Pitti Engineering Limited
(Formerly Pitti Laminations Limited)
ISO 9001:2015 ISO 14001:2015
www.pitti.in

18th November 2024

To, BSE Limited Floor 25, P J Towers, Dalal Street Mumbai – 400 001	To, National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (E), Mumbai – 400 051
Scrip Code: 513519	Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 14th November 2024

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With reference to our letter dated 7th November 2024, intimating about the conference call with investors to be held on 14th November 2024, please find attached transcript of the aforesaid conference call.

The above information is also available on the website of the Company at www.pitti.in.

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

MARY MONICA BRAGANZA
Digitally signed by MARY MONICA BRAGANZA
Date: 2024.11.18 19:51:06 +05'30'

Mary Monica Braganza
Company Secretary & Chief Compliance Officer
FCS 5532

"Pitti Engineering Limited
Q2 & H1 FY '25 Earnings Conference Call"
November 14, 2024

MANAGEMENT: SHRI AKSHAY S PITTI – MD & CEO
PITTI ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day, and welcome to Pitti Engineering's Q2 and H1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

Before we begin, I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations, please refer to the earnings presentation.

I would now like to hand the conference over to Mr. Akshay Pitti. Thank you, and over to you, sir..

Akshay Pitti: Thank you, Good evening, and a warm welcome to the earnings call for Q2 and H1 FY '25. We will begin with a brief overview of the performance during the quarter, followed by the Q&A session. The past 6 months have been quite eventful for our company. As you know, we have completed the acquisitions of both Bagadia Chaitra Industries Private Limited and Dakshin Foundries Private Limited.

We have also completed the merger of Pitti Castings Private Limited with Pitti Engineering Limited. Further, during the H1, we have raised ₹ 359.99 crores through QIP on the back of these developments, we have reported our best consolidating performance in H1 FY '25. Consolidated revenue grew by 37.1% to ₹850 crores. EBITDA was up by 59.83% at ₹124 crores. and reported PAT was higher by 105% at ₹57.38 crores. EPS was 16.04.

On a stand-alone basis, our revenue in H1 was ₹ 768 crores. Our EBITDA was ₹115 crores and PAT was ₹62.57 crores. Sales volume from lamination and its assemblies was 24,962 tons. Sales volume from casting and machine components was 5,636 tons.

Now coming to the Q2 FY '25. Our consolidated revenue was ₹455 crores. EBITDA was ₹66 crores. PAT was ₹38 crores, registering Y-o-Y growth of 44.39%, 48.27% and 72.74%, respectively. EPS was 10.2.

On a stand-alone basis, for quarter 2 FY '25, our revenue grew by 28.44% to ₹404.97 crores. EBITDA was ₹59.49 crores, up by 33.51%. And PAT was ₹34.05 crores, higher by 54.7%. Sales volume for the quarter for lamination and its assemblies was 12,514 tons. Sales of casting and machine components was 1,900 tons. The funds raised through QIP have been fully utilized towards the object as stated in the placement document. Consolidated net debt as of 30th September was ₹330 crores.

Looking ahead, I'm confident on further improvement in operating and financial performance as our new capacities become operational, and we continue to derive synergies from our recent acquisition and merger.

On that note, I would like to now start our Q&A session.

Moderator: Thank you very much, sir. We will now begin with the question-and-answer session. The first question is from the line of Dipak Saha from K.R. Choksey Shares and Securities Private Limited.

Dipak Saha: Good afternoon Congrats on good set of numbers. So a couple of things. First, if you can help me understand the current capacity expansion that we are doing in Aurangabad facility. So once that is done, would be our consolidated capacity overall?

Akshay Pitti: So for the lamination part of the business, once the full capacity at Aurangabad is done, Aurangabad will be 72,000 tons. Hyderabad, the lamination facilities will be decommissioned and the capacity in Pitti Industries Private Limited formerly Bagadia Chaitra Industries will be 18,000. So consolidation capacity on lamination would be 90,000 tons.

Coming to the casting part of the business, Pitti casting has a capacity of 14,400 tons and the wholly owned subsidiary, Dakshin Foundries has 4,200 tons. So on the foundry side of the business, we'll have 18,600 tons as a consolidated capacity. And the machining capacity will increase from 547,000 machine hours to 650,000 machine hours by the end of March.

Dipak Saha: Okay and what would be our capacity overall for the lamination right now?

Akshay Pitti: Consolidated basis would be 64,000 plus 18,000, so roughly about 82,000 tons.

Dipak Saha: Okay. And the 72,000 lamination that we are talking for an Aurangabad facility, it would be commissioned by FY '25, right?

Akshay Pitti: By December, it should be commissioned. We are under commissioning right now. So by December, the 72,000 tons will be commissioned in Aurangabad.

Dipak Saha: Okay. Sir secondly, now we have travelled quite a journey, and that's kudos to the entire team for where we are today. So when we look to 2 to 3 years down the line, so what kind of, I mean, specific numbers we should look in terms of EBITDA per ton or say, volumes and PAT. Some colour if you can share that, say, 2 to 3 years down the line, what are the numbers that we're looking for, for these specific metrics like EBITDA per ton, volumes and PAT. So how can we be comparing this particular part going 3 years down the line?

Akshay Pitti: Yes. So on the lamination side of the business on a consolidated basis for FY '27, we should be looking at about 72,000 tons as our sales number. On the machine components side, we should be looking closer to about 15,000 tons to 16,000 tons as sales number by FY '27. And the EBITDA per ton would be a bad barometer going forward since you know the casting, machining and lamination now, which are very large parts of the overall business when compared to laminations.

The revenue projection on a constant raw material basis for this operating level would be in the vicinity of ₹2,300 crores to ₹2,400 crores on a consolidated basis. And your EBITDA margin should be around 15% to 16% of revenue.

Dipak Saha: That is over the long term, that 15% to 16% because I understand this There will be certain moderation because all the things coming and upfront cost is getting born initially. So that 15% to 16% probably FY '26, FY '27, we should look for, right?

Akshay Pitti: Yes.

Dipak Saha: Okay And sir, I mean, as an understanding, we are probably already into the entire value chain of this motors, if 40% or 35% to 40%. Now is there further plan to move deeper and commence our journey on the copper winding side as well?

Akshay Pitti: We are open to doing that activity. We are waiting for the right customer to partner with to explore that opportunity. The low voltage motors or the industrial motors, the competition is very intense in the motor industry in general. So that's something we're not interested to take up because the margins will be compressed. We'd be more inclined to do it for something like renewable energy or power generation or locomotives. So we are just waiting for the right kind of customer to partner with on that activity.

Dipak Saha: Okay. And as you said, there is some kind of you're looking for more of a margin accretive penetration going ahead. So given the current context, what is the trend you are picking largely from the big players within the motor space across different industries. Is there any slowdown or any sort of activity that your moderated activity that you are sensing from global OEMs?

Akshay Pitti: So, first, let's talk of India specifically and then globally, barring the low-voltage motors, which is more like a commodity product. We are not seeing any kind of slowdown per se in any of our customer segments. If you look at renewable energy that is growing Mining is growing, locomotive part of the business also is growing. So only it is on the industrial motor side, where you have seen a slight amount of slowdown, purely on account of price.

Coming to the global scenario, we are predominantly exporting for locomotive business in North America and renewable business in Europe and North America. So there, we continue to see growth as those countries are investing in green energy as well as their transportation networks.

Dipak Saha: Okay. And that's really helpful. Sir, last question before I fall back on the queue. For the full year, I mean, two things, I think initially, you alluded to the overall volume number that, once again, if you can say, I probably missed it. And secondly, for the full year, FY '25, what kind of numbers you are looking in terms of top line and bottom line. Some colour if you can share, that would be really helpful and thanks a lot for answering all questions in detail.

Akshay Pitti: So on the volume side for the full year on a consolidated basis should be about 62,000 tons to 64,000 tons. We're pretty much on track to achieving those numbers if you see H1. On the revenue side, along with Dakshin Foundries and demerger, it should be about ₹1,900 crores to ₹2,000 crores top line provided that the raw material prices is full.

And if that is the case, you should be looking at an EBITDA margin roughly in the vicinity of 15.5%. On a stand-alone basis and on a consolidated basis, it should be around the same. It will not make much of a difference.

Dipak Saha: And sir, for the quarter, if you can just give us the volume or capacity utilizing numbers?

Akshay Pitti: So for the quarter, on a stand-alone basis, we did 12,500 tons, we did stand-alone and consolidated would be 16,500.

Moderator: We'll take the next question from the line of Charvin from Share India.

Charvin: So my question was, what is the current order book the timeline of its execution? And any guidance on the future order book?

Akshay Pitti: Order book is not exactly relevant to our industry as I've explained in the past also in the conference call, we are more of a B2B kind of a customer supplier to our customers, where we get our short cycle orders in the domestic side of the business. And on the export side, we have longer visibility. Overall, if I have to just give you a number on order book, it should be about ₹800-odd crores of revenue, worth of order book executable over the next 8 to 12 months.

However, we do the customer forecast, which are quite accurate. So that's not exactly order book. It is a forecast that we received from customers based on which we do our capacity planning. So if I look at that slightly towards a longer-term horizon, as I mentioned in my previous answer, we are looking at about 72,000 tons of sales by FY '27 on the lamination side and about 15,000 tons on the casting side.

Charvin: Okay, and my next question was, what is the expected volume growth in sheetmetal and castings for the second half of FY '25?

Akshay Pitti: Sorry, your line was not clear, I couldn't understand the question.

Charvin: Am I audible now? So I wanted to know what is expected volume growth in sheetmetal and castings for the second half of FY '25.

Akshay Pitti: So in H2, we would look to do about 25,000 tons from our own standalone basis sheetmetal. And at Pitti Industries sheetmetal volume should be roughly about 6,500 for H2. In terms of casting sales, consolidated casting sales should be about 5,000 tons for H2.

Moderator: We'll take the next question from the line of Sani Vishe from Axis Securities.

Sani Vishe: Congratulations on another set of strong numbers. I think you have answered a lot of questions in detail. So I'll ask couple of questions. What are your expectations in terms of the working capital requirement because given that there has been some restatement. So, I would ask a question on absolute terms, so do we see the numbers for trade payables and receivables and inventory to be constant or similar around the current level?

Akshay Pitti: We should see a reduction from here on. If you see we've kind of just recently bought Bagadia and recently bought Dakshin. So as we integrate these companies, we shall be reducing the overall working capital at all our facilities, through our synergy process. So going forward, you should see the inventories coming down. Trade payables more or less remaining stable as well as your trade receivables remaining more or less stable. The inventory side should come down going forward.

Sani Vishe: Understood. Understood. And lastly, what are our debt expectations for the year? I think we are already seeing some reduction in this quarter for the full year, where do we see?

Akshay Pitti: We estimate that our net debt at the end of the year should be about ₹200 odd crores.

Moderator: Thank you. The next question is from the line of Sanjeev Zarbade from DreamLadder.

Sanjeev Zarbade: I wanted to ask regarding the incentive part, how much more incentives can be booked in the remaining part of the fiscal, that's what I wanted to ask.

Akshay Pitti: So we are eligible for a ₹ 30 crores incentive on an annual basis up in FY'26, we have accounted ₹ 25 crores already. Remaining ₹ 5 crores is what we will account in 2 tranches which will be about ₹4 crores would be the second tranche and the third tranche would be about ₹1 crore based on the filing system with the Maharashtra Government.

Sanjeev Zarbade: Okay. And what are the various segments that are really driving the user segment basically. Which is driving demand for the motors?

Akshay Pitti: So for us, the generators in data centers, wind turbine and compact hydro mining locomotives. These three segments driving the maximum amount of growth as of now.

Sanjeev Zarbade: And how is the demand shaping up from the IC and EV motors?

Akshay Pitti: So we have started with the IC product largely the EV products are now getting developed. We see a demand ratio of 75% to 80% from IC and about 20% from EV.

Moderator: Thank you. The next question is from the line of Dharmil from Dalmus Capital Investment LLP. Please go ahead.

Dharmil: Congratulations on the good set of numbers. My question was more on the consolidated volume number if we see Q-on-Q, it's largely volumes are flat and the numbers in the H2 as well are somewhat similar. So do you see the trend that volumes are going to be flat for like 2 quarters around 12,500 standalone?

Akshay Pitti: Yes. So if you take our annual target Dharmil as what we had guided to earlier, 48,000 tons on a standalone basis and about 14,000 at Bagadia. So if you see, we have this time far surprisingly equated quarterly number for our annual target.

Dharmil: Right.

Akshay Pitti: So that's a departure from the past 40% was H1 and 60% for H2. This year, it's like all the growth is kind of equally split across all the quarters and that is largely because of the product mix, again, changing. If you see like Bagadia Chaitra, we have the pump business which typically works pre-monsoon that has given volume in H1 and that will dissipate, but then the appliance businesses would pick up. So the seasonality of some of the smaller segments have played very well in this consolidation.

Dharmil: Understood.

Akshay Pitti: To provide that stability.

Dharmil: This would remain constant for coming years as well, right? I mean, the seasonality

Akshay Pitti: We hope so if some of our other businesses, like say example, wind energy picks up then again that imbalance on that seasonality would come. But if this product mix continues, we should see stability going forward as well.

Dharmil: Understood. And again, I missed the part you mentioned about the other income. So there was some ₹ 25 crores other income booked during the quarter, ₹26 crores. Was this pertaining to the incentive income from Maharashtra government or if you can just quantify again.

Akshay Pitti: Yes, ₹25 crores is the incentive income from Maharashtra government out of the ₹ 25.59 crores of total other income.

Dharmil: Okay. And how much would be booked in the remaining one

Akshay Pitti: The remaining one, cumulatively ₹ 5 crores will be booked.

Moderator: Thank you. The next question is from the line of Akash Singhania from ART Ventures.

Akash Singhania: Congratulations for a great set of numbers. My question is on the sales breakup which you have given in the presentation. So I have 2 queries over here. One is I'm seeing that the high value-added assemblies have been declining over the last 2 years, whether it's on a quarter basis or a half year basis, whereas the low value-added assemblies have been increasing. So any reason for the decline in high value add because we were thinking that there would be a better and a richer mix.

And secondly, if you can also explain about side trim coils, which has been mentioned, which is the biggest component of the sales breakup. Like what kind of value add is there? And how does it compare with these between high value add and low value-added assemblies?

Akshay Pitti: I think that's a great question. We wanted to actually bring some insight on this entire sales breakup that you try to do now if you see the past data, what we started giving now, we have broken up the sales of lamination into the lamination content and the child part and shaft content as well. So it gives you a clearer understanding as to how much shafts you are making and where it is going in terms of the assembly.

So earlier the weight of child part and shaft will be bunched into the high value-added assemblies, we have tried that out and segregated it. That's why you see in quantitative terms in the prior period, it might look like a decline. But if you see this breakup that we have given, there's a Y-o-Y increase only taking place. If you see in FY '23 theirs is NA for shaft and child part because they were clubbed about.

Akshay Pitti: So the top five line items would be the lamination assemblies in total. Now if you come to the second part of the Quantitative data, we did 1,057 tons of machine components in Q2, 635 tons of the raw casting sold, 213 tons of castings went in assembly of the state of sales. Because if you see that item, it's a combination of casting, shaft, lamination, machining and child part. So if you kind of add that up in that line item, it would not be fair representation of the capacity in place, we kind of clubbed it with the casting business.

And then the last line item is craft and side trim coils. If you look at our manufacturing processes the thumb rule input output ratio is 1.75. So for every ton of lamination produced about 0.75 tons of scrap also is generated. So that's what we call it the byproduct or scrap. The site trimming coils are if you take the big coil, which we used to buy from our steel suppliers, they typically come and say, 1,200 or 1,300 mm minimum coil size.

So we cut it to the size that we require for our lamination and the side trims, say, 100 mm, 200 mm 300 mm, are not usable in our product or our product mix. So those used to be sold in the market. These are the coils that we are now selling in the market, selling to Bagadia and they are using it as raw material, thereby their profitability is improving

Akash Singhania: Okay. Understood.

Akshay Pitti: And very clear, I think breakup, it would be very clear and transparent we are explaining to everyone the complexity of our business. And why the EBITDA is not exactly a good barometer going forward for two subsidiaries and the merger.

Akash Singhania: Okay. I think this is very useful. There's very granular and final picture. I have one more question on the subsidy part or the incentive part. I think last year, we had received the incentive in the March quarter. This time, it looks like we have received it earlier in the September quarter. So just to understand, this year, overall, the incentive will be around ₹ 30 crores out of which we have received ₹25 crores. Is that correct?

Akshay Pitti: Yes, Let me just take you one step back. If you see in Q2 FY '24, we had accounted ₹ 12 crores, 70 lakhs of other income. So that was also the incentive income. For our Aurangabad project, we had Phase 1A and 1B. So Phase 1A was running at the rate of ₹12 crores per year for 7 years. 1B was running at the rate of ₹ 18 crores for 4 years. So the eligibility certificate for 1B had not been received earlier, but to finish the capacity addition and then apply for the incentive claim.

So last year, we accounted ₹12 crores in September quarter and in one shot in the March quarter, we accounted 2 years' worth of incentives for FY '23 and FY '24, ₹18 crores into two ₹36 crores in March. Hereafter for current year and next year, it will be ₹30 crores only.

Akash Singhania: Okay. So FY '25 and '26 will be ₹ 30 crores?

Akshay Pitti: Yes. And the way it works is we get to account 75% on application and the remaining with the audited balance sheet and tax return and GST returnthe remaining 25%, so that would typically be done in the second half of the year.

Akash Singhania: And post FY '26, FY'27 onwards, will the incentive be available? I think was it for 5 years, 7 years or 10 years or it expires after FY '26?

Akshay Pitti: No, the Phase 1 will be finished, then the Phase 2 will start. The ongoing capex, which will be capitalized by December, we are eligible to claim that starting for FY '27 for 9 years, that will be roughly about ₹ 40 crores per year.

Moderator: Thank you. The next question is from the line of Charvin from Share India. Please go ahead.

Charvin: So, I wanted to ask like what is your current EBITDA per ton? And what will be the expected EBITDA for tons for the second half of the year?

Akshay Pitti: I'll give you the current EBITDA per ton. But if you take on the same barometer as we took last time because we didn't have the subsidiary or the merged business. If you take the current EBITDA and take by the connect, it will not be very indicative. We did about NR 59.49 crores of EBITDA on a standalone basis. And our standalone tonnage was 12,541 tons. So the EBITDA per ton works out to about ₹ 47,436.

But going forward, this would not be the right barometer. The barometer should be more like EBITDA margin on a constant raw material cost basis. We will be looking at about 15% to 16% EBITDA margin going forward.

Moderator: Thank you. The next question is from the line of Ishpreet Kaur from Relax Capital.

Ishpreet Kaur: Akshay, good set of numbers, congratulations. I just wanted to check, so leaving apart the new acquisitions, what would have been the sales growth apart from the new acquisitions?

Akshay Pitti: Sales, sorry?

Ishpreet Kaur: The sales growth number apart from the new acquisitions?

Akshay Pitti: On a standalone basis, we did about ₹ R379 crores of revenue.

Ishpreet Kaur: Okay. So just seeing the standalone numbers. Okay. Got it. So that would be the like-to-like...

Akshay Pitti: Standalone would also be the merged revenue of Pitti casting which would be coming in. There's no way to actually look at it without Pitti castings revenue now for that merger was affected in 1st April 23.

Ishpreet Kaur: But September 23, the reported numbers they also have the Pitti casting?

Akshay Pitti: Yes, they are all restated. If you see the financials, they have all been restated.with effect 01/04/2023

Ishpreet Kaur: Okay. Great Right. And just on the incentive part that you were explaining. So from FY '26 onwards, did you mention that it would be ₹ 40 crores incentive for the next 9 years?

Akshay Pitti: Effective FY '27. We will be claiming for FY '26 in FY '27. So the accounting treatment would be given in FY '27 onwards.

Ishpreet Kaur: So till FY '26, you're saying it could be ₹ 30 crores and the Phase 1 would get over and the new phase would come in with the new capex that you're coming up with?

Akshay Pitti: Yes. It is estimated to be ₹ 40 crores per year depending on the final capex that we actually end up spending.

Ishpreet Kaur: Including the 1B that you just mentioned, ₹40 crores will be inclusive of that?

Akshay Pitti: No, excluding of that. The one would be Phase 1A and B will close by FY '26.

Ishpreet Kaur: And 27 onwards?

Akshay Pitti: Two will start effective '26, but the accounting would be done in '27. We have to finish the sales and then raise a claim on the government.

Ishpreet Kaur: Okay. Great. Got it. And are there plans for any further acquisitions or any white spaces that you see, like you mentioned, maybe if you want to up the value chain in terms of the motors? Or is there any other space that you feel that you can get into organically or inorganically?

Akshay Pitti: For the foreseeable future, I think we have our hands full with the two acquisitions and their integration and the merger. We see great potential in kind of growing this business over the next 1.5 years. The only capex that we would be looking at would be to strengthen our tool room about ₹ 40 crores to 50 crores, that too over the next 2 years.

We look at any more opportunities about a year later once we have this in our control and stabilize all these parameters.

Moderator: The next question is from the line of Balasubramanian from Arihant Capital.

Balasubramanian: Congratulations for a good set of numbers. Sir, my question is regarding railways. We are seeing some slowdown on execution side, especially in our railways wagons, metro coaches and Vande Bharat also . So is there any impact on our business? So what's your view on that?

Akshay Pitti: We are not seeing any impact as of now on our business And also, any projections that you have received from our customers continue to remain encouraging. On the contrary, in absolute revenue terms, we are seeing a growth in our locomotive and Metro rail businesses.

Balasubramanian: Okay, sir. Sir, on the EV side, like we are engaged in a discussion with few of the customers for EV side. So what's the progress on that?

Akshay Pitti: So it’s not only EV, it is automotive in general. We are not saying we will not do IC related products. The order books are encouraging on the automotive side, if you see year-on-year, quarter-on-quarter, our automotive revenue continues to grow.

Balasubramanian: Okay, sir. Sir, like in recent con-calls whether it's a Cummins or Kirloskar Oil Engines they have mentioned they have witnessed a strong demand from data centres side like perfect traction on that side. As of now, right now, it's around 2% to 3% kind of overall top line. So where we can see in coming years?

Akshay Pitti: If you see on a consolidated basis Y-o-Y, our data center related business has more than doubled on the higher revenue that too. So we continue to see that growth. And you're right the Cummins and all of them are very bullish on this product. We have received similar indications of growth on that product line. In absolute terms, data centers, we see growing at least 2x further from here on.

Moderator: We'll take the next question from the line of Mayank Chaturvedi from HSBC Mutual Fund.

Mayank Chaturvedi: Congratulations on a great set of numbers. I just wanted to draw more of your insights on this comment that you made that you're witnessing a slight amount of slowdown in the steady motors purely because of price. Maybe if you can elaborate a bit on that. Where exactly is the pain point coming from? Because as we understand, prices for low voltage motors have been subdued for the last 6 to 7 months. And is there an uptick that you're seeing which is causing the slowdown? Any comments on that?

Akshay Pitti: So the prices of those motors continue to remain at rock bottom and therefore, the customer expectation on pricing also remains . We are seeing a lot of import possibilities from China, the raw material prices have kind of fallen off in China, and that typically affects this segment because this is more of a commodity, like I mentioned. If you see the consolidated revenue about 13.5% of revenue last year, Q2, it has shrunk to 11.5%.

So while it does in absolute terms, not degrown, it has not grown like how the other sectors have grown such as power generation, data centers, renewables, mining, oil and gas. We are just slightly cautious about this segment going forward. While we are not perturbed by it because the growth in the other segments more than offsetting any potential losses in the future from this segment.

Mayank Chaturvedi: For sure, I'm not concerned about revenue potential at the other segments do hold for you. I'm trying to make an analysis of the broader market trends for the Industrial Motors through your revenues. So just wanted to know if there's a volume shift that you're seeing?

Akshay Pitti: At a broader level, the competition is intense. I mean, between our customers, I would not want to name them, but a lot of them which offered in the low-voltage space. There is a market share moving from customer A to customer B and that's kind of causing a lot of churn in the whole in the LV space.

Mayank Chaturvedi: Okay. But on the broader overall volumes, you're not witnessing anything as would that be a right understanding?

Akshay Pitti: Yes, that's absolutely right. Overall volume is not much a concern. But within the customer's space, there is a churn.

Moderator: The next question is from the line of Akash Singhania from ART Ventures.

Akash Singhania: Just 1 more query. You mentioned that the debt would be increasing, I think, from ₹ 330 crores to ₹400 by the end of the year. So how much of capex we are doing in the second half and next year? And what is leading to the increase?

Akshay Pitti: No, no, it will come down to ₹200 crore Akash.

Akash Singhania: Okay. Sorry. It will come down to ₹200 crore.

Akshay Pitti: The way we look at it, the incentives claim that we've done in April. So in March, we have yet to receive from the Government. We typically receive it by December to March. So that money will come in while it's accounted the cash flow has not come in yet and the cash accruals on a consolidated basis, along with the inventory reduction will contribute about ₹ 150 to ₹160 crores of cash coming in. Of which about ₹ 50 crores is capital expenditure plan. So we see about ₹100 to ₹120 crores of net debt reduction taking place as a result.

Moderator: Thank you.

Moderator: Ladies and gentlemen, as there are no further questions we have reached the end of the question-and-answer session. On behalf of Pitti Engineering, that concludes this conference. Thank you all for joining us. For further queries on visiting the plant, please be in touch with Mr. Rama Naidu from Intellect PR on 9920209623. Thank you for joining us, and you may have a wonderful day. Thank you and you may disconnect the lines.

(This document has been edited to improve readability)