

28<sup>th</sup> October, 2024

To

The Manager - Listing,  
BSE Limited,  
Rotunda Building,  
Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai - 400 001  
Scrip Code: 543276

The Manager - Listing,  
National Stock Exchange of India Limited,  
Exchange Plaza,  
Bandra Kurla Complex ,  
Bandra (East),  
Mumbai - 400 051  
Stock Code: CRAFTSMAN

Dear Sir/Madam,

**Sub: Transcript of the Earnings Conference Call on the Unaudited Financial Results for the quarter and half year ended 30<sup>th</sup> September, 2024;**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation and outcome letter dated 18<sup>th</sup> October, 2024 and 24<sup>th</sup> October, 2024 respectively, we are enclosing herewith the transcript of the earnings conference call organized on Thursday, the 24<sup>th</sup> October, 2024 at 4.00 P.M. (IST) on the Unaudited Financial Results for the quarter and half year ended 30<sup>th</sup> September, 2024.

The transcript of the earnings conference call will be uploaded on the website of the Company at [www.craftsmanautomation.com](http://www.craftsmanautomation.com).

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,  
**for CRAFTSMAN AUTOMATION LIMITED**

Shainshad Aduvanni  
**Company Secretary and Compliance Officer**

Encl: As above

## CRAFTSMAN AUTOMATION LIMITED

### Earnings Conference Call held on 24<sup>th</sup> October, 2024 for the quarter and half year ended 30<sup>th</sup> September, 2024

---

**Moderator:** Ladies and gentlemen, good day, and welcome to the Earnings Conference Call of Craftsman Automation 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 opening remarks concludes. Should you need assistance during this conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Srinivasan Ravi, Chairman and Managing Director of Craftsman. Thank you, and over to you, Mr. Ravi.

**Srinivasan Ravi:** Good afternoon, everybody, and thank you very much for joining the Earnings Call. And today is a very important day because we have major events happening in Craftsman and its subsidiaries. So, in the interest of time, I will just rush you through the financials, give an overview of the financial performance and what are the indicators which are to be considered in reading the financial statements. Then we will go to Q&A and we'll spend more time on Q&A for -- because of the two major acquisitions and also completing -- completion of the DR Axion acquisition which has happened all in one quarter or the beginning of this quarter -- beginning of the new quarter.

So, the H1 performance more or less has been, I would say, slightly lower than the last year previous year H1 performance, after taking into consideration two important parameters. Of course, the main, Craftsman, there has been extraordinary expense which is related to two new plants, which are come up in Bhiwadi which has started production at the end of August, and now it is operating at 25% capacity and will reach around 50% to 70% capacity in Q4.

The second plant in Kothavadi, which is also a major milestone, is under trial production already. Both these plants have been incurring expenses, which have been gone to unallocated expenditure. So, if you look at the EBITDA portion of the apple-to-apple comparison if you look at it, I think there is a hardly 8% to 10% drop in the H1 EBITDA levels. And the consolidated level is also almost at a similar level, I would say, because DR Axion there has been a small drop.

So, the three things which are now is we have taken over Fronberg and we are operating it smoothly from the 1<sup>st</sup> of October as Craftsman Fronberg Guss GmbH in Germany. And this is a big strategic deal for us because we are getting all global customers also for Craftsman Kothavadi foundry and machining at Unit 3. We have more of it later.

Second thing is Sunbeam was envisaged as first an asset deal and also only for three plants. And subsequently it moved into four plants and it again was an asset deal. But considering the complexity of the nature, we went in for the buyout of the entire company, and the CCI approval also came in late September, and we have -- from the second week of October, we have acquired the company.

So initially, the deal, whatever we have envisaged, I think there were some INR400-odd crores deal, which was there, which has become around INR700-odd crores. But that is temporary because the land has not been sold in Gurgaon. And once the land is sold in Gurgaon, I think the money will come back in Sunbeam and indirectly, maybe also I think some of the investments what we have made in Sunbeam the money can flow back to Craftsman.

So, we have, because of these three major acquisitions and two major new greenfield projects, we've gone a little higher on the debt and maybe we'll close FY '26 at around -- for a standalone debt of around INR1,600 crores for Craftsman. And that we had also factoring that debt will become lesser when we sell the land of Sunbeam which is around 16 acres in Gurgaon.

The subsidiaries will have also a little debt, but not much, I think, well within their capabilities. So, we have one more year of operations, we'll be back to between 1 to 1.5x debt-to-EBITDA, which will be always our comfort zone.

So, with this, I will leave to Q&A and would like to talk about the opportunities of this acquisition and how the business will grow and how the revenue will look for next year because we don't give any revenue guidance, but I would like to say that it will be upward of INR7,000 crores on a consolidated level in the next financial year, just to give -- because of the game change which has happened in the last few months.

Thank you very much for the patient hearing, and we'd like to listen to the Q&A.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

**Mumuksh Mandlesha:** Firstly, sir, on the Sunbeam, can you guide more how do you see the revenue and the margin trajectory over a medium-term perspective? What are plans to turn around this unit, sir?

**Srinivasan Ravi:** Okay. The revenue, I think maybe it's not a public domain maybe, but it may be available somewhere, but I think the revenue is around INR 1,200 crores, I would say, in the top line. And the EBITDA has been negative for almost 3, 4 years, I would say, overall, in general. Now there are three things which are changing now.

One is the labor settlement, and the settlement is around INR 160 crores will be done by March totally. It is already agreed on and the unions have signed up, and the first tranche of people are -- a small group have left and the group is leaving by November, and the bulk will leave end of March. So will continue to have the impact of higher salary and double operating expenditure of trying to ship the Gurgaon plant until March.

So, I would rather only look at marginal EBITDA for Q4 going forward. Q3, I don't expect any EBITDA because of the holidays and the full workforce being there. I think we'll be at least trying to stem that whether it is minor positive or minor negative, it will be nothing significant in Q3. But Q4 will be slightly positive on the EBITDA.

But next year, overall, I think that the revenue stream will be more or less the same, I would say, or a slight increase maybe there from INR 1200 crores. And we are targeting internally at a high single-digit EBITDA or at least a low double-digit EBITDA because still it will be work in progress of shifting the Gurgaon plant to release the land and to sell the land. So, the selling of the land also will -- I mean, moving the operations out, we'll be able to reduce the plant overheads because we'll be reducing the number of plants. And we are shifting the Gurgaon plant to Bhiwadi where Craftsman has already got land. So the -- it will be a smaller shifting only.

So I think in that sense is that the Tapukara plant of Sunbeam is hardly a few minutes away, just a couple of -- less than 3, 4 kilometers away, I think, that is it. So the -- it will bring a lot of operational synergy between the 2 plants of Sunbeam. And the Craftsman plant in Bhiwadi is producing alloy wheel, which is complementary to the Sunbeam activity.

So with this, I would say that the export potential for Sunbeam is quite high. And the new orders, RFQs have not been coming for a long time because of the finance situation. Now with this new management and the infusion of capital and the profitability picture what we are trying to project, I think the customers will come back because of the track record of the capability of Sunbeam over a long period of time. And this will result in a significant growth in the export business in the years to come.

So if you look at the profile of Sunbeam and the profile of Craftsman and the profile of DR Axion and the customer base, I will give the overall picture. Craftsman is predominantly only -- it's only in the south in the aluminum business, except for Bhiwadi alloy wheel plant. The customers of Craftsman and Sunbeam are not at all overlapping. There's actually practically no overlap. That means we have acquired new customers with Sunbeam domestically as well as export totally.

The second point is the DR Axion is predominantly in low-pressure and gravity die-casting. And Craftsman is predominantly in high-pressure die-casting mostly in the higher tonnage area, whereas Sunbeam is operating at a lower tonnage on high-pressure die-casting and to a certain extent also on the gravity and low pressure.

So this brings a lot of synergy of operations between the 3 aluminum divisions. So how to move it closer to each other on the technological front and try to extract the best out of each other is work in progress, which will happen in one financial year. We have set up strong functional teams across all the 3 plants, and we are very confident about turning around Sunbeam, with a lot of help is also coming up from the customer side. They're encouraging us with more inquiries and things like that. I hope I've answered your question properly.

**Mumuksh Mandlesha:** Yes, sir. It's very comprehensive, sir. Just further on this if possible, to share what kind of savings we would get from the employee cost reduction? And just a little more on the export opportunity for the Sunbeam, sir?

**Srinivasan Ravi:** I will give you only the top line number. It is very close to around -- how much is it, INR 270 crores to INR 280 crores? You can understand on a INR 1,200 crores turnover of an aluminum business where aluminum is predominantly have been -- I mean it is contributing to 60% of the revenue, or almost close to 60%, I would say. When you have INR 280 crores employee cost, and similarly, when you look at DR Axion and compare Craftsman Aluminum segment, it is much, much higher.

It is 2 things which are there. One thing is, of course, the duplication of people which is there and across all the plants because the Gurgaon plant was not shifted. In total, we are still carrying the people to be settled. Number one. Number two is the footprint of 5 plants, which normally we would like to have 3 plants, and 3 plants in 3 geographies, one geography in NCR region which I said Tapukara and Bhiwadi and Bawal we will say one region. And 1 in Halol and 1 in Ludhiana.

So this will give better synergy in the operational cost management may be different. But I would say the developmental team can be leveraged between the 2 plants overall. I will give you one example of how we leveraged the DR Axion knowledge also to get into the alloy wheel business.

And we are one of the few companies without a JV partner as Craftsman, we have done -- our technological partner, we have started an alloy wheel business, and we are able to -- we decided in January, we applied for land in January, we got the land in February, and we started commercial production in August end. And today, the plant is functioning -- and in this year, we will be generating revenue from the Bhiwadi plant of INR 100 crores.

This has been also because of the -- a lot of support from our Korean expatriates who've got a long experience in the gravity area. And similarly, we will be leveraging DR Axion's expertise for Sunbeam also to improve the operations in low pressure and gravity. High pressure by itself, Sunbeam is quite reasonably strong on lower tonnage missions, but the Tool room support will be required from Craftsman. We have put a much larger Tool room and a larger development team for making dies and things like that. So with that, I think there will be more synergy.

And the one thing is we can take up the entire bouquet of request from the customer, whether it is the large tonnage high-pressure die-casting or low-tonnage high-pressure die-casting. And what we are first thinking is to commonize the business development strategy. That will be very important to tap the new opportunities across the globe.

In Europe, the aluminum manufacturing footprint is going down, and in U.S., also it is going down, and this is moving to other countries, including Mexico, and possibly we have got a good opportunity with this scale of business. I have always been saying that the -- our aluminum competition outside the world between \$1.5 billion to \$6 billion, \$7 billion in revenue. At least we are looking towards the INR 4,000 crores, which is \$0.5 billion next year, approximately. So still we are not up to the multinational scales, but at least we are offering that we are capable of growing to that level. And this is interesting many customers today. I think that is the synergy what they are bringing about.

**Mumuksh Mandlesha:** Just lastly, on the heavy industrial business and the wind sector any new order wins or RFQs for the segment, sir? And just a little more, what would be the order book for this segment as of now, sir?

**Srinivasan Ravi:** The Kothavadi facility at Stage 1 and the complementing machining shop at Stage 1 at Unit 3 at Craftsman was put up for a general engineering market requirement and mostly oriented towards or focused towards wind sector and some machine tool parts, I would say. So that is already under trial production as of today.

So this means that the foundry Phase II will be more focused on the where we can do the engine blocks in Phase 1, we already got some couple of big breakthroughs and orders from 2 customers, and third and fourth are on the way now. The Phase 2 of the Kothavadi foundry will be oriented towards the cylinder block and head for the stationary engines for the backup power generators, which the demand is huge. So this is the strategy going forward for the industrial engineering division. And the second part of your question, sorry, I missed it out, can you please repeat?

**Mumuksh Mandlesha:** If possible to share the order book as of now sir? For this new segment, sir?

**Srinivasan Ravi:** New segment, the order book for next financial year will be around for the general castings, the machine tool castings, the windmill castings. And we have other one or two small sub-segments also. I think that order book is more than INR 100 crores as of now, the developments are going on. Now the second portion of the engine business, that order book is more than INR 100 crores as of now itself. But the only point here is the developmental cycle is huge.

That is the reason we are -- also soft starting this foundry business with quick wins on the industrial engineering product side. And while we wait for the development of the engine side, because engine development, each product development will cost, which the customer has to pay, is millions of dollars. Their validation also is in the millions of dollars.

And the time taken for development of the part and the validation takes anywhere between 18 to 24 months. So we will see the revenue flowing from FY '27 onwards. And these are very, very sticky customers. And one very good point is, in the top 10 engine manufacturers who are contributing to the higher powered engines for the --

generating power generation sets all over the world, seven of them are directly now with the customer in Craftsman or already a customer in Fronberg. So I think this is a very key point. And the Kothavadi foundry will -- already started to get support from the Fronberg facility for development. And some inquiries have come for Craftsman because we have acquired Fronberg, and some inquiries have come for Fronberg because Craftsman has acquired Fronberg.

And that is -- the Fronberg will be able to develop the parts fast. And the second incremental volume of the same parts production will be done in India for the customer. So the customer is also happy that there will be two sites for the production of these parts going forward, which will also de-risk them. And plus the requirements are booming there and time to market is extremely important.

All of them are sitting on order books for the next two, three years, the order books are full. I think it is already on public domain that all these engine manufacturers are expanding their own manufacturing facility.

- Moderator:** The next question is from the line of Mukesh Saraf from Avendus Park.
- Mukesh Saraf:** So it's on the similar lines. Just if you could -- I mean, you've given us a lot of information, but just trying to understand, for the Kothavadi facility and the Bhiwadi facility, what's the kind of capex we are doing in the Phase 1? What have we done so far? And anything that's pending for Phase 1?
- Srinivasan Ravi:** Phase 1 some equipment, one key equipment has to come, that is the German equipment for the core shooter. I think the -- Kothavadi, I mean, okay, Kothavadi number is currently around the capex is all incurred for first half is around INR 80 crores.
- Mukesh Saraf:** And we have some more that we'll do, sir, Kothavadi, for Phase 1?
- Srinivasan Ravi:** This year capex is INR 80 crores. last year, we also incurred capex for Kothavadi. We started the project on October 2<sup>nd</sup>, so I'll give you the total capex in a minute.
- Mukesh Saraf:** Yes, just the total numbers.
- Srinivasan Ravi:** And at Bhiwadi, I think we have completed around INR 150 crores capex as of now.
- Mukesh Saraf:** INR 150 crores Okay.
- Srinivasan Ravi:** That is without land. Land is a significant portion, it's 25 acres, so that will house -- I think that is one of the reasons also we are looking at the Gurgaon facility shifting there. The land is a long-lease item, I think that is around INR 130 crores.
- Mukesh Saraf:** So Bhiwadi, Phase 1, say, for utilization, what kind of revenues we can do, sir, maybe in a couple of years or so, maybe two, three years, at full utilization Phase 1?
- Srinivasan Ravi:** The revenue will have two parts to it. One is the casting part and one is the machining part of that. Both put together, the top line will be around -- see, we can produce around 30,000 tons, I think between INR 500 crores to INR 600 crores, the revenue will be there on the top line at, I would say, at 70%-80% utilization. With tweaking I think we can go up to INR600 crores, INR700 crores.

Because now one important point is we are going to get castings from rest of the world, coming from South America, coming from Europe, for machining for Craftsman, just because we put up the facility, the casting validation takes too much time, so we are starting with machining with these customers. The orders are coming for machining now only for the simple reason is we have put up the Kothavadi facility and we acquired Fronberg.

So they are confident that we will be able to make the castings from FY '27, '28 onwards. So I think the revenue from machining will come from FY '26 onwards itself totally. But the machining on revenue, the turnover wise may be lesser, but it will be value addition in that sense.

**Mukesh Saraf:** Right. So this is Kothavadi is what you mentioned.

**Srinivasan Ravi:** Kothavadi INR 126 crores because we had most of the land earlier. So, so far, the investment has been INR 126 crores. And around INR 70-INR 80 crores to go before we complete this Phase 1.

**Mukesh Saraf:** Right. So the INR 500 crores, INR 600 crores revenue you said before, that's for the Bhiwadi plant, so that 70%, 80% utilization?

**Srinivasan Ravi:** I talked about Kothavadi. Bhiwadi plant is very clear, it is 4 million alloy wheel for 2-wheeler.

**Mukesh Saraf:** Right. And what kind of revenues you're looking?

**Srinivasan Ravi:** There's a seasonal demand there, and I have to be very careful when I comment that. Theoretical capacity of that plant will be around INR 400 crores, on all practicality will be around between INR 300 crores to INR 350 crores because of some months demand not being there.

**Mukesh Saraf:** And right now, we have an order book of INR 100 crores at the Kothavadi?

**Srinivasan Ravi:** That is for the general engineering part -- our order book for the engine blocks and other things are much higher. That's not going to see light of the day in FY '26. So it will see only in FY '27. On the revenue, it will contribute significant portion only in FY '27. FY '26 will be marginal revenue. That's why I didn't want to talk about that.

**Mukesh Saraf:** Sure. And just the second question is, when I look at your -- the stand-alone business, when I look at your industrial and engineering business, the margins there have dropped significantly. I would assume a lot of it has to do with the storage solutions. But if you could kind of give us some update there. The margins there are literally now come down to negligent.

**Srinivasan Ravi:** There are three or four parameters. I think from Q3 onwards, we'll see the margins looking up in the industrial engineering sector. Undercutting or the entry cost, everything is over. We have established ourselves very well in the stationary racking business. So there's no more under cutting in the market in that sense for the new orders which we have taken in the past few months. So it will start yielding result by end of Q3 and for full of Q4. That's for the stationary racking system.

Now we opened the order book the automated solutions at INR 80 crores level in April because these are long-gestation projects. And we had around INR 40 crores executed. This is ASRS without the VLMs, VLMS or the V stores. And now we currently stand with the order book on the automated solution system for around INR 250 crores and this is -- this will have significant margins going forward.

So in the coming years, we will see that the blend of the products will be more on the automated solutions or the vertical lift modules, which will contribute to bulk of the revenue, whereas this racking business will be supporting the automated storage solutions. So we will be a more high engineered solution provider.

So we have -- we are already implementing for one of the largest corporates in India in plant in Tirunelveli which is a INR 50 crores automated storage solutions. It's under implementation and we have secured for another steel major, very large order of INR

50 crores for automated warehouse. So this is only the beginning and we have broken through now. I think the revenues and the profitability will be improving quarter-on-quarter starting from Q3 itself.

**Mukesh Saraf:** Right. Understand, sir. Thank you so much. I'll get back in the queue.

**Srinivasan Ravi:** I want to add on the industrial engineering portion. Industrial engineering portion has been a backbone to support both the powertrain as well as the aluminum division with special purpose machines, tools, dies and all the other engineering, what we do. And now that engineering division this is also helping our divisions to grow on the non-storage engineering capabilities in the industrial engineering side.

**Mukesh Saraf:** Right. Thank you, sir.

**Moderator:** Thank you. The next question comes from the line of Jinesh Gandhi from Ambit Capital. Please go ahead.

**Jinesh Gandhi:** Hi, Ravi. Just clarification you mentioned that order book for automated storage is INR 250 crores?

**Srinivasan Ravi:** Yes, correct.

**Jinesh Gandhi:** And of which INR 40 crores has been executed in the first half?

**Srinivasan Ravi:** No, this is INR 250 crores as of now. What I'm saying is your long-gestation projects because the customer builds the -- building after the order is placed because it is all high-rise buildings. These are built to the requirements and we are also giving engineering solutions, So once the order pipeline crosses the INR 300 crores, INR 400 crores, our revenue stream will be more focused towards quarter-on-quarter on the automated solutions because order to delivery takes around anywhere between 10 months to 15 months depending on the customer site readiness. That is what I am looking at.

**Jinesh Gandhi:** Right. And what would be revenues of storage solution in Q2?

**Srinivasan Ravi:** H1 it is around INR 262 crores.

**Jinesh Gandhi:** INR 262 and in this storage would be about - automated would be about 10%, 15%?

**Srinivasan Ravi:** Automated would have been H1 -- automated would have been only around 25% to -- 25% on the total, 33%, sorry one-third.

**Jinesh Gandhi:** Got it.

**Srinivasan Ravi:** But there's been more of this or the orders have been taken more than a year back at entry prices. I mean we are trying to prove ourselves in the market. So we had to be very cost-competitive to convince the customer to place the order with us. So that has under they are under execution now, but all the new orders are coming at a fair value now.

**Jinesh Gandhi:** Fair point. On Sunbeam acquisition, so this will be consolidated from third quarter still, from October onwards or will it take longer time?

**Srinivasan Ravi:** October first week is not there. I think it is on 9<sup>th</sup> October is the date which we have started. It will be consolidated from that date. But anyway, Q3 will be a transition phase because nobody produces much in December. But I think Q4, we'll get the -- more than the pro-rata INR 1,200 crores revenue and less revenue is what we are looking at.



**Jinesh Gandhi:** Right. And now since we have acquired the company and not the assets, will we have a substantial carry forward losses which will benefit our overall tax rate? How to think about that?

**Srinivasan Ravi:** See, there is some business losses which is above INR 300 crores and there are some unabsorbed depreciation which is in the region of maybe INR 350 crores, INR 400 crores something like this. I don't know the exact number. I think more than -- yes, more than INR 400 crores, INR 440 crores. This INR 440 crores can be carried forward for a long time, but INR 380 crores has to be more or less if it can be only for this year totally. So unless we have some other plans, we'll not be able to get the first portion of it. But we're also thinking about what other strategy we can try to -- and where is aluminum business what we have, what we can do on this, but anyway there will be a tax saving of INR 100 crores on the unabsorbed depreciation going forward.

**Jinesh Gandhi:** Got it. And lastly what will be the capex for FY '25 given that they've already invested roughly INR 467 crores in first half, what would be the full-year capex guidance?

**Srinivasan Ravi:** We are expecting to close at around INR 850 crores overall capex for Craftsman.

**Jinesh Gandhi:** Got it. Great. Thanks and all the best...

**Srinivasan Ravi:** The capex will be very muted for next year on this matter. I think -- I want to also bring it to Mr. Jinesh Gandhi, I want to add one particular point here is that we see that even today we have the news that the FDI is opening for multinationals. See today we have companies who are willing to invest for capacity today for revenue 3 years later. We'll have multinationals coming in, especially our Asian neighbour which before even this summit, I think two or three prospects and projects have been cleared for FDI.

I think there is -- we should be open for multinational competition. So as Craftsman, we are now always thinking about multinational competition coming into India, hope we can do better and we can grow our business. I think scale is extremely important going forward. Coming to a factor that India is going to go into a manufacturing GDP country as a whole and for that we don't have capacity, we'll order for the equipment, it comes in 2 years or 3 years' time, it doesn't gel with any customer -- multinational customer because they have experienced different things with China.

**Jinesh Gandhi:** Got it. Great. Thanks and all the best. I will fall back in the queue.

**Moderator:** Thank you. The next question is from the line of Jay Shah from JS Family Office. Please go ahead.

**Jay Shah:** Congratulations to the management moving forward with the acquisition. Sir just one question what I wanted to ask you actually quite hinted it in the previous answer is that in some of the interactions with peer companies in the casting and forging sector, it is - - it comes to seem that India today doesn't have the capability and that is why or the capacity for rightly speaking and that is why some of these large engines are not coming to the country.

So, is it a chicken and egg problem that the companies are waiting for someone like a craftsman to put things up and then come, rather than like you just said that if you don't have the machinery right now, you know, people are not going to place orders. And apart from engines also, do you see that, you know, today the way Craftsman is progressing that can open up doors for other industries as well for us to back lands in those sectors as well?

**Srinivasan Ravi:** We have good examples, which are very, very positive examples legacy wise. We have at least the top 2-3 companies in India, top 2 at least and maybe the third also. In the forging industry who are quite significant in the global market, especially the top 2. The

top 1 is far, far ahead and they are attracting their industrial engineering business, they are already serving the forgings for the stationary engines across the world. So that is what is keeping them on a stable level.

Overall, I cannot speak for any forging industry. But I would say that the vision was there to go ahead and put capacities ahead. But I would say the opposite has happened in the foundry business where nobody put up the capacities which could attract the attention of the -- for engine block casting for export, and that went away to China overall.

So we put up a scale for machining of the blocks and heads. Even today we don't have capability to make -- we have capability but we don't have the capacity or the infrastructure, we never put up a foundry because we are intent on machining. Machining-wise we have the scale, but the foundries missed the export business on the block and head. But we have seen on the other carrier parts, we have partnered with the foundry, they were able to capture the market in North America now after almost eight, 10 years of working.

I think scale is important and also the orientation towards export and export quality is extremely important. Aluminum, if we look at our exports when compared to China, it will be hardly a single digit percentage when compared to the export of China. The entire aluminum industry, Tier 1 industry -- sorry, suppliers like Craftsman or Sunbeam, if you total it up in the country, it will be less than 10% of the capacity in China for similar suppliers.

So this is a basic problem that they don't see the infrastructure and then without the scale, we cannot invest for R&D, we cannot invest for development, we cannot have technological experimentation which we need to do to improve our process and things like that. So this is one reason. For example, the alloy wheel which we have put our plant in Bhiwadi was getting imported mostly from China in a big way until the requirement for BIS and other things have come up within India.

But we also have to note a point that we have Asian companies, I don't want to put names of the countries now. They also have a set of plants in India that are supporting their supply to the OEMs. This means they have left their shores and they have come to our shores and they have done well. But I think the opportunity is there that we put up scale. We have more, especially for North America where there are no people to work there and they want to also de-risk from China as a strategy itself.

So this means that -- and looking at India as a fast growing market, the growth in China is slowing and the capacities are enough already. So this means for any product to be sold in India or in the other Asian countries, they are now preparing to develop the products in India. But they are delaying their entire decision of investment of plant here or export out of here because of the lack of supplier capacities and capabilities. This is the real truth.

**Moderator:** The next question is from the line of Joseph George from IIFL.

**Joseph George:** Two questions. One is the capex guidance of INR 850 crores that you gave, is that including all the new subsidiaries or is it just on a stand-alone basis?

**Srinivasan Ravi:** The subsidiary capex doesn't come into this number. If you look at Bhiwadi, look at it the land and the building, which is there, the foundry building, the machine shop to complement the Kothavadi facility for the engineering parts as well as engine block, and the aluminum capex we have done standalone Craftsman, and plus the maintenance capex. Maintenance capex itself is to the tune of around INR 200-odd crores. So all that put together, because we've gone for two greenfield facilities.

**Joseph George:** Sorry, I didn't get the answer. So are you saying that the INR 850 Crores includes what you're spending standalone, including the new plants, of course, and say what is required in Sunbeam or...?

**Srinivasan Ravi:** No. Sunbeam is a separate company, DR Axion is a separate company, Fronberg is a separate company. Those capex will not come into Craftsman.

**Joseph George:** So this INR 850 crores doesn't include DR Axion and Sunbeam, right?

**Srinivasan Ravi:** No. We don't talk about the group capex now. Group capex will be not that, I think.

**Joseph George:** Okay. And sir, the second question that I had is, in the context of the INR 250 crores of order book for automated storage solutions, you mentioned that it's not something that will be converted into revenues immediately. It is a long gestation order. What I wanted to check is, do you have price escalation clauses built in? Because in the past, it's happened that we have bid at a particular price and then steel prices have gone up and then margins have been impacted. So do these long-gestation contracts have price escalation clauses?

**Srinivasan Ravi:** See, we have two things. One is on the static racking, which is all quick order wins and quick deliveries and will be consumed within a quarter or so. The long-gestation periods on automated storage solutions, the material content is very low overall. And there are bought outs. Bought-outs price are fixed immediately; electrical, electronics, mechanical, and things like that. And a lot of activity happens inside for the value addition. So the raw material content itself is very low. Commodity raw material content is low.

**Joseph George:** As a result, even if there is no price escalation, it won't make too much of a difference, that's what you're saying.

**Srinivasan Ravi:** Yes, we factor in something, but I think it will not make a significant difference, yes. It will not -- one thing is that we will need INR 500 crores order book to have a consistent revenue because of the long lead time item. So this is something like a long pipeline. Once we fill it up, I think the consistency in the quarterly revenue on the automated storage solutions will improve.

**Moderator:** The next question is from the line of Khush Nahar from Electrum Portfolio Managers.

**Khush Nahar:** So my first question was, can you guide us on FY '25 growth? How are we looking at FY '25?

**Srinivasan Ravi:** FY '25 will be in a similar line of H1 growth, that's all. I think we are not -- I'm talking about standalone, but on a consolidated basis, it will be significant because we'll have almost 2 quarters of consolidation of these 2 subsidiaries. Plus the Bhiwadi plant operation in Q4 will bring significant revenue.

**Khush Nahar:** And sir, just one question on the EBITDA margins. So, like you said, your target around INR 7,000 crores in FY'26 as revenue. So that would be on what EBITDA?

**Srinivasan Ravi:** See, the EBITDA will be now in transition, Sunbeam EBITDA will be in transition. It will not be a quick turnaround. It will take one more year, I would say. So that will bring down the overall EBITDA levels. I think Craftsman will be able to sustain very high teens, in the range of 18, 19 is what we look at.

The EBITDA of our overseas subsidiaries, the revenue is small. I don't want to comment too much on that because revenue itself is around INR 250 crores. Then we will be single-digit EBITDA, whether it's low single digit or high single digit, we have to see the operations going forward there totally, but it is EBITDA positive. That is clear. And then

Sunbeam wise we are looking at between around 8% to 10% EBITDA. This is what we are targeting internally overall. So, we look at the blended average, more or less we will be around 17%, 18% as the overall company goes.

**Khush Nahar:** Okay sir, thank you.

**Moderator:** The next question is from the line of Yash from Duro Capital.

**Yash:** Just had a bookkeeping question. Can you please tell us the value added across the segments for H1 as well as this quarter?

**Srinivasan Ravi:** I would say that I don't mind giving it really speaking, but I've seen that none of our peers give it. And that has been adverse to us on this matter, like, okay, this is the revenue and this is the value add and there's the raw material content and how is it happening, and becoming more sensitive on the Aluminum segment. So now we don't want to get into those numbers, so there is a cost which is there overall, I think that's better, you know the aluminum content and things like that, you know the aluminum revenue, and aluminum across the segment will be having more or less the same costs. It is not beneficial as a strategy to give these details, I think so, going forward.

**Yash:** So, can you just tell us in a direction-wise, how it's gone, if you will not give us the exact numbers?

**Srinivasan Ravi:** On Powertrain, I think the product mix is more towards with material because of wherever we are buying the engine blocks and doing. So that is when we are also doing job out there, so we cannot really quantify that. In general, the value addition as a percentage in the Powertrain, has been in the range of around 60%, I would say. And the aluminum also it is very close to around 40% because we are doing value-added products in the machining side, casting and machining totally. And the industry side has been lower because of the legacy orders on the storage solutions business, which is less than 30%, I would say.

**Yash:** That's all from my side.

**Moderator:** Thank you. The next question comes from the line of Neel from Value Quest. Please go ahead.

**Neel:** So, my question was around the QIP that we did about INR 1,200 crores that we have raised. If I were to net up the sale of the land from Gurgaon, about INR 700 crores to INR 800 crores we already spent, and we will be left about INR 400-odd crores. So, what are the plans around that, if you are trying to see M&A or maybe spend?

**Srinivasan Ravi:** No, we are not looking at any M&A because we have done our strategy very, very clearly. And aluminum, we didn't have a footprint in the north. Now we have a footprint in the North. We have got customers like Maruti, Vitesco, Bosch. We have Vibroacoustic. I think a lot of export is also happening to North America, and we are trying to grow that. And if not for the Sunbeam, I think our footprint would have not got into the North Indian region, NCR region, I would say. This is one thing.

Second thing is, if not for Fronberg, I think we would have missed the bus on the large engine segment, which China is at least 15 years ahead of us, as of today, totally. They started investing for the foundries 15 years ago. Today they are the major supplier in the world. And in fact, there was a comment saying that for the large engine production, the capacity of the Chinese foundries can serve the entire world totally.

And there's all the other foundries in Europe and US can be redundant. So much capacity is there. And the capability is also there, because they have done major

investments in technology upgradation from learning from customers and things like that.

So, we're trying to do catch up. I think their Fronberg facility was important and putting up the Kothavadi facility was important. For Kothavadi facility to make the castings in a proper way quickly, which will give confidence to customers, is what's important. So, there was some acquisition cost which was there. I think the second thing is the other bidder for us was, why the price went up from the initial, say, 5 million to 10 million. The simple reason is that the customer wanted to buy the foundry. So, desperate they were. So, we bided against the customer. And one of the key customers for Fronberg.

Now coming to the DR Axion, we have completed the 100 percent acquisition, that is also done overall. And the aluminum portfolio by itself is complete. We don't need any acquisitions at all. Organically, we can first set right the plants, bring the synergies, then grow in capacities. Even on the Powertrain, having done this Fronberg deal and the Kothavadi facility we don't need any acquisitions in the Powertrain business.

And in the industrial engineering business, unless something comes up in a different way in the coming years, it may be small acquisitions, maybe in the range of INR 100 crores, INR 50 crores, if it could bring some strategy. But no large acquisitions are planned at all, this means we are not going to do that, any large acquisitions, in the next 2 years.

**Neel:** Right. Got that. So, the rest of the QIP money will mainly be allocated towards the capex plans that we have for the next 2 years, right?

**Srinivasan Ravi:** Yes. That is the history and, in the history, we say that we raised INR 150 crores from private equity in 2010, all put together. INR 150 crores in the IPO. Only INR 300 crores equity was raised apart from the original equity of the promoters, which was way back in 1986. Then apart from this, the INR 1,200 crores is one step-up opportunity for making the company safer and more sustainable on the growth path for the next decade, I would say.

**Neel:** Got that. So next 2 years, what kind of debt level you will be comfortable at?

**Srinivasan Ravi:** See, we will be -- standalone debt, I think we are targeting around INR 1,600 crores for this year. And after the land sale happens, that will come down to INR 1,200. And in FY '27, if you look at it with the normal capex and normal maintenance capex, I think debt level will be to the tune of the EBITDA level of Craftsman standalone, I would say, around that level, 1.2 to 1.3, is what we look at it.

Even at group level, I think 1.3, 1.4 times EBITDA level will be the debt. And after that, it may come down to less than -- we want to keep it between 1 and 1.5. We do something extraordinary, that can go to 1.5. This is something onetime situation where we did a step-change, but that is not going to be repeated.

**Neel:** All right. Got that. And last question is on DR Axion. So this quarter, sales were kind of weak for us in that particular subsidiary. Now going forward, the expectation in the market is that over the next 6, 12 months, PV sales are going to remain weak, especially for a player like Hyundai who's not really gaining market share. So are we expecting any kind of growth to happen in DR Axion standalone subsidiary business?

**Srinivasan Ravi:** We feel that whatever exports we have started in a small way, it will be for the full year next year. So that will help us to grow next year. This year, more or less, it will be flat, I would say.

**Moderator:** Thank you. We have a follow-up question from the line of Mumuksh Mandlesha from Anand Rathi Institutional Equities. Please go ahead.

**Mumuksh Mandlesha:** Yes. So I want to understand how is the impact of the aluminum prices, sir, for this quarter on the revenue margin, sir?

**Srinivasan Ravi:** No, nothing. I think overall, I think, we have been ramping up capacity. When there's ramping of capacity, normally there will be some expenses. For example, even for Craftsman as a whole, we incurred all the other extraordinary expenditure for all the 3 acquisitions, that is DR, Sunbeam and our subsidiary in Fronberg, and that has the tune of more than I think around INR 10-odd crores, which has hit us in the first half.

And we have spent without capitalization for the expenses running on generator at Kothavadi and Bhiwadi and putting people for trial production under INR 20 crores we have spent for preoperative expenditure, which has also gone as the expenses in the first half. This INR 30 crores has also, on the stand-alone, has impacted our EBITDA level. And with higher depreciation, it is showing the EBIT level optically lower, is a big problem which we have. I hope I have answered your question.

**Mumuksh Mandlesha:** No. Basically I was -- specific on the change in aluminum prices, raw material prices, is there any impact on this quarter margin, sir? Because there's a lag in the past, sir?

**Srinivasan Ravi:** No, I don't think so. I think aluminum-wise, we are more or less same. As I mentioned that aluminum, when we are expanding sometimes, for example, there are some, Bhiwadi expenditure that happened, I would say, that might have impacted some margins, I would say, not any aluminum prices.

**Mumuksh Mandlesha:** Okay. And sir, lastly, the standalone aluminum margins have come down this quarter to 11.8% versus 13.2% last quarter. Any reason for a fall for this margin?

**Srinivasan Ravi:** See, we have to look at the -- we add back the depreciation and look at the EBITDA level, more or less we are same there. I would say that sometimes -- no, I think the EBITDA level is marginally lower, right. Total is around 16% yes.

Secondly, the product mix that can be a little on the top line increasing because aluminum price, there is some Bhiwadi expenses, which has happened, which has been not capitalized. So our expenditure is quite significant, I would say, because of the operations. So I would say that 0.5%, 1% margin coming down may be due to organic reasons, and the extraordinary things 1%, 1.5% would have been with the Bhiwadi expense.

**Moderator:** Thank you. Ladies and gentlemen, we have no further questions. I would now like to hand the conference over to Mr. Srinivasan Ravi for closing comments. Over to you, sir.

**Srinivasan Ravi:** Thank you very much for patiently listening through the entire conversation, and we are very happy that a lot of people have participated in this Q&A, and I was happy to answer all your questions, because we are looking at a lot of shareholder support when we transit this journey from being a medium-scale industry to an upper medium scale industry or where we can attract global customers, and with the good scale of operations in each of the segments we perform. Thank you.

**Moderator:** Thank you. On behalf of Craftsman Automation Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

---

*(This document has been edited for readability purposes)*