed our costs to go up. And obviously, we wanted to transfer them to our customers. So there about more than 50% of our portfolio is automotive business. Automotive business, unfortunately, you have a long term contracts where a lot of things are agreed, and these are contracts which were signed a few years ago.

So we have a tight rope there to do that. So what we are doing is we are reengaging, re negotiating these contracts with the automotive clients and, some amount of success we have and something where, the customer is not ready to understand the difficulty and come in line, we may end up terminating this contract, which also is not easy because the termination clauses are also really long because they have to find the alternate supplier and you have to support until such time because this is how the contracts are made in Europe.

So we are going through that process. A lot of work has been done. We need more time to do that. Once we do that, then we will come back to our EBITDA levels in aluminum die casting, which have to be in the range of 15% to 18%. And for electronics, we if you, today also if you look at, in electronics business, we are above 20% EBITDA level. So all of this, bottom line effect which you'll see whether you look at it EBITDA level or EBIT level or PAT level, it's all flowing through because of the same reason which I explained now.

Jaiya Shah:

Okay.

Dinesh Musalekar:

So it may take about 6 to 9 months to correct that. So what we can say is we are having a challenging financial year ahead as far as LUMEL ALUCAST profitability is concerned. So once we have done some actions. First of all, the top line, we are reducing it from 20% growth to 10% for this business. So we will not be expanding that capacity. Instead, we are doing things to reduce the cost. We are going for solar installation on top of this building to reduce energy cost so that 30% of energy that we consume can be produced ourselves. Then we are renegotiating with customers to look at that. We are really looking at stabilizing these new projects where the scrap and quality cost can come down. So lots of actions are in place, some operational, some with the client. And it may take about 2 to 3 quarters to get over these problems and maybe by next financial year, we have a normalized number.

Jaiya Shah:

That was helpful. I have just another one small question. If you can explain me in brief the large unutilized capacity of 45% as there in FY24. If you can just tell me how that is and the kind of CapEx that we are investing and what will be the impact going forward?

Dinesh Musalekar:

See, if I can get use your question that we have about 45%, when we say that we have about 45% annuitized capacity, why do you want to invest? Is that your question?

Jaiya Shah:

Yes, something like that and the impact that will be going forward.

Dinesh Musalekar:

Okay. So see, one of the things that the CapEx that we do are more for mid term plans. So when we went to market, we also we had this some of the IPO proceeds, which we said that about INR 68 crores, INR 70 crores are going to be going into this new building and new infrastructure that we are setting up in Nashik, where we will double the capacity for a lot of our electromechanical products. So we are putting 1, we have got 2 locations in Nashik. One location, we are expanding the building from an old building to a new 6 storied building where we will have enhanced capacity for electromechanical. On the other side, for that's for electromechanical.

For digital products, you have different processes. Some operations we may have utilization of 80%, 90%. Some you may have 30%, 40%. So we have to balance this whole capacity because some, operations may be a bottleneck. So to debottleneck them, then we have to make investments. So SMT line is an example. So I talked about installation of SMT lines, which may be about close to INR 10 crore expenditure for us. That will increase our capacity of SMT lines, which is now at about 80% utilization. So we need to work on that. But after that, we have got a lot of other processes where

we have got maybe 30%, 40% utilization. So we need to balance that. So overall, when we say 30%, 40% capacity, we give a average capacity underutilization for the whole plant. But within that, there can be some sections which are close to 70%, 80%, 100%. So that they become bottleneck if we don't address them immediately because this CapEx also takes 1 year to realize this CapEx. So we have to start doing that now. So, we'll not need it this year, but we'll need it for the next year to support the growth.

Narendra Goliya:

Also understand that the variety of customers we have and the variety of products that we have, each month we get different orders from different people. So there could be one product which we are working at 80%, another at 50% next month, it could reverse. So you can't plan more than average utilization of more than 65%. If you do then, your customers will suffer in terms of the time of delivery. So we are taking all that into consideration and investing before time, so that when the time comes because see, we are growing 20%, 22% every year. So if you accumulate that in 3 years, you need double the capacity. And that has to start right now. I think that's the answer to your question.

Jaiya Shah:

Thank you, sir.

Moderator:

Thank you. Ladies and gentlemen, if you have any questions, please press * and 1 on your telephone keypad. Our next question comes from Saurabh Sadwani from Sahasrar Capital. Please go ahead.

Saurabh Sadhwani:

Hello. Good evening, sir. And so I just wanted to understand that given the contracts that we have signed in the ALUCAST business that are crushing our margins, are we expecting that the situation due to which the margins are expanding, for example, the wage inflation and the power cost? So we are expecting these costs to stay where they are. That is why we are renegotiating the contracts. Is that correct?

Dinesh Musalekar:

Yes. See, there are 2 parts to that. There's a in Poland, we had a previous government, which was more populist kind of a government. So they had this crazy increase in wages to win the elections, and of course, they did not win. So there were unreasonable increases of wages and the government has changed, so we don't expect such policy changes.

This is one. Second thing is the gas prices, which we had this Ukraine crisis, they have kind of stabilized. This is the second thing. Third thing is on the electricity side, the prices are still going up,

but we are trying to mitigate that by installing solar installations. So we are going with 1.3 megawatt installation on top of the LUMEL ALUCAST plan.

For LUMEL SA, we already have one about 120 kilowatt, which is small because consumption of electricity is more in aluminum diecasting. So this will help us about 30%, 40% of this thing. So we're doing all those things to optimize. So in spite of doing all of that, that is not good enough for the rate at which the contracts were signed sometime ago. So that's where we have to absolutely renegotiate with the customers.

Many understand, non-automotive clients understand they do some corrections, so we made some progress with them. And automotive also, there are 2 major groups of automotive, which cover about 80%, 90% of our automotive business. So with one of them the largest one, we had very tough negotiations over the last full quarter. And we reached some agreement on 60%, 70% of the contracts. Still, there are some which are there. So some we decided that we will terminate in some time. Some they're ready to do price corrections as we wanted and some are still open. So this is work going on. The other one, we have to still start because we didn't want to rock the boat and do this aggressive negotiations with all the customers at the same time. So we will get over the line, but this is a bit challenging environment now, not only for us, for all the aluminum die casting companies in the region.

Saurabh Sadhwani:

Okay, sir. Okay. And the second thing was we have also signed new contracts in the automotive segment, right, which we are expecting it would show significant revenues in maybe 3 or 4 years. So are these contracts having that clause to pass on the cost?

Dinesh Musalekar:

Unfortunately, for material, we have. For energy also, we have in some of them. But we don't have anything to cover up for the inflation and the labor costs. So they are not there. So they still kind of open points and that's one.

Second thing is because they are so challenging, so we had to really work very hard on stabilizing them, reduce the cost of quality, get more products on right on time. And also, we have issues with the shortage of manpower, so which also puts us to do overtime for the same people who are there. So there are some operational which are typical in Europe. So those are things which are working on. So we still have to unfortunately talk to customers on the revision of prices. Technical side, we are good. We have been producing. We have been selling, and they're all taken off the ground. But commercially, they are still how to be corrected.

Saurabh Sadhwani:

Okay. Okay. And so can you give us an update or something about the order book that we have, maybe a breakdown or how much is the order book right now?

Dinesh Musalekar:

Yes. As far as order book is concerned, in electronics business, it's always very much scattered. And generally, our booking to billing cycle for 90% of the products is less than one month. So we always have a backlog of one month is good enough for us. Having said that, we have an average backlog of about in Poland business where the turnover is much faster in terms of booking to billing, we do it in two weeks' time there. There we normally have some contracts where you get a forecast and all of that.

So you have about one month backlog there. In Rishabh, we have got about 2 to 2.5 months backlog in a given point of time on the electronics business. So where our booking to billing is typically less than one month cycle. When it comes to aluminum die casting, the forecast is given for the whole year. So we have orders to grow 25% for next year. So we have reduced it to 10% because we want to really when we sit and negotiate, we may have to do away with some contracts. In spite of doing, away with some of those contracts, we still will have 10% growth. So that is, there is no dearth of orders for our electronics or die casting business. Top line, we are not even worried at all in both the companies.

Saurabh Sadhwani:

Okay. Okay.

Narendra Goliya:

Historically, if I see the more you expand and the more you manufacture, the more people place order, although you don't have order book of 6 months or 1 year, typically these orders are 2 months, 3 months. But when people see the demand is quite good, and all of you know India at the moment is growing so well that there is no shortage of orders. It's always how fast you can deliver. And the faster you deliver, more the people start trusting you.

Saurabh Sadhwani:

Okay. Okay. So the aspiration that we had to reach INR 100 crores - INR 1,000 crores by '26, '27. So that still is the aspiration. That is still achievable, right?

Dinesh Musalekar:

Yeah. We are almost INR 700 crore now..

Saurabh Sadhwani:

Okay.

Moderator:

Thank you, sir.

Saurabh Sadhwani:

Thank you.

Moderator:

Our next question comes from Krupa Desai from Electrum PMS. Please go ahead.

Krupa Desai:

Hi, sir. I understand the issues that we are facing on the on, on the die casting side of business, but what could be the ballpark EBITDA margin for the whole consolidated business for FY25? That's my first question. My second question was what is our ESOP expense for FY25?

Dinesh Musalekar:

Okay. So while Vishal will tell you the ESOP expense for '25, I can, see, we are looking at about 15% EBITDA, in excess of 15% EBITDA at a consolidated level. A lot will depend. See, for Electronics business, I can straight away very confidently tell that 20% is our EBITDA for the Electronics business, which is about 60% to 63% of our turnover.

On the die casting side, we are trying to get into double digit minimum by end of this financial year. A lot will depend on the segment mix, non-automotive, automotive, how much we'll do, how the negotiations will go on and all of those. There are some ifs and parts. So on a conservative side, this is what we want to look at, 10% for aluminum die casting, double digit I'm saying. And at a consolidated, we should be around 15%. This is what we want to see as a kind of a guideline.

Narendra Goliya:

So you said cost for FY25 will be around INR 115 million.

Dinesh Musalekar:

INR 115 million.

Narendra Goliya:

INR 7.5 crores.

Dinesh Musalekar:

Yeah.

Krupa Desai:

Okay, sir. And when are we going to start a new Nashik manufacturing facility?

Dinesh Musalekar:

So we wanted to after this event listed, we wanted to start this work as quickly as possible. But we got the MIDC approval to start this work just a month ago. In a month's time, we have already demolished the old building and so and a lot of work is already started. So the construction will, we should be finished by end of this financial year, more or less. So next financial year, we should make this building operational with the production.

Krupa Desai:

And once this building...

Narendra Goliya:

First quarter of next year.

Krupa Desai:

Okay, sir. And once the, this building becomes operational, I believe the margins on the electric automation side would increase, right? Because this with the operations from Poland to Nashik.

Dinesh Musalekar:

No. This is this is for electronics, see, we have our two big manufacturing facilities for electronics, one in Nashik and one in Poland. So this is to expand our capacity to increase our business in Nashik. So this will only increase our revenues going forward with the similar margin that we have.

Krupa Desai:

But, sir, currently, our capacity utilization is, I believe, below 50%. So, like, the new manufacturing facility, like, we will need we will have such a demand to require that facility.

Dinesh Musalekar:

Yes. So currently, we have two locations in Nashik, where we the electromechanical products and electronic products are all manufactured more or less in the same location. So you want to take all the electromechanical production to this new building, where we can manufacture products like

current transformers, then shunts, CAM switches, analog panel meters, where that will give us bigger space to increase our electronic products in the existing manufacturing facility, where we make power quality analyzers, test and measurement equipments, digital equipments, etcetera, etcetera. So as I explained before, even if we talk about capacity utilization, we talk about the average. So you will have different operations. So there is something called an SMT line, which has its own capacity utilization.

Then you've got assembling of those PCBs. This has got its own capacity. Then you've got testing calibration. This has its own capacity for different products. So, average, if you look, we can say that capacity utilization is around 40% to 50%. But also within that, there could be some areas where the capacity utilization is around 70%, 80%. That's why we have to invest in having a new SMT line to debottleneck that operation. This is how it works to have a complete from end-to-end capacity enhancement.

And when we make such, you know, investments as in your previous question also, it was asked. So if we want to reach INR 1,000 CR in 2 to 3 years' time, then you are talking about, from INR 700 crore to INR 1,000 crore, you are talking about a huge increase where you have to have capacity built for next 4 to 5 years. So, this is why we are building that capacity.

Krupa Desai:

Okay. Understood, sir. And my last question is, are we profitable on this solar inverter space?

Dinesh Musalekar:

Yes, solar business. Yes, on the solar business, see, unfortunately, we have a lot of Chinese inverters coming to India, and we have to be really competitive. So after we launched, we had this 1st generation, then we came up the 2nd generation. With the 2nd generation, 50% of the inverters, we are at a breakeven. But now what we are doing is we are redesigning the product again to make it profitable to get the cost down by 20% to 30% of our manufacturing cost by having sourcing from China for the components, redesigning the whole product to have less number of PCBs, less number of components, less number of material, etcetera, they're still making those products more reliable.

So this is work which is almost happening. By end of this year, we should get this product also into profitable band. But we were doing about few crores just a year ago. Last year, we did INR 17 crores of business with solar between Poland and India. So this can only increase.

So we have potential to reach INR 100 crores in about three years time, but we, there's no point in reaching that if it is not profitable. So this is in our hand to reduce the cost and increase the prices and acceptable in the market.

Krupa Desai:

Okay. Understood, sir.

Dinesh Musalekar:

Thank you.

Moderator:

Thank you, sir. Our next question comes from Pratik Gandhi from Helios Capital. Please go ahead.

Pratik Gandhi:

Yeah. Hi. This is Pratik from Helios Medias. Thanks for the opportunity. Sir, just to clarify on the margin part, the 15% plus, margin that you talk of is x of ESOP cost, right?

Dinesh Musalekar:

Yes. We are talking about adjusted EBITDA there.

Pratik Gandhi:

Okay. Okay. Because I remember in Q3, in the last quarter, we had taken off 18% plus margin, but I understand the issues in Poland, specifically in the die casting division, could have met this revision, right?

Dinesh Musalekar:

Yes. Yes. Absolutely. You're absolutely right.

Pratik Gandhi:

Okay. Okay. Understood. Understood. Sir, just a bookkeeping question. What would be the ESOP charge in fourth quarter this quarter? 50 million?

Dinesh Musalekar:

Yeah.

Narendra Goliya:

INR 11 crores. No, no.

Dinesh Musalekar:

For the next year it is. He's asking for this quarter. So he will, one second. Vishal is just going to tell that. So I think--

Pratik Gandhi:

Okay. But by that time, if I can just squeeze up...

Vishal Kulkarni

INR 34 million.

Dinesh Musalekar:

INR 34 million was the ESOP cost in the quarter four.

Pratik Gandhi:

Okay. Okay. Understood. Sir, just last question from my side. I mean, as I understand the cost escalation issue in Poland, etcetera, is there any strategy from our side to slowly start shifting some of the business to India?

Dinesh Musalekar:

Yes. This is, unfortunately, we have all our productions apart from Polish one entity are electronic manufacturing. That is one of the reason why we were looking at some inorganic growth opportunities to see them here. In the speech of Mr. Narendra Goliya, our Chairman, he mentioned about that.

So we did check one company, did all their due diligence. We have got CPs to comply with. After six months, we'll relook at that and if it is financially feasible, we may do that. At the same time, we have this at the back end to look at India as a kind of a place to support back end for some of the operations, which are more labor intensive..

So, this is very much part of the strategy. We don't want to talk much about it because there is some due diligence process which is still not concluded. But we have that very much in our mind.

Pratik Gandhi:

Got it. Sir, and we wouldn't have lost any client in these 3 months, right, because of this escalation issue?

Dinesh Musalekar:

We did not lose any clients. The clients are all intact. In fact, we wanted to terminate some contracts. See, when we work with one automotive industry, we work with we are really, really, very top end supplier for these customers. So we work with like about half a dozen of their supplies.

We supply I don't want to name the customers, but we'll be supplying them to Spain, we supply to Czech Republic, supplying them in Poland, Germany, France. So a lot of places we supply and in every entity, we supply multiple projects. So what we do is we do a CBD cost breakdown and then go and justify show that this is how it is and this is not feasible. They go through all of this thing.

Unfortunately, they also go to their clients who can be Stellantis or who can be Volkswagen, who can be BMW, Mercedes. They go to those clients. It's a long process. They have to agree for that. So it's quite kind of, you can say, bureaucratic, rigid and kind of, I would say, it's one-sided in a way.

So our, the customers who we supply also are supplying to somebody else who are so rigid. So it's a bit resistive market. So we did not lose any customer. We only have agreed to phase out one or two projects. But some projects, we agreed to have price revisions, and some projects are still left to do that because they want to launch this project.

They have worked 2, 2 years with us, right, from conception of this the part and developing all the 3D models. And after that, you develop the tooling for them and the manufacturing process. Some of the equipments are customized. So it's a long engagement with lot of engineers involved from both the sides. So it's not so easy.

But at the same time, if something is not commercially viable, we also don't want to do these projects just for the sake of technical satisfaction.

Pratik Gandhi:

Right. Sir, just one last bit to understand better. Out of your 30% die casting rate, almost half would have been affected by these escalations. Fair to assume that?

Dinesh Musalekar:

Yes.

Pratik Gandhi:

Perfect. Okay. Thank you, sir. Thank you. Wishing you all the best for the better results. Thank you.

Dinesh Musalekar:

Thank you.

Moderator:

Thank you, sir. Our next question comes from Tanay Shah from DAM Capital. Please go ahead.

Tanay Shah:

Yeah, yeah. Hello. So just a question regarding what you mentioned earlier that we have decided to scrap the current CapEx plan of around INR 100 crores which we had decided before for the ALUCAST business on the weak outlook. Am I correct?

Dinesh Musalekar:

No, INR 100 crores was not allocated for aluminum die casting. So we had plans to exceed our capacity utilization there for diecasting area was around 80%. And then we had we have about 50% capacity utilization for post die casting processes like CNC machining and shot blasting, a lot of operations are there. So we wanted to expand one more hall to have another set of diecasting, etcetera. In view of all of this going on, we have I can say that we have postponed it.

So we want to do it this financial year. Expansion of the plant, we are not doing it. Instead, we are spending some money for solar installation to which will give us a reduction in operational cost. So we are spending about 7 million, 8 million, which is about INR 14 crores, INR 15 crores for this whole 1.3, 1.4 megawatt installation on the rooftop. This is an old plant, so we had to reinforce the plant rooftop and then do it.

This is what we are doing. The expansion of hall, yes, we have postponed it, we have suspended it, you can say. So we want to make sure that we get our profitability and then go with the expansion after that.

Tanay Shah:

Okay, sir. So what was the original amount that you were looking at for this CapEx for the die casting business?

Dinesh Musalekar:

So die casting business CapEx was like in two steps. One was to build the hall and make the basic things, which was around EUR 3 million, EUR 4 million. This is what we were looking at. And after that, we are looking at buying die casting machines as and how the capacity goes up. So that was the assumption that we are going to grow about 25% YoY for the next few years.

Now we want to curtail our growth from 25% to 10% for diecasting business. So that means we don't need such a capacity expansion. That is one. And secondly, we are also we don't know. It's like kind of a little bit of uncertainty on the contract that we are negotiating.

So we may end up terminating few contracts. If we do that, then we will have enough capacity for at least 1 year or 2 years. So building that hall, everything is 18 months process for us. So we can trigger that anytime. So drawings, everything is made.

So we are kind of suspended and postponed this now. It doesn't make sense for us to now invest into that.

Tanay Shah:

Got that, sir. Got that. So thank you for that. And so just one more question. Any sort of flavor on how the stand alone business has been through this quarter?

And how do we expect it to fare over the next 2 years?

Dinesh Musalekar:

Standalone of which business you want to know?

Tanay Shah:

So the Indian business.

Dinesh Musalekar:

The Indian business has really done very well for this. You want to know about the year or the final quarter?

Tanay Shah:

Just for the quarter and for the year ahead.

Narendra Goliya:

So which quarter are you talking? Current year or last year? One minute.

Tanay Shah:

So Q4 FY24 and now the year going ahead.

Dinesh Musalekar:

Yes. Q4 24 see, for the whole year, we had 14% growth, and we are budgeting about 18%, 18% to 20% of growth we have budgeted. 20% is what we have budgeted for the growth. And EBITDA, we will remain at 20%. So as far as the ratio of standalone is concerned, so 20% top line, 20% EBITDA level is what we kind of foresee, and we don't see much issues on that.

And for the quarter, this quarter was not, you know, we had quarterly it was a small drop because last year, last quarter was really quite big. And this has come not because we did not have orders.

We had constraints on some of the SMT line. What we did was we have added one more SMT line. So we had about 10 days of shutdown of our SMT line to include additional modules into SMT line.

So in spite of having 2 to 3 months of order backlog, we were not able to service all of them. So we had we were not able to convert our order book into billing. So we have a small degrowth, but it is only temporary on the quarter.

Tanay Shah:

Okay. So it's going to take back to kind of the spillover to happen in Q1, right, what we've kind of missed out in Q4?

Dinesh Musalekar:

Yes. Sort of, you can say. But, yes, we will be able to do that. But it's not like, again, you have your capacity. So it doesn't mean that you were not able to do some and then you are able to do a big number.

And it also has to be seen in view of Q4 of last year also. Q4 of last year was substantially good. Sometimes what happens, you have a lot of production made in a close to finished good or semi-finished good. And when you have got order book, you can convert them into orders very quickly. So when you hit some quarters or months like that, you see a huge jump in that.

So what is more important for us is the healthy order book, which is all the time there. So we always have order book, which is 1.5 to 2 months order book is all the time with us, and it is growing month after month. So more emphasis we are putting on reducing the backlog at the end of the month so that our booking to billing can be more efficient, which means shorter lead time to the market, which also means that a higher business coming to us.

Tanay Shah:

Got that. Got that, sir. Thank you so much for answering my questions and wishing you all the best.

Dinesh Musalekar:

Thank you.

Moderator:

Thank you, sir. Due to time constraints, that will be the last question for the day. Now I hand over the floor to the management for closing comments.

Dinesh Musalekar:

Okay. I think, I mean, we thank you, all of you and all of you and SGA for having organizing this, and thanks for listening us very patiently and we appreciated the questions. Some of them were really spot on. We get this pulse of understanding.

We try to be very transparent, as much transparent as possible in every quarterly review meeting and now the environment is so dynamic and things change so fast and some things are not being anticipated all the time. So with that note, I thank you, and I ask Mr. Narendra Goliya to have is closing comments before we close.

Narendra Goliya:

See all of you know India is a fast growing economy, policies are good, government is stable, elections are just over. Europe also because of our quality, because of the reputation that we have generated in our customers, we see a very positive outcome.

Aluminum has been a slight disruption. Even last year was good, but this year, because of the reasons Dinesh explained so well, has been aberration. It may take 6 months to, 6 to 9 months to come back to normal. But we see a healthy future for this company. We have all our products.

We have our own brand name. We control the pricing, especially on the electronics side and aluminum, we will come back to it. So you have to be patient with us, but we assure you a healthy investment and a healthy return if you do decide to increase your portfolio in our company. That's all for today. Have a good evening and a good future. Thank you.

Moderator:

Thank you, Members of the Management. Ladies and gentlemen, on behalf of Ventura Securities, that concludes this conference. Thank you for joining us, and you may all disconnect your lines now.

Note:1 . This document has been edited to improve readability

2. Blanks in this transcript represent inaudible or incomprehensible words.