August 12, 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 Q1 – FY 2024-25

Please find enclosed herewith the copy of transcript of the Earnings Conference Call held on August 9, 2024 in respect of Unaudited Standalone and Consolidated Financial Results for the Quarter ended June 30, 2024.

Kindly take the same on your records.

For Rishabh Instruments Limited

AJINKYA JOGLEKAR
Digitally signed by AJINKYA JOGLEKAR
Date: 2024.08.12 17:37:40 +05'30'

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

"Rishabh Instruments Limited

Q1 FY '25 Earnings Conference Call"

August 09, 2024

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 9th August 2024 will prevail.

MANAGEMENT: **MR. NARENDRA GOLIYA – CHAIRMAN AND MANAGING DIRECTOR – RISHABH INSTRUMENTS LIMITED**
MR. DINESH MUSALEKAR – CHIEF EXECUTIVE OFFICER – RISHABH INSTRUMENTS LIMITED
MR. VISHAL KULKARNI – CHIEF FINANCIAL OFFICER – RISHABH INSTRUMENTS LIMITED
MR. ANAND LADDHA – FINANCE DIRECTOR – LUMEL

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Rishabh Instruments Limited Q1 FY25 Earnings Conference Call hosted by DAM Capital Advisors Limited. As a reminder, all participant lines will be in 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Bhoomika Nair. Thank you and over to you ma'am.

Bhoomika Nair: Good evening, everyone and a warm welcome to the Q1 FY25 Earnings Call of Rishabh Instruments Limited. We have the management today being 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 will now hand over the floor to Mr. Goliya for his initial remarks post which we will open up the floor for Q&A. Thank you and over to you, sir.

Narendra Goliya: Thank you, Bhoomika. Good evening, everybody. Welcome to this Earnings Conference Call where we will give you the results of the first quarter of the financial year 24-25 and answers to, any questions that you may have. As usual, along with me on this call is our Group CEO and now Executive Director, Dinesh Musalekar. We have our Group CFO, Vishal Kulkarni.

We have Anand Laddha, the Finance Director at Lumel, both the Lumel entities, and our Investor Relations Advisor, Strategic Growth Advisor, the SGA. We have already uploaded the first quarter 24-25 year results and investor presentation on the stock exchanges. And probably many of you would have had a chance to look at it and formulate your opinion on it. As a company, as a group, we have achieved a consolidated revenue of about INR1,693 million.

If we talk in Indian rupees, then about INR169 crores in the first quarter, which is down by about 1.8% on a year-to-year basis compared to last year. That decline in consolidated revenues is made mostly on account of cautious approach towards the aluminium die casting business. People who have attended the earlier conference calls know that we had given you a warning that aluminium, especially the automotive business, is not doing so well.

So we have allowed a little slowdown in the automotive business, especially because European environments at the moment are not the best. A lot of churn is happening in the EV industry. And also there is a big issue with the European utilities and we'll talk a little about it later.

Our electronic business, both in Poland, India and in China, which includes the electrical automation, metering, control and protection devices, portable test and measurement instruments, together achieved a revenue of about INR939 million and achieved an adjusted EBITDA margin of about 16%. Our solar business has also grown multifold and gives us confidence that we will achieve the guidance which we had given some of you in the earlier calls to reach about INR100 crores in the next three to four years. In India, we have started the construction. We have two facilities in Nashik.

Again, people who have visited have seen it. One was the R&D centre and one was the main factory. Now, both the places we have started construction, both the places we are making a basement, ground and six-storey building. All in all, we will nearly double the surface area that we have and therefore, obviously, all core segments, especially on the electronics, and we expect that it will be operational by January 26.

There was some delay in starting it from the time we came with the IPO because you need various permissions and in India, usually these things take more time than you plan for it. Similarly, in Lumel SA, we are in the process of finalizing the orders for the new assembly lines and new SMT lines for increasing our strength in the EMS business.

Many of you know EMS is a very good business. It's electronic manufacturing systems and we have actually done it as a captive business but once we have made the investment, then we also do it for other people. So, regularly we get inquiries for EMS business. We have started that as a separate vertical in Poland and in India. Again, more on that later. Next point I would like to stress to you is that there's a very healthy demand in the electronics business and a good momentum in the domestic markets in India.

Although I told you Germany and Spain are going through some upheavals in the electrical distribution industry, but India is robust and all our government policies are supporting it. Similarly, Lumel SA has been doing well because of the markets that they cater to. We believe that this additional facility and SMT lines will help us address the growing market.

In the first quarter, our business in Lumel SA has delivered a revenue growth of 22.4% on year-on-year basis and a 14.5% on basis of quarter-to-quarter. In February 2024, Lumel SA has won a project for development of control and protection devices for strategic areas of the energy industry and innovative technology for their production. Based on a fully automated production process and quality control of devices under the European Funds for Modern Economy program, many of you know European Union is really helping modern industries and we have one of those programs.

The execution of this project will be over the next three years and we see a momentum in electronics business even otherwise, more so with the installation of this new equipment. Moving on to the aluminium die-cast business in Poland which primarily has two segments. One is the automotive industry and one is non-automotive which we call it automation.

As we have said in our previous earnings call that we plan to focus more on our non-automotive business, although the volumes are not as large as the automotive, but obviously we have a much more higher EBITDA margin than we have on the automotive business. And once we do that, we are sure that we will be able to generate sustainable EBITDA margins. The automotive business where our margins have suffered because we were not able to pass on the price hike to our buyers, as I said, who are large EV OEMs.

These OEMs have signed long-term contracts with Lumel and therefore they are stringent clauses on termination. But it is important to note that with our intense efforts, we have been able to renegotiate some of the stringent clauses with one out of our two customers and we expect to come back on track in the coming two quarters. Our team is working extremely hard on this and you'll be glad to know that we've been able to stabilize one third of this automotive business as well. I'm also glad to announce just three days back we have done a 100% acquisition of a modern SCADA software company in Czech Republic.

This has been done by our subsidiary Lumel SA and Dinesh will give you a lot of details about what we have acquired and why we have acquired this when he talks about this. This software will really help modern industrial systems to operate efficiently and effectively. It serves the market need of intelligent and user-friendly solutions for monitoring and optimizing energy processes, control systems. I can go on and on but for the limited time that we have, I will hand over the speaking to Mr. Dinesh Musalekar who will talk a more granularity of the business. We have come across the globe along with our strategy and highlights of key operational performance for the quarter gone by.

As I said, he has been now Executive Director and CEO for the whole group. I also use this opportunity to thank our entire team of Rishabh Instruments, LUMEL, V&A, Sifam Tinsley, all the subsidiaries we have all the world who have constantly supported us in our ambition to become the leading global energy efficiency solution company. Thank you and over to you, Dinesh.

Dinesh Musalekar: Thank you, sir and good evening, ladies and gentlemen. As you are aware that there are global uncertainties leading to weaker economic environment across Europe and Western countries. We have, in spite of all of that, we have achieved a consolidated revenue of INR1,693 million in Q1 FY25. The consolidated adjusted EBITDA stood at INR109 million in Q1 FY25. Our business performance is primarily driven by increase in Rishabh India's domestic performance and growth in performance of LUMEL S.A. business, particularly electronics.

The Rishabh India domestic business has grown by 10% year-on-year and LUMEL S.A. business, as Mr. Goliya mentioned about, has increased by 22% year-on-year basis. Even though the demand in European market remains subdued, which impacted partly Rishabh's export business into Europe, however, our LUMEL S.A. subsidiary has been able to capture greater market share due to our strong legacy in the European market, along with our core expertise in providing value-added services across automation and turnkey projects.

So, we do a lot of activities which are not basically only supply of product but more value-added propositions. That's what has helped us in LUMEL S.A. electronics business. On our aluminum die casting business, we remain conscious on growing this business going forward and particularly in the automation sector and focus more on cost-efficiency measures.

Now, coming to our electronics business, which includes electrical automation, metering, control, protection devices, and portable test and measuring instruments, this has delivered us a revenue of INR939 million in Q1 FY25. The top line of Rishabh electronics business in India has de-grown by 7.2%, mainly on account of subdued export demands.

Particularly, the demands in Germany and Spain have dropped compared to what it was in the last year. The top line of LUMEL S.A. has grown by significantly 22.4% year-on-year basis. The electronic business constitutes approximately 55% of the consolidated top line. And this has seen a healthy growth in LUMEL S.A. in electronic business, has a stable and sustainable EBITDA margin ranging from 15% to 17% across both of our territories, if you are looking at our electronic business separately.

So, we have no issues on the profitability. On the top line also, we are more or less good, and if exports in Rishabh continue, then we follow the normal guidelines. And the other positive that we have is in the solar string inverter business, we have been able to get good momentum here. The revenue has grown up by 204% compared to last year, and quarter-to-quarter basis, we have grown 126%.

This business looks promising, and we are intensely working on the potential excellences and cost efficiencies to increase our margins. With our intense efforts, we have been able to reduce manufacturing costs by 5% to 6%. But we are having another 10% to 15% cost competitiveness to bring in, and this will be getting by redesigning and alternate components, which is a work in progress now.

So, this robust momentum and boost on solar spending during budget speech by Indian government gives us confidence to achieve our guidance of making this INR100 crores business in the next three to four years' time. We are also at the advanced stage of development of our single-phase inverters, UNO. By end of December, we should have that. This will cover a range from 2.5 to 6 kilowatts, which is a booming market in India and supported by various government schemes.

Moving forward, our die casting business, which is situated in Poland, caters to two major industries, automotive and non-automotive. Non-automotive is basically automation what we have. We plan to focus more on this automation business, which is about 50% of our die cast business and has been generating sustainable EBITDA margins.

Now, the automotive business, which represents a balanced 50% of our die casting business, revenue is undergoing a transformation phase here. In this business, we largely supply to two major EV OEMs in Europe, and these large EV OEMs have entered long-term contracts, as explained a while ago, with us on critical components of EV, with stringent clauses when it comes to price escalations and terminations.

Due to sudden increase in power cost, minimum wages, we are not able to pass on the increased input cost to these buyers. We had to incur losses due to our contractual commitments. We have been fighting hard to renegotiate these stringent terms for a while now. Last three to six months, we have been struggling a lot with this. On a positive note, we have been able to negotiate with one of the two major clients.

And we are also constantly working on cost efficiency measures here and remain cautious to increase our revenues from this business. Further, I would like to say that with the first OEM, one-third of the projects we have got price increases. Another one-third of the projects we agreed to relocate to another supplier from there end by the end of October. So until such time, we are bound to supply them with the same contractual prices.

And we will continue to have an uneven journey on these for about the next three months. For the remaining one-third of the projects, we are in progress of negotiations and we are deeply engaged with them and expect a resolution in the next two to three months' time. This is with the first large EV OEM. With the other large OEM, we have started renegotiation because we didn't want to take both of them at the same time.

Now, we have already started with the second EV OEM and we are expecting this to be concluded in the next few months. We have presented our cases with cost breakdowns and had several roundtable discussions for price increases or termination. Either it will give us a price increase. And if it is not going to be feasible, then we are ready to terminate those contracts. We are yet to reach consensus until then these projects will also continue to pinch our pockets. But we are of the firm belief that we will be able to reach consensus in the next one or two quarters. In actual, we will have some bumpy rides until Q3 from this part of the business and we are really working hard to stabilize the same. We are firm and positive that things will change and we have taken a lot of actions and we believe positive results in the future from this part of the business.

Now, it is important to note that apart from the automotive business, we have plans to focus more and grow the non-automotive and electronic business at a very healthy rate. We are having good order book and demand in the electronic business and non-automotive die-cast business. Further, our continued focus on R&D is helping us to develop and launch new products and we have some new range of products which have been almost ready or in the launching phase.

I will just list some of them. They are really going to make a big spike into our top-line revenues. First one is we spoke about solar inverters, the new range of single-phase inverters. This is targeting the Indian market. Then, MID certified energy meters. These are specifically very, very popular in EU and UK markets. So these are 27 types of these products are all ready and we are going through a final certification process to have those MID certified and that will open up our new revenues in the European market.

Then, UL certified NC current transformer CTs for the U.S. market. This is already completed and we launched that and we already picked up some good orders from our subsidiary in USA. This also opens up a lot of our market. As you recall, current transformers is one of our cash cow and this was not so much sold in the American market because of different standards and different certifications which we have gone through now.

Then, DIN mounted DC energy meters. These are particularly useful in EV charging stations and this is also a product which is going to give us new revenue streams. Digital earth testers, compact insulation testers, recorders, KD10. There are a lot of other products which are also added to the basket.

Now, talking about R&D, we are in the process of setting up of our next R&D center in IIT Mumbai. We did mention about that in the last call also. This is basically focused at development of breakthrough products. We will have this R&D center based in IIT Mumbai campus and this will give us full access to the IIT ecosystem which includes advanced world-class labs, faculties, students and we will be focusing on something which will be breakthrough not only for our company but for the industry also.

And during Q1 financial year '24-'25, we have added a complete V&A product from China. If you remember, the Chinese acquisition which we had made, the whole basket we have added into India. So the Indian sales and marketing team is selling those in the Indian market. And then 100 amps direct current energy meter as a new product designed and developed from our R&D center.

We also have about 15 products in pipeline to be added in this financial year and we target to achieve about 10% incremental revenues from the products that have been added in this year and last two years. This is generally what we plan to have so that we are also all the time at the forefront of the technology. So all of this also comes due to our commitment for R&D investment which is about 2% of our revenues we invest back into R&D for design and development of our products.

Now, I will talk a little bit about market opportunities in different businesses that we have. Let's start with Rishabh in India. We think there is a ton of room for growth for our company in Indian market as well. During the Budget statement, the Indian government announced more expenditure on infrastructure projects which will present more opportunities for our expanding product line and gain market share. So we have a lot of potentials in Indian market there.

Our products are seeing greater demand in India. And as the country's infrastructure and economy expands, we appreciate that this will have a direct effect on our performance. We have seen some spillover of export orders from Q1 FY'25 but we believe we will be able to grow India business at a double-digit rate.

Next, we can talk about Lumel SA, the electronics division in Poland which is growing and it is very evident that quarter-to-quarter and year-on-year we have achieved good results here. We are becoming stronger year-on-year mainly attributed to higher government spends in energy transition infrastructures. As a result of this company's growth in the green energy, industrial automation and medium voltage segments have been exponential.

To cater to increasing demand, we have also made an investment in the third cutting-edge dedicated SMT line that will only service Lumel's EMS business which is the electronic manufacturing services. So, like how we plan to do it in India, we do it in Poland also.

Now, the next company update is opportunities for Lumel Alucast. We have already discussed but yes, on the positive side, we are creating several essential product lines specifically designed for the rapidly changing very futuristic EV technology landscape. We provide important components such as cooler systems for battery aggregates, throttle bodies in engine parts, compressors, seatbelt safeties, brake safety, HUD, etcetera.

These are the operational parts with very high quality and safety requirements and characteristics for EV OEMs. We are deeply steadfast in our commitment to returning to die-cast company to the intended level of profitability.

So to give more perspective on that, the whole EV industry in Europe is going through a lot of losses because they are trying to catch up with the late start in EV technology in Europe compared to say USA and China. So there is a lot of pressure by the government bodies to turn around very quickly and this is putting stress and a lot of cost to everybody in this chain. But it's the technology which we are investing in.

So we will fight this battle with making it balanced and to have some agreement with our customers to make our projects profitable. I'll update a little bit on China business because a lot has happened in the last quarter there. So, our Chinese setup, we'll be able to acquire some raw material, electrical components used by Lumel S.A. and Indian companies.

So, this activity we have already started. Additionally, it will also help us to increase our sales through our global network. So, we have launched China products through a dedicated product development team in Rishabh and through our entire sales network and we have taken a target of INR30 million for this financial year, which I'm sure that we'll beat that.

And similarly, we have added an area sales manager in Lumel S.A. to take these products in the European market. Apart from that, we are taking this product to Sifam Tinsley USA and Sifam Tinsley U.K., to have a much larger access to the market. And we are also looking for adding another person for, another avenue for purchase of electronics and capital goods to China so that we can have cost reduction for the whole group.

And we also added one area sales manager there to sell Lumel products in Chinese market. So, there's a lot of, strategic things which we, keeping in mind, which we had bought this company, we have started exhibiting all of them. Last but not the least, as Mr. Goliya spoke a little while ago, I would like to highlight our recent acquisition, which is about just 3 days ago, this acquisition of Microsys, spol. s r.o. which is like Microsys, it's a private limited company. It's a 33-year-old Czech Republic company.

And its product is SCADA, and the company with their iconic brand of PROMOTIC, which is quite popular in Europe. And this is used in industrial automation for process and energy management application, which is for us is a forward integration. And this software product will help us to boost sales of our IIOT.

This is, industrial Internet of Things-based products, which we already have. This will help to integrate those with the software, and our customers will have a higher value addition. We will also use our global network to promote and sell this SCADA in all possible industrial automation projects around the world.

Apart from this, this team is highly skilled software engineers. The two gentlemen who formed this company have got about 40 years of software development experience, and another 10 engineers we have who are with a minimum 10 to 12 years with a software company. In the software company, 10 to 12 years is pretty long period to have an experience.

And these guys can help us to develop some very high-end, software like GUI, graphic user interface for our advanced, IIOT-enabled products for, say, Lumel or Rishabh also. There's a lot of synergy which we can generate with this product. In nutshell, they have a fantastic software which can be integrated with our product to add value to our customers.

So we can sell our products to their customer base, or we can add that product to our customer base, and with a higher value proposition, we can increase our customer base and also do upselling. So this is the reason for which we acquired this company. In conclusion, our electronic division, which has been operating at a higher margin and profitability, our sales are still being driven by expansion of the industrial sector and the higher spending in infrastructure.

We can grow substantially in worldwide markets, especially in India, USA, and U.K., with the need of, energy efficiency and industrial automation. So our present focus remains on expanding our global reach and consistently introducing new products. We have seen good feedback from current clients because of our quality standards, which gives us confidence to increase our market share internationally.

We also continue to remain at a good capacity utilization levels, and with new capacities kicking in we'll have enough headroom for continuous growth for the next 5 years to 7 years. With this, I would like to hand over to Mr. Vishal Kulkarni, our CFO, to dwell into financial performance of the group. Thank you.

Vishal Kulkarni: Thank you, sir, and I'm grateful for the comprehensive summary. Good evening to everyone. Permit me to provide a quick overview of the company's Financial Results. Our Q1 FY'25 consolidated revenue stood at INR1693 million, which is degrow by 1.8% on a year-on-year basis. The consolidated adjusted EBITDA remained at INR109 million in Q1 FY'25, which is down by 59% from year-on-year basis.

The consolidated adjusted EBITDA margin stood at 6.4% in Q1. The consolidated PBT was at INR46 million in Q1 FY'25, down by 59% on a year-on-year basis. The ESOP expense for Q1 FY'25 stood at INR33 million, and we expect another INR82 million to be booked in FY'25. I'll just highlight the key financial highlights of the remaining companies.

Rishabh India, the standalone revenue for Q1 FY'25 stood at INR527 million, which is down by 7.2% from Q1 FY'24. The standalone adjusted EBITDA stands at INR76 million for Q1 FY'25, which is down by 47% on a year-on-year basis. The standalone EBITDA margin remained at 14.4% for Q1 FY'25.

For Lumel S.A. our electronics business in Poland has achieved the revenue for Q1 FY'25 of INR490 million. This has been increased by 22.4% on a year-on-year basis. The adjusted EBITDA stands at INR83 million for Q1 FY'25, which has been up by 47.6% on a year-on-year basis. The EBITDA margin stood at 17%.

In Alucast, there is a flat growth in revenue in Q1 FY'25 and remained at INR684 million. The adjusted EBITDA stands at minus INR46 million in Q1 FY'25, which has turned negative from INR5 million in Q1 FY'24. All other companies in the U.K., USA and China have cumulatively grown by 15% in revenue and have contributed an EBITDA of around INR3.4 million to the consolidated financials.

On the consolidated level, we remain net debt-free along with a strong balance sheet. The net cash and cash equivalents as on 30th June 2024 stand at INR1,072 million. Thank you.

I shall now leave the floor open for Q&A.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Aditi Sawant from ADM Advisors. Please go ahead.

Aditi Sawant: Yes, hi. Thank you so much for the opportunity. So my first question is just wanted to understand our outlook on the industry for Alucast business for next one or two years. As you know there are few hinges we are expecting overall?

Dinesh Musalekar: Okay. I think if you are talking on a horizon of one to two years, we really feel very confident about this business because all that what we are trying to do is going to get over in two to three quarters time. So there are two scenarios which can happen. One scenario is that our customers will agree for the price increases, not to the level that we are asking, but somewhere we get an agreement and then we grow that business. That's one possibility.

Second possibility is that they will say that they will try to source this from China because these are global clients. They have got multiple countries from where they can source. So some of these projects they also have real sourcing maybe one in Asia, one in Europe or something like that. So there is another possibility that they will say that we do not want to continue business, but until we relocate with suppliers. So we may have some losses for until we supply one quarter, two quarter, how much whatever we negotiate and do that and that's one part of it. Once that happens, we'll have this clarity in the next two to three quarters time.

After that, the management will do two things. One is if we are retaining those businesses and growing then we'll continue in that direction. If that automotive business is shrinking then we will increase our as it is we are increasing non-automotive business we'll focus more on non-automotive businesses and we'll add more into that.

And also we look at getting some cost out of the business so that it remains profitable. So the focus for the last 10, 12 years has been to drive both the top line and bottom line was automatically being driven. So until all these external factors came into picture which were very high inflation, energy costs and unprecedented labor cost increases, etc.

So now the focus is for us more on the bottom line. So we want to scale up, guide our top line based on how we perform on the bottom line. So, that's like kind of a portfolio management which we'll be doing this year. And next year onwards we are sure that we'll get it into a positive direction. Maybe volumes can be we have two situations.

One, the volume will be good and the profits will be good or volumes will be lower and profits also will maintain.

Aditi Sawant: Okay got it. But sir what is the long term plan going forward in the Alucast business as we are looking to divest this?

Dinesh Musalekar: So at the moment we are not thinking in a short horizon. In fact, we were looking at some acquisition in India to support the cost side of it and one due diligence which we're going through did not materialize so far. So we keep on looking for any opportunities. So as of now we don't have a divesting strategy for this business.

Narendra Goliya: Just to add to what Dinesh said, if you guys all remember these two businesses were nearly giving the same EBITDA and we were investing heavily. It's only this new business, this EV is a completely new line which has come in the last one year. And we thought it would be similar to our other automotive business, but unfortunately it has been more challenging. But we are learning. We have learned it.

Therefore, we either ask the customer to correct these prices or then we will ask them to go somewhere else, but we will bring it back to the profitability. At the moment, there is absolutely no thought of divesting into the aluminium business.

Aditi Sawant: Okay got it. Sir just a last question if I can just squeeze in. That is what is our overall impact on the margin? I mean how much is the impact on overall margin from automotive segment and how long we feel that this will drag our margin?

Dinesh Musalekar: For two to three quarters. This is only the aluminium die casting business if I have to give some kind of a sense of that. So from last year to this year it has gone to minus at EBITDA level it's about minus 6%-7%. So we can look at that, that's the one biggest drag which has happened and even if we make it zero our numbers will look much better.

Aditi Sawant: Okay. Got it, sir. Thank you so much and all the best for the upcoming future.

Moderator: Thank you. The next question is from the line of Payal Shah from Billion Securities. Please go ahead.

Payal Shah: Yes. Thank you so much for the opportunity. I have two questions. First please give more understanding on the new acquisition done by Lumel SA into Microsys Software Company like what are the key synergies arising out of this?

Dinesh Musalekar: Yes. So I tried to address that during my speech. So this Microsys is a SCADA software development company and this company was established 33 years ago. It's a company with about 15 staff and about 12 of them are very senior software engineers. So what they do is the software which is - we have these products which are for use for energy efficiency or they're used for process efficiency, monitoring, etc.

So these products measure and then this data is pushed onto the cloud. When we say it is going onto the cloud because IIOT enabled products are there, then it goes onto this system which is connecting to operating system of the plant. So it helps to take all this data which is collected from all these sensors.

It's like a big data and then you can develop AI, artificial intelligence into the system and those decisions are made and they are either sent as reports or they are connected to other machines or to other systems. So all this new revolution which you see in the industrial automation this is a link for us to make more onto those systems. So if we are - we were selling the smart products. Now what we can do is we can bundle the smart products and sell solutions to different industries.

So the needs of say die casting manufacturing industry can be different from a paper industry or a food processing industry or an energy distribution company or water distribution company, for example. So this software can be used in various scenarios where it can take not only inputs from our devices, also from other devices in the factory or in that environment and can be used for analytics and making decisions and can be programmed to whatever it is needed. So, there are two parts of that.

The software development itself is one and the application, how you do it in different industries is another one. So, this company has got two different segments. Now, in terms of synergy, how it will help is it will help us to sell our products more with more value addition. So, we are upselling. So, that means we are going one step up in value chain. So, it is like a forward integration for our products to sell it along with this software.

And also, they have a lot of clients where the software is being sold. So, we can also sell our products to their clients through this chain. So, we can leverage their software to our global network because they have been a pretty small, local, very nice technology and product they have, but they have been only in Czech Republic, maybe a few countries nearby, but they never try to take this globally.

So, the value that comes out of this merger is that we take this product globally because of Rishabh's network. And also, Rishabh's products will gain because we have got something which is much smarter to add it. This is second. Third thing is because we have got very high caliber software engineers there. So, we can use their expertise in building some smartness into our products which are in the pipeline in the R&Ds.

I hope I have tried to answer this in as simple terms as possible.

Payal Shah: Thank you so much for the detailed answer that’s quite helpful. That is it from my side.

Moderator: Thank you. The next question is from the line of Raj Mehta from Wisdom Capital. Please go ahead.

Raj Mehta: Yeah. Hi, sir. Good evening. So, my first question was on the solar business front. So, can you give us the more understanding on the solar business segment and how is the solar market showing strength post launch of new inverter?

Narendra Goliya: See, all the solar market is growing in India as well as over the world. Only thing is first our main solar this thing, we call it as a solar string inverter. These are up to 100, 150 kilowatt single inverter. And then there are package units which go to 1 megawatt, 2 megawatt. But all the governments in the world, especially Indian government is really focusing on making sure that the farmers also use solar energy both for the pumps so that the grid is not loaded.

Otherwise, the grid gets loaded when the farmers start their pumps and then they have a special separate grid to make sure that they can cater to the requirements of the rural folks. So, all that is happening parallely and government is asking more and more people to give. But on the technology side also a lot of developments are happening so that we are able to make sure that because see solar comes only during the day.

Now, obviously, whenever the sunlight is full and then evening 5 o'clock, 6 o'clock, 7 o'clock, depending on which part of the world you are, the light goes away whereas a lot of work is going on the possibility of having storage. Even today storage is possible in a battery which you can use in the evening, but it is not cost efficient. So, people are trying to make cost efficient storage batteries.

But for sure it is a form of renewable energy except the solar cells which are created. It can go anywhere in the world. There are no big transmission lines, you can have local grids. So, to that extent, solar energy is the future. Of course, people are working on many new forms of energy. But until that comes, I think solar is the answer to all the climate change and all the fears that people have on how climate change is affecting all of us.

Dinesh Musalekar: Yeah, I'll just add some more points on what we are doing in Rishabh on all of this. So, there's absolutely no doubt that there’s a huge market in India. And the only thing is whether we can compete with the Chinese competitors, which are as Mr. Goliya also covered in his speech before is subsidized and the cost is a big driving factor there. So, when we started, we started with European technology, which was obviously much better and also expensive.

So, we have scaled it down and we have made almost competitive with Chinese supply. In terms of range, currently we have got three phase products ranging from three kilowatt to 50 kilowatt. That's the offering which we have. Now, we are working on two sides. One is on the lower side, we are coming with this UNO, which is a single phase from 2.5 to 6 kilowatt. So, this is with all these Prime Minister's schemes KUSUM and a lot of schemes are coming.

In India there was a big boom of solar farms. Now, it is coming to having smaller solar and Mr. Goliya also touched this subject, because what happens is if you generate a lot of solar from one place in a farm, then storing and transmission is a challenge. So, if you have smaller units like single phase 2.5k to 5k, you generate and you consume there only. So, this is where the market is shifting.

So, that's why we are focusing on the low-end single phase inverters and that's one side of it. The second side is to expand our market from 50 kilowatt to 150 is another one which we are doing, but we cover this lower end first because there we see a lot of momentum and then we go to the other side of it also. In terms of our business, we are almost doubling this year after year.

So, we see that we'll reach about INR100 core turnover in about three to four years-time and we see a lot of potential. Now, we are redesigning the products which we are already selling to reduce the cost of manufacturing, finding alternate suppliers, alternate components also. So, that is a continuous process which is happening. So, we have been able to reduce about 5% to 6% cost in the last quarter, but our target is to add another 15%-20%.

And that is going to come through a substantial design changes which we are doing in the product. So, I think we have a very good future for solar.

Raj Mehta: Understood, sir. And, sir, on the products front, what type of products are in the pipeline and what incremental revenue can be estimated from the same?

Dinesh Musalekar: So, are you talking specifically for solar or in general?

Raj Mehta: No, no, the new products.

Dinesh Musalekar: Yeah, yeah, new products. We have this whole, I've also talked and listed about that. We talked about this UL approved NCCTs, a new category of CT's. Then, we talked about these certified meters we talked about. Then, we also talked about KD10 recorder series. Then, we talked about earth testers and a lot of products, about 15 product lines we have, but we have these products in every segment in all of our industrial automation segment.

Then, MCP meter and control segment and testing measurement segment. Every segment we have got products lined up for development. It's like about having about 12 to 15 products coming out of our R&Ds every year is a normal job for us and we keep on doing that.

Raj Mehta: Got it, sir. And, sir, one last question on the acquisition front, that what is the update on acquisition of aluminum die-cast business in India that was announced in previous calls? Is It called off?

Dinesh Musalekar: Yes, we did invest a lot of time in that. We went through a lot of due diligence and there were a lot of CPs which we spoke about and the time to cover those CPs were going without any commitment. So, I think I would say that it is on a back burner now. So, we are not actively pursuing that at the moment.

Raj Mehta: Okay, sir. Got it. Thank you so much for answering my questions and all the best.

Moderator: Thank you. The next question is from the line of Saumil Shah from Paras Investments. Please go ahead.

Saumil Shah: Hi, sir. Thanks for the opportunity. Sir, can you please tell me what is the current revenue for the new company which we've acquired, this MicroSys?

Dinesh Musalekar: Yes, it's not a large company. It's about 0.5 million to EUR600,000 turnover. So, that's the range in which it is. And we acquired it not for the revenue purpose, we acquired it for a technological synergy actually.

Saumil Shah: Okay. So, there won't be any, I mean, revenue potential through this acquisition?

Dinesh Musalekar: So, there will be whatever is there that will add and then it will, in our opinion, that will boost our industrial automation products to be sold. So, I'll give you an example. If I sell, say, one power quality analyzer, one temperature controller and three, four products that sale can be like EU400, EUR500, for example.

If that is sold as a system along with the software and an application, so that can be like EUR10,000. I'm just giving an example. But you will not sell so many of those systems. You sell, selling products is much easier because there are a lot of system integrators who buy and do that. So, you get into those forward integration. Okay.

Saumil Shah: And so, can you give any guidance for the current year on the revenue and EBITDA front?

Dinesh Musalekar: On the revenue side, we will be kind of on the, I would put it two ways because there is a big event but about Lumel Alucast business, which we talked about. So, considering that we may have a single digit growth on the revenues, maybe about 8% to 10% from the initial what we had forecasted about 18% to 20% because the aluminum die casting, which also was projected to be around 20% growth will be coming down to, that's about 40% of our business. So, that is, that we are scaling it down.

But on the electronic side of the business, of course, we will have 15, anywhere between 15% to 18% growth on the electronic side of the business. On the die casting side, it can be flat. So, it's 40% and 60% non-aluminum die casting.

So, you can make the math. And so, we are talking about something in the vicinity of 10% as a top line growth. On the bottom line, electronic business, as you can see, in spite of all the challenges we have, we have delivered EBITDA of around 16%-17%.

So, that will continue. On the aluminum die casting side also, we have some uncertainty, how this will come and we want to get it to a positive tune. And, of course, retrospective things may not change because even if we have all the contracts agreed and price corrections done they will be prospective, not retrospective.

So, in third or fourth quarter of this financial year going on, we try to at least get it to EBITDA of 10% minimum. So, EBITDA to be at 10% but it will not be retrospective. So, we may have about three quarters which are already damaged. So, annual numbers may not look so good but our efforts are to correct it from fourth quarter onwards.

Saumil Shah: Okay. So, this year, we can expect a flat growth in terms of bottom line?

Dinesh Musalekar: A flat growth in terms of what you said, sir?

Saumil Shah: In terms of the bottom line. So, it could be a flatter number?

Dinesh Musalekar: Yes. I think you are more or less, I am afraid you are right.

Saumil Shah: Okay. And by when we can reach our previous EBITDA margins of 15%, 16%? I mean, by next fiscal...

Dinesh Musalekar: Yes, that we plan for the next financial year, for sure.

Saumil Shah: Okay. Thank you and nothing from my side. Thank you.

Moderator: Thank you. Ladies and gentlemen due to time constraint, we will take that as the last question. I would now like to hand the conference over to the management for closing comments.

Dinesh Musalekar: Yes. Thank you very much for the trust you have shown with us and the markets and situations are not uniform. They are always challenging. That is why we feel that as a management, we are here to make the best possible decisions under very challenging uncertain environments.

And we are putting our best to get back on track especially the aluminum die casting business. And we are very hopeful that it will happen. And we really thank all the investors who have faith in us and trusted us and we will not let you down.

Narendra Goliya: We are a technology company and continuously investing in R&D and sometimes we even break the barriers of technology in terms of finding new avenues where the products can be used. And fortunately, we are in a situation where the country is doing so well everybody is positive despite our neighbors not doing well. So, although this aluminum, as we explained to you in the call that the aluminum did upset us a little but I think in any business it is part of working.

So, at least we are not upset at all at what has happened. There has been some, let me say, uncertainties but we will come over them. We have come over it many times, if you see the history of the company.

And going forward, it cannot be much different. So, we will come back and come back with a vengeance and make sure that this two or three quarters, which are not as good as otherwise, you see the growth every year was 15%, 20%, 25%, EBITDAs were constant. We will come back with that.

Moderator: On behalf of DAM Capital Advisors Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.