RISHI LASER LIMITED

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27th November, 2025
RLL/59/2025-26

To
Dy. Manager,
Corporate Relationship Department,
BSE Limited,
25th Floor, P. J. Towers, Dalal Street,
Mumbai-400001.

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Sub: Transcript of Analyst / Investor Conference Call of Q2/FY25-26

In terms of Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of Analysts / Investors conference call held on 21st November, 2025 related to Q2/FY25-26 Earnings Call. The same is available on Company's website.

Please acknowledge and take the same on record.

Thanking You,

Yours Faithfully,

For Rishi Laser Limited

VANDANA JITESH PATEL

Digitally signed by VANDANA JITESH PATEL
Date: 2025.11.27 14:51:41 +05'30'

Vandana Patel
Company Secretary

Enclosed a/a

Rishi Laser Limited Q2 FY26 Earnings Conference Call Transcript

Company Representatives:

Mr. **Harshad Patel**: Managing Director

Mr. **Ganesh Agarwal**: Chief Financial Officer

Mr. **Rajnish Mishra**: Confideleap Partners (Investor Relations)

Confideleap Partners: Ladies and gentlemen, good afternoon and welcome to Rishi Laser Q2FY26 Earnings Conference Call, hosted by Confideleap Partner. As a reminder, all the participants' lines will be in listen mode only. And there will be an opportunity for you to ask questions. Further, the presentation concludes. Please note that this conference is being recorded. Before we begin, I would like to point out that this conference may contend forward-looking statement about the company, which are based upon the beliefs, opinion, expectation of the company as of the date of the call. The statement do not guarantee future performance of the company, and it may involve risk and uncertainties that are difficult to predict. Participants are requested to ask 2 to 3 questions at a flow, so that everyone is entertained utilizing the management time. I would now like to hand over the floor to Mr. Rajnish from Confiled Leap Partner. Thank you, and over to you, Rajnish.

Rajnish Mishra: Thank you. Good day, ladies and gentlemen. **Rajnish Mishra** from Confideleap Partners. We represent the investor relations for Rishi Laser Limited. On behalf of Confideleap Partners, I warmly welcome you all to Rishi Laser Q2FY26 earnings Conference Call. The company is today represented by Mr. **Harshad Patel**, Managing Director, and Mr. Ganesh Agarwal, Chief Financial Officer of the company. With this, I would now like to hand over the call to Mr. Rashad Patel for his opening remarks. Thank you, and over to you, sir.

Harshad Patel: Thanks, thanks, Rajnish. So, good afternoon, everyone, and welcome to this Q2 earnings call. Warm welcome to all participants who are joining for the first time. We really appreciate your interest, and look forward to taking you through the journey and progress. We're pleased to share a major milestone this quarter. Our new plant at Malor has successfully commenced operation. Facility has already begun proving over 1,000 parts for Caterpillar, which we previously supplied from our Bhamsundra plant. As part of this ramp-up, manpower costs in the current quarter will be elevated, since we are deploying resources at both the plants. This is a deliberate investment to ensure uninterrupted supply, build buffer stock, and complete the reproving from the new client. While this places short-term pressure on margins, it's a strategic step for sustainable growth.

Harshad Patel: Looking ahead. Robotic automation, particularly in welding, will be the game changer. It'll differentiate us within our supplier category, improve efficiency and unlock many new opportunities with this customer. In addition, our new paint shop facility is expected to go on stream in Q4 of this financial year, further enhancing our capabilities and broadening the scope of the services that we can offer. A revenue contribution from Malwood Plant will begin in Q4 of this year, with a significant ramp-up expected in next financial year. We are now at final stage of transitioning operations, which will be completed by end of November. Parallelly, new RFQs are being processed, and first articles are being proven on the robots. This transformation represents a… Forward-looking investment that positions us to scale our business substantially in the years ahead.

Harshad Patel: Let me now speak about the financial performance for the quarter. In Q226, revenue was at 42.9 crores, as against 39.14 crores in Q225. And 41 crores in Q126. This was a marginal growth of 9.8% and 4.65% over the previous respective quarters. To some extent, the growth has been muted due to lower steel prices in the current year as compared to last year. EBITDA improved from 3.57 crores in Q2 25 to 4.6 crores in 26, with margins growing from 9.1% to 9.93%, primarily due to better product mix. On half-yearly basis, revenues for 6 months, FY26 increased to 84 crores, up from 76 crores in the previous year, and EBITDA went up from 6.5 crores to 8.25 crores, with margins improving by about 100 basis points. Overall, the financials reflect steady growth, improving operating leverage and stable profitability.

Harshad Patel: Despite sluggish demand from the earth-moving industry, we have achieved some growth because of improved utilization at our Pune and Varodra plants, as well as improved exports. Our customers from the earth-moving industry have indicated a significant ramp-up of output by about 30% from Jan 26 onward. We are adding new customers at our Bhamsundra plant to occupy the capacity released by the shifting of Caterpillar business to the new facility. Looking ahead, our focus remains on sustainable double-digit growth, driving further margin improvement, accelerating automation, and expanding our presence in the high-potential sectors like electricals and construction equipment. Before we move ahead, I'd like to take this opportunity to extend my sincere gratitude to all our investors, partners, employees, and stakeholders for their continued trust and support. With that, I now open the flow for any questions that you may have.

Confideleap Partners: Participants are requested to raise their hands for the question. Also, one can raise their question in the Q&A box. Now, we have Mr. Gunit Singh. Sir, you may unmute and introduce yourself.

Gunit Singh: Hi, I'm audible.

Harshad Patel: Yes, yes.

Gunit Singh: So, our margins were, before FY23, were about 4% or less, and currently they're at 9%. So, what is the reason for, increase in margins from 4% to 9%?

Harshad Patel: Yep. Okay, further, anything else?

Gunit Singh: You want me to ask all the questions.

Harshad Patel: Yeah, yeah, please. Please do that, yeah, so that I can answer them all at a time.

Gunit Singh: Are these margins sustainable in the long run? My next question would be, what is our current, capacity, and what is the revenue potential from our existing capacity, excluding the new

Bangalore plant? And, what is the current, capacity utilization? And my third question would be about the Bangalore plant. So, at what level of revenues will the plant break even? And by when should, revenues start flowing in from the Bangalore plant? And, I would like to understand the ramping up of the plant. So, in FY26, what kind of revenue would be coming in from the Bangalore plant? And by FY27. And what should be the expected, since you say… you mentioned that margins would be under pressure because of that, so what should be the expected, loss from, the Bangalore plant? for the coming quarter, or for the second half of FY26.

Harshad Patel: Right, got it. So, I think if you… if we go back a few years, the margins have been continuously becoming a little better. Primarily, our raw material consumption, that means the operating margin, raw material consumption to sales ratio, that has been improving. That is due to better processes, and more than that, I would say that the kind of orders that we are executing are of a little bit more complex nature than what we used to do in the past. So that is leading to better kind of margins than before. And we have kept a threshold also for accepting orders. If there is a lower than a certain value addition, we try not to get into that, because it's over-competitive, and it keeps us busy doing work which doesn't… which may generate revenue in the short run, but doesn't really work out much. the orders which are a little bit more complicated, where some engineering work has to be done, that those are the orders which take a little bit more time to mature and to be able to do. Those kind of businesses we have been adding over a period of time, and that is what is improving the margins.

Harshad Patel: And that process still continues. Like, recently, we have also gone for some, very specialized welding jobs for a customer in Pune, and which, again, is, is at a much better margins than our, normal, what we work at. So, this is a continuous process, and as we technologically improve on some of these areas, it is adding… adding to our margins. So, we have operationally not had much benefit in the last 2-3 years. Turnovers have not gone up much, but margins have sort of been improving slowly and steadily. Your question, is it sustainable? I would say, yes, it is sustainable, and I don't… yes, the challenge is there that you have to filter out and work for jobs which take a little bit time to fructify. There's also some engineering involved on the supply side, because Customers give their finished requirement, but you have to do some engineering at your end to see how you will process it, what you will do. So the complexity of the jobs that we are trying to address is going better and better as we move forward. So I think it's definitely sustainable.

Harshad Patel: And, Current capacity utilization, as we've talked about in the past, our capacity utilization has been quite poor at Pune and Vadodra, where we've been operating at around 50% capacity. But in this current year, both these plants have picked up and is doing better than last year, significantly better, I would say, more in terms of profitability than in turnover, but turnover also, utilization has gone up by about 10%, but there's still a good, good amount of additional capacity at both these plants. As far as Bangalore plant is concerned, when we talked about this margin pressure, it is more in the short run, the next quarter especially, because we are operating… we are doing the same, similar jobs at both the plants. One place we are amping down, and the other place we are starting up. So, there is a duplication of work. That's the reason… in fact, even in the… in this last quarter, for the results for which we have declared, our personnel cost to sale has been at an all-time high, because we've added more people, and revenues have not got generated. But despite higher personnel cost, profit has still been a little bit better. So, margin pressure is more this one quarter, till some revenues start coming from that plant, additional revenue, then that'll ease off. And that, I would say, by first quarter of next year, that should be okay. Last quarter also, there'll be revenue from this plant. So, to that extent, our margins will come back towards normalcy either in the fourth quarter of this year, or definitely in the first quarter of next year. As far as, break-even, is concerned, actually, I am… Ganesh, what is… do you have, the, any, any, any, calculation, or what was it about, break-even point of that, plant?

Ganesh Agrawal: In terms of value, it would be 60 crore rupees. 5 crore rupees a month.

Harshad Patel: 5 crore rupees a month, but that is… that is including the existing business.

Ganesh Agrawal: Yes, yes.

Harshad Patel: Okay, right, right, right. Yeah, so that is about break-even. And revenues, as we mentioned, as of today, what has happened is most of our energy has gone in only… because when… even if you shift the same part from one plant to the other, you have to go through the whole process of approval of the new facility for every single part. So, a lot of energy has gone into that, but parallelly, new articles are also being developed, but all the new articles now onwards are likely to come with a clause that they must be done on robots. So, the proving out on robots has its own, I mean, timescale. All the robots are installed now. Fixturing is also done, and new part processing is also being done. Approvals are… will yet have to start coming in, but that will also be in place by December, and the new part supplies also will start going in from January. The ramp-up in that will come more after our paint shop is commissioned, because one of the bottlenecks today is the painting, because we are getting the painting done outside. And there is a limited scope of increasing the jobs outside because of quality concerns and other things, especially with regard to export. customer is extremely strict about having all the, all the work done within the same premises. So, after the paint shop is commissioned, which is likely to be in the first quarter, after that, or no, rather, the fourth quarter of this year, after that, the ramping up will be fairly rapid from this plant.

Gunit Singh: Okay, sir, so the new plant, will it lead to additional revenues, or is it that, our existing operations would be shifted to the new plant, so it won't impact their revenues much, but just the margin profile?

Harshad Patel: No, it will… it will… so that's precisely what I was trying to convey. That is that, existing… only the existing business has been shifted. Additional revenue will start coming in from January. And that will significantly go up from the first quarter of next year, because by the time all the new part provings are done, and paint shop is also in place. So, in fourth quarter of this year, there will be fresh additional revenue, and the first quarter of next year, that will get ramped up, because more additional export commitments and all those things will also start flowing out of that plant.

Gunit Singh: Okay, so, I mean, on top of the current revenue that we are doing, which is running at 60% utilization, so we will, on top of that, add another additional 100 crores of top-line potential. Is that a fair understanding?

Harshad Patel: No, see, see, the, the, the potential, for, for that particular plant, we were, we are talking about, was, something like 100 crores, coming out of that plant over a period of, next 2-3 years. Out of that, if we say that about 4 crores of… three… three and a half crores of business has moved from the old plant, so it… Additional 6, 6.5 crores revenue has to be generated from there, which will happen over the course of the next two years, which will take it to about 100 crores in a year.

Gunit Singh: Okay, so what would be the total revenue potential, including or everything after the commissioning? Including new plant, the old plant.

Harshad Patel: So, the revenue potential also is dependent a lot on, you know, because as I mentioned, the capacity utilization at Pune and Baroda, is, is less, and Pune now is ramping up, also quite nicely with, more, more, more and more inquiries, coming, from, primarily from overseas sources. So, it… that will depend a lot on, you know, how much, how much those things, fructify, quickly. But, that is a little bit, you know, it's not… I would say it's a little bit difficult to give, right away, in… how… how quickly this will happen. But, the, the potential for improvement I mean, at both… at Pune and Baroda combined, is another, you can say, 4 crores a month in a year or a year and a half's time.

Gunit Singh: Okay, sir, I mean, I don't want a timeline, but if you can just assume that if the plants are at 80% utilization, all the plants, so what kind of revenues we can achieve, hypothetically?

Harshad Patel: Ganesh, what would that be with, with, Pune and, and Baroda being in place as well?

Ganesh Agrawal: Including the new… including the new…

Harshad Patel: Yeah, including, including the new plant, yeah, yeah. At 80% utilization, he said.

Ganesh Agrawal: 250 crore rupees.

Harshad Patel: Okay, right. Yeah.

Gunit Singh: Got it.

Harshad Patel: So, the challenge, you know, in this is in this kind of business is that you, the, the time, it is not that you're putting up an assembly line and then taking out production. So, there are only certain numbers of parts which you can productionize over a period of a month. The whole a timeline from the time you receive the drawing till the parts approved and the first small batch is taken. It's a whole rigorous process, which takes anywhere between 3 to 4 months. So, this is the whole pipeline of business, which is staggered. So, over a period of time, continuously, you are developing more new parts. and adding them to your portfolio and going ahead. So, significant amount of work there has been done, but because all this has to be automated and supplied with robots, because now the customer, as far as Caterpillar is concerned, their focus is completely on… they would prefer customers to have high levels of automation, and that's what is going to be our strength, because we have… we are ahead of the curve as far as their entire supply chain is concerned. We have the highest level of automation in their entire supply chain from India, so that is going to help us to be able to sort of attract more business now, both for domestic as well as for exports?

Gunit Singh: Got it, sir. So, sir, what kind of a top line and what kind of margins are you expecting for FY27?

Harshad Patel: say, top line would be, you know, about 20% growth over this year, and margins also should be higher because of operational, operational efficiency, because that is what has been holding us back. Otherwise, our value addition is quite good, but this additional turnover should help us to improve, margins by, anywhere between, 1.5% to 2% at EBIT level.

Gunit Singh: All right, so go to it. Thank you very much.

Harshad Patel: Thanks, thanks, Bunit. Yeah, thank you very much. Okay, please, please go ahead.

Confideleap Partners: Just a quick reminder to everyone, if you have questions, please raise your hand using the reaction tab. Also, one can request the question in the Q&A box. Next, we have Mr. Rahul Jain. Sir, you may unmute and introduce yourself.

Rahul Jain: Thanks for the opportunity. Good evening, Rashad Bhai and Vanesh. nice to see the numbers which have come in. Of course, you mentioned that we have been flat on revenues, roughly, or not much growth, but we have done quite well in terms of our margins, both on the gross and the EBITDA level. In fact, our gross margins and EBITDA margins both are At the highest level for last almost 3-4 years now, or almost 10 to 12 quarters. So, since I was on the margins part, so this quarter, we have reported about 49% gross margins. Previous quarter, it was about 46.5%. For the last 4-5 quarters, we… 4 quarters, we have been around, somewhere between 47 and 49. With the latest quarter being at 49. So, Asherbai, as we go forward, one, this product mix, which has come in, sorry, with this margin which has come in, September quarter, is it due to certain product mix changes? And going forward, Do we expect our gross margins to remain in this band of 47% to 50%? Or can they be a bit higher with the new plant coming in? That is my first question.

Harshad Patel: Yeah, yeah. Okay, yes. Yeah, please go ahead. Any other, anything else? Yeah.

Rahul Jain: Okay, my second question is, so, just to clarify, you mentioned that about 30-35 crores of business, which was being done from the existing Bangalore plant. has been shifted to the new Bangalore plant, and I understand, the revenues from that particular, segment of the business has already started with Cattlepear. And in the previous calls, you had mentioned that… about two things. One was the paint shop. Which, you will be starting in quarter four. And then there were some specifications required by our client, which you mentioned in the previous call. I understand that was related to automation and robotics, which is almost complete now. So, typically. Can we, assume that with regards to this new plant, Bangalore now, everything is in place, and, the, timelines in terms of commercial production starting from January 26th? hopefully now, there should not be any delays, and the ramp-up will be, seen… some kind of ramp-up will be very much visible in the quarter four of the current year. That is my second question.

Rahul Jain: Third is, with regards to Caterpillar, you had mentioned in the previous call about, the opportunities on mining. And also, with regards to the aftermarket opportunities, aftermarket for

Caterpillar, and also on the exports front. So if you can share some more details in case there are some further inquiries or some kind of forecast being given by both Caterpillar and some other customers for the coming times in regards to this particular aspect.

Harshad Patel: Right, got it, yeah.

Rahul Jain: And last question, sir. Apart from Caterpillar, if you can share some details about some of the other customers, like Schneider, Emerson, Volvo, Komatsu, and maybe some new customers which have been added, if you could share more details on that. Whether we are getting some kind of feelers from there, in terms of, you know, new business, or the existing business ramp-up, or some new components which they are ready to give to us. I think one name I missed was Ingersoll also, so if you could share some details on customers apart from Caterpillar also. That was my last question.

Harshad Patel: Right, got it. Thanks so much, Rahul. And I think, you, now is, in a couple of… incidentally, there is, this XCON exhibition is going to be there in Bangalore, which is, main exhibition for construction equipment, and it's in the first week of December, and all the senior management of all these big companies, including Hitachi, Volvo, Caterpillar, all are going to be here, and a lot of activities going on in that front. So, there's a lot of excitement about, generally about, earth-moving, mining, road building equipment traction, but there, one will get a better idea about, you know, really what is happening. As I mentioned in my initial statement also, that customers are all ramping up. Now, they have given us indications that from January onwards, a significant improvement in offtake should be there. anywhere between 25% to 40% increase in volumes from the existing customers, including Volvo and a couple of others also, who are all in this earth-moving. So they… because that has been a little sluggish. Monsoon months, anyway, are a little slow, and this year, the monsoons just carried on and on and on all over the country, so… It has been quite slow, right? Up to October, things had not picked up, but now they are all very optimistic. So all of them are making the right noises as far as, you know, their requirements are likely to be there for the future.

Harshad Patel: Margin-wise. I would say that even if we maintain margins at this level, it should be good. Last year, I mean, this quarter, margins were better because of some product mix, especially at the Puna facility, and that has helped because if you will see from the quarterly statement, the employee cost has gone up very significantly. Yeah, and as a percentage, it is about 2% of sales, it has gone up, and it's a little bit, as I mentioned, because of this additional cost of labor here, plus certain jobs, there was some additional cost which had to be incurred. But fortunately, because of better gross margins, in spite of that increase in cost. profit has been maintained. So I would say that at gross level, if these margins are there, and we improve turnover, I would be fairly happy. And if it increases further, we don't know, but at least this much, if we maintain and improve turnover, should give us a very good Much, much better bottom line.

Harshad Patel: On automation front, we've already installed about 6 robots at the facility. And as I mentioned earlier, for our kind of business, which is low volume, unlike the automotive sector, which has very high volume, similar type of parts, where automation is much easier to do, ours are more complex, but since we have our own automation division, which we started, and working with robots and other things. So we have managed to do a lot of work internally without relying on external support. And that has helped, to absorb this whole, like, automation knowledge within the country, and, set up a facility which is the best, amongst any company in this, this particular segment. So, and, I was there, in fact, at Malur Bangalore plant just yesterday, and, I was extremely happy to see, all this, a lot of, a lot of installations, new installations working, and new articles being produced also. And, we are very excited, because a very senior management team of CAT, which is going to be in India. at the time of XCON. They will be visiting our plant in early December, and the entire robotics division will be inaugurated by the very senior executive from CATUS, and so that is a very exciting thing for us, and that is… that's what we are likely to do. So automation is is a very important requirement for them. Not really so much for labor saving, but more for improvement in quality and reputability. And we are on track for that. All the installations are in place. And new products are also being proved now. Every sort of every week, something new is happening, and teams from different divisions of Caterpillar and our people are working very closely to see that it is on track, because they are also very keen that we ramp up quickly so that we can supply them both in India as well as, overseas.

Harshad Patel: Yeah, with regard to, mining and aftermarket, their aftermarket business, is, is, that market, that we are, sort of supplying from Pune facilities. And that is a very large opportunity, and there, it is up to us how much we can grab. So the challenge is more from our side than from theirs. They can go, you know, even four, five times higher than what we are currently doing. The challenge there is that in the aftermarket By design, as you would know, the batches are much smaller. You are not producing for actual online production over a period of time. So, large variety of components and very small batches. So, the prove-out and the… all these things, and getting it the first time to get it done, the more and more parts are added, that takes little time. But aftermarket is… sales are ramping up quite fast, and we have to, of course, we have to do much more work at our end, and do more automation, similar, like, Bangalore, even at Punefis. So that we can cater to that market much better. On the mining front, I think somehow in India, their mining equipment has not yet picked up the way it was expected so far, and they are also giving indication that it may happen only from first quarter of next year. As far as exports are concerned, also parts are going for mining equipment, but a little bit there, because of these tariffs and other things, there are some concerns. I mean, both, they are very confident, and I'm also very confident that this tariff issue is likely to be resolved any day now, and Their tariffs are likely to come down to about, you know, anywhere between 15% to 20%. So, on that assumption, we are all moving forward, and if that sort of happens, the export side for mining equipment should start picking up significantly after that.

Harshad Patel: As far as, you, you, you talked about, yeah, other customers, unfortunately, some of the, other customers, out of Gujarat plant, you know, whether it is Schneider or Ingasolran, both are not really, firing, that well. They are, whatever they are… in fact, Schneider especially, was to have, this year, very record… they are in a very good, space also, because, as you know, in electrical sector, transformer and, the switchgear segment. For distribution is really booming. And they are also in the right space, but I think they have… they seem to have some internal issues. They have also doubled their capacity, but their lifting has not yet picked up to that extent. And they have also been keeping on postponing the additional volumes, which were to have ramped up by second… by this third quarter of this year. But it's still looking a little bit iffy, and I'm not really clear what seems to be the problem, but their ramp-up has not happened the way it was expected. Ingersoll Rand has recently just commissioned a new plant in Sanand. It was just about a few weeks back. That was also quite delayed. And with that, they are going to sort of rationalize their product range. So, one, the smaller compressors, all that will remain at the existing facilities, and the bigger ones which go into, big, steel plants and, other big, where the margins are much better, that will move to the new facility, and they'll be able to ramp up significantly. So, going forward, next year, I think Ingersoll Rand should be, should have a very, very good, good growth, coming from there, once the new plant, comes… I mean, it starts is just inaugurated, but, still work is… it's not yet really fully yet operational. I think they are just a little bit going slow, I don't know why, but next year onwards, they should be able to ramp up, quite well. I missed out something, Rahul. What was that?

Rahul Jain: No, I think, so basically, Emerson and Wall were…

Harshad Patel: Yeah, yeah, yeah. So, Volvo is ramping up very significantly. They're bringing new models into the country. And, and, so they, they are… yesterday, during my Bangalore visit last two days, I was also at Volvo facility. So they, they are also talking of, of, much, much better volumes out of, out of India. Amazon, in between, they were slightly slow, but now, Amazon and, two or three other customers at Pune, all the export customers. new customers have been added, and those businesses are sort of likely to pick up also going forward. And also at Bombsundra plant, we were not adding… we could not rather add other customers in because we were all… we were already fully occupied at that plant. So, now that that capacity has been vacated. So we are onboarding, you know, something like two customers a month. And, some businesses have started either in EV segment and, some other food processing equipment, and some customers have been added. All these are MNCs. And those businesses, also should, should, pick up quite a lot. Actually, this downturn, or I would not say downturn, but sluggishness in the yellow goods market over the last 5-6 months has, held back, the southern, business, whereas other, other businesses, have been, have been fairly okay. So now the… now, once this yellow goods start, coming back on stream from this next quarter, I think businesses should definitely start looking up.

Rahul Jain: That's so nice to hear, Asherbai, and I understand. So, typically, with this new plant coming up and starting commercials in a quarter or so, I think we are at an inflection point, is that the right way to look at it?

Harshad Patel: I… I think so, yes, yes, we are, we are. Actually, it is, it is a little late. It took much longer to, to do this whole process, of, of, shifting as well as automation. But when I, when I benchmarked, or later on, when we, when I started looking at, you know, how the automotive companies were going about it. I found that even at the, there, even in large companies, these kind of projects are taking, you know, something like 6 months for it to get commissioned and on-stream. So this proving out process is a little bit long, but we are now at the end of the tunnel. So, yes, I would definitely think we are at inflection point, and We should, we should be able to do, really good, good business, going forward.

Rahul Jain: So, nice. Thanks, Ashubbeh, and thanks, Ganeshbe.

Harshad Patel: Thanks for the insights. Thanks, thanks, Raul, yeah.

Confideleap Partners: Just a quick reminder to everyone, if you have questions, please raise your hand using the reaction tab. Also, one can request.

Harshad Patel: One can ask questions in the Q&A box.

Confideleap Partners: Next, we have Mr. Dvanil Desai. Sir, you may unmute and introduce yourself.

Dhwanil Desai: Hi, good afternoon, Hajabai and Ganesh, sir. Am I already went?

Harshad Patel: Yes, please, yes.

Dhwanil Desai: Yes. Yeah, so, Harshat, first of all, you know, congratulations for, you know, starting the new plant and, starting the ramp up. So my first question is more of a clarification, but if I understand correctly, our old Bhum Sandra plant was doing around 70, 80 crore of revenue, and new plant, you know, at full utilization, as and when it happens, will do around 100 crore. So, is this understanding correct? And secondly, a question related to that, as we move, existing cat products to the new plant, how do we see the utilization of Boom Sandra plant? Again, coming back to that 80-90% that we used to do? You know, what will it take for us to reach that level, time frame, customer addition? If you can, talk more on that. Sir, second question is, on the new plant. I think Paint Shop, as you rightly said, has been delayed for various reasons, and we are now expecting that it will start from Q4 onwards. So, sir, how do we… You know, how confident we are that from Q4 onwards, the paint shop, you know, will start and there won't be any further delay, because I think in our earlier interaction, you were indicated that, for larger parts, to kind of, you know, get through and start ramp up, we need paint shop in place. So, so one, do we see that happening in Q4, or that it may be a possibility of further delay in paint shop? And, on the, you know, once the paint shop is operational, in terms of product approval process, will there be a lag between. You know, when the paint shop is operational and the ramp-up of the new, larger parts, because those will be the new parts, so the first, article and the entire process that you guys go through with CAT, you know, will it take time, or will it be a simultaneous process? And, you know, Question related to that is that, you know, next year, should we see at least, incremental 20-30% business, other than what we have moved from, Boom Center plant coming from the new plant? That is my second question. And, third question, sir, is actually, you know, on the, Gujarat. plant. We have been talking about that we are looking for some kind of a retail sales to fill up the capacity, even though it may come at a lower margin. So, you know, any progress on that front, you know, if you can elaborate.

Harshad Patel: Yeah. Yeah, thanks, thanks, Danil, yeah. So, Yeah, I'll, As far as, yeah, what you talked about, the capacity, though we were doing something like 60 crores, or so from Bong Sondra plant, but that was… under a lot of, a lot of strain, and, you know, that plant is not really, that is not the right. It is… actually was running at even beyond capacity. That's why it was overcrowded, and there were… there were some issues. Customers were also not satisfied that, from the angle of, safety, and from angle of, flow… flow of the material, etc. So. I would say that the existing Bangalore facility, the old one, should… I mean, we should keep that capacity as something like, you know, 48 to 50 crores. About 4 crores a month is what it should be able to run in a nice and a proper manner. And the new plant, which is, you know, something like 3 times bigger than that, if we just directly extrapolate 3 times, it comes to about 120 crores. But we feel that, you know, 100 crores is what we are initially thinking in terms of that. But with painting and all that being done in-house. if things move smoothly and orders ramp up, obviously over a period of time, it could cross that also. So, capacity-wise, we can say that between both the Bangalore plants, you're talking in terms of something like 150 crores, if they are operating at, you know, 80% capacity. Now, how quickly, we… We reach, that, that is, the major, sort of, challenge. So at the… at the Bamsundra plant, as I just mentioned in the previous answer also, that we are onboarding customers now, and we feel that we should be able to reach those capacity levels, earlier capacity. Now, with this movement out from here of CAD business, that business, That factory would be running at something like 40-40 to 50, 40-45% capacity. The balance capacity, we, we hope to get it filled up in… within the next year. So, that and the new, new factory, both combined. should give us a growth of 25%, at least in the south, as compared to before. South, not including Chennai, but I'm just talking of Bangalore itself.

Harshad Patel: A paint shop, you know, the biggest, the highest amount… I mean, two things took a lot of time. One was. the signing off on what exactly, what kind of paint shop is required, because this was all being tailor-made to see that not only we do… we do… we set up facilities for existing work being done, but also for the kind of work which may flow in the future. And the future work is We had to take a little bit broader view, and we are also talking in categories. And, parts which currently we are not in those categories at all. Little bit, medium fab. Today, our 80% of the business coming from them is all light fab. Now we are… we want to move into medium fab, so the size and the weight of the parts will be much higher. So the paint shop design and signing off, by customer took a little bit time. And the larger amount of time, actually, after that was unfortunately the government approval, because, you know, these paint facilities, once you put, it is coming in red category under the pollution control laws. And that, that permission, has unfortunately got very… it was very much delayed, and that's the reason… and we did not want to place orders for equipment without permission being in place, because once you order equipment, and if they… if the authorities make you change the design or the layout or anything, then you could get stuck. So we could not order for the equipment till all this happened. But this is all done now. The entire system orders have been placed. And the… it will come in two phases, so some of the deliveries of parts and all that have started coming this month itself, and it will come into the factory, and it will be implemented in two phases. First, the smaller, size, paint shop will be put up, where the existing parts, which today we are sending. either to old factory to paint, or to outside sources. That will be first internalized. And then the larger paint shop, which includes, you know, some additional advanced facilities for particular different kind of coatings, and, those things, those also will get implemented a little later. So I think now, I don't see, I don't see much of delays happening on that front. But yes, that has been a major sort of bottleneck in us being able to do more work. As far as domestic, you know, work with CAT, even we could outsource some painting, and that was not such a big challenge. But for exports and for the heavy fab or medium fab, without paint shop, we'll not be able to really execute. So, even some of the bigger items now, which are being automated. on robots, those paintings also… those… we'll get it proven prior to the painting. Once the paint shop is there, yes, we'll have to go through the process of getting the painting part also approved, but again, that should be about 4 weeks. Immediately, as soon as the paint shop is ready, we should be able to start working on that parallellyly. So. From next year, that's why I said that first quarter of next year, our ramp-up should be quite… very, very fast. I don't see… now most of the challenges are behind us. There were two major ones. One was automation with robots, second was painting. So, robots, of course, everything is in place. Trials have also gone very well. And I was also very, very happy to see, I mean, so many robots and automation working yesterday on all trial parts and all that. So, delays are now behind us. Now, we have to start actually doing commercial production and getting it out, actually, now.

Harshad Patel: Coming to… Yeah, the retail business of Gujarat, which I've been talking for quite some time. the… that is going to be a complete online kind of buying portal. So, that will be… the customers will be buying cut and bent parts directly by feeding drawings onto the website, getting quotation online, and ordering online. Everything, the entire transaction will be run on a portal-based, kind of, thing. And so this is a very… I mean, a lot of work went into the software, part of it, the back-end processing, and how the immediate quotation will come based on drawings and the production planning, inventory, all this. Even our equipment, unfortunately, some of the equipments were delayed there. But the real bottlenecks were more on the software implementation. But we have started trials, I mean, all these trial orders are being executed now, and by another, another 15 days or so, we will come online with full-fledged online portal ordering. So. That also will get on stream. We are also participating in a couple of very big exhibitions now, the next one in December in Kandi Nagar, and January in Bangalore, where also we will use those platforms to get, this, this, ordering platform online. And initially, we have to get some traffic onto the website, but after that, you know, the kind of ease of ordering, the speed with which we will deliver, it will be… it will be absolutely a delight for the buyer. So, it's just a question of getting the… because this is the first time for this kind of product where portal ordering is being done. This is quite common in Europe and United States, but in India, as far as I know, this will be a first of its kind which we'll be doing. And in the long run, I feel that this is how the business, over a period of next 5, 7, 10 years, a lot of business in the country will start moving towards this kind of buying, because you… if you would have noticed, a lot of different… in different industries, a lot of startups are coming to help people how to order online. In fact, even now, there are startups which are helping companies, MS&E companies, to buy even raw material steel. Instead of directly talking to the steel mill. There will be these portals which will help you to get your streamlined, and all that. So, this, this business, The software side was a little challenging, but it's all in place now. Beta testing is also done, some orders are being executed with known customers, and we'll go fully live in another month's time. In December, we'll be going live. And hopefully, after that, that business would start flowing in.

Dhwanil Desai: Okay, so two small questions, follow up. So, one for this year, FY26… Next, I think, should we assume 10-12% kind of a growth, given that most of the ramp-up will happen from Q1 next year? That is one. And, seconds are for Pune, if we need to serve the aftermarket. parts of Caterpillar, to a significant extent. Do we need a paint shop, and are we doing something about that?

Harshad Patel: Yeah, yeah, good, good, very, very good, question. Yes, absolutely, we need a paint shop, and, that also, Ganesh, has the paint shop, that, permission, come in, at, Pune? For Pune?

Ganesh Agrawal: The permission, the first, permission, that is CFE, consent for, establishment, has come. Yeah, okay, yeah. We haven't placed order for equipment as of yet.

Harshad Patel: Right, right. So, yeah, so to answer your question, yes, we will need painting facilities, and we have to put it up If we want to ramp up that business properly, we'll also need a painting facility, and that is going to be the major thing which we have to get in-house. Because today, sending it out for painting, customer is… there is a lot of, sort of resistance about that. We… we have to send it to our… maybe the Bangalore plant sometimes, and then export it, from there, or get it back here, or there are a lot of, lot of other bottlenecks. So, yes, for aftermarket, that is going to be important, and, So these permissions come in two stages. One is permission to allow you to set the paint shop, and second is after you set it up, their approval for you to run it, so that there is no pollution and all that. So, the facilities are all being put up, which are going to be compliant only. We are getting it from proper sources and suppliers. yes, that will have to be done to ramp up that business. Then there, again, as I said, if we can do… not if we, but we must also have to invest a little bit in automation so that we have… we can do much more volume with high variety without having too many more people in the system. So, both these things will have to be done very… and then that should be able… that business should be. That is the… the aftermarket business, the advantage is the margins are higher, because volumes are low, and second is that business is not cyclical, really, because there's huge population of the machines in the market. So, unlike the main business of the the earth-moving industry, which is very, very cyclical, so, and they have very deep cycles, and this aftermarket business is very steady, because that goes on irrespective of what the main business is. So that's how we are… so we'll have to address that.

Dhwanil Desai: Yeah, so that FY26, should we look at 10%?

Harshad Patel: Yes, oh yeah, yeah, yeah, yeah. Yes, you know, I think it should be, it should be, yes, a little, it'll be over 10%, and, with, only this, this, maybe the third quarter, slightly dip in margins, but fourth quarter onwards, again, margin also should be, back on stream. So, yes, we can see that, that much growth. And as I mentioned, because the steel prices in the current year are lower than last year, so to that extent, your sales reflect slightly lower… even though the volume is higher, the sale val… rupee value is, it's a deflated value, actually. So, that is… probably, that is also the reason maybe the margin also slightly better, because the sale, if it was at the old selling prices of higher steel, the sales would have been higher, actually.

Dhwanil Desai: Very youthful, sir. Wish you all the best.

Harshad Patel: Thanks so much, thank you.

Confideleap Partners: Just a quick reminder for everyone, if you have questions, please raise your hand using the reaction tab. Also, one can post their question in the Q&A box. Next, we have Mr. Rahul Singharia. Sir, you may unmute and introduce yourself.

Rahul Singhania: Yeah, hi.

Harshad Patel: Yeah, hello, yeah.

Harshad Patel: Yeah, please go ahead. Hello? Hello.

Rahul Singhania: Can you hear me, sir?

Harshad Patel: I can hear you now. Please go ahead, yes.

Rahul Singhania: Sorry, I was gonna note. So, the Bangalore facility will be fully ramped up, in 3 years, according to the projection. So, how can we make sure that volume demand will match the additional capacity? Especially, as you mentioned, when construction machinery demand is cyclical?

Harshad Patel: Good night.

Rahul Singhania: Thank you.

Harshad Patel: Yeah, anything else?

Rahul Singhania: Yes, sir, one more thing I wanted to ask, that, we have, diversification across 6 plants and 70… Odd builders or so. But, this… Has not yet translated into market leadership for a significantly larger revenue base. So, what has changed now to accelerate trajectory?

Rahul Singhania: Right.

Harshad Patel: So, as far as capacity, how to see that capacity gets utilized. Actually, in the commodity, cycle is turning up, and so worldwide, there is a very good expected demand for mining equipments and all these things. So, that is the reason customers are very optimistic. Our customers are quite optimistic about demand in India also. I… I'm not very sure, you know, how that is going to pan out, because, you know, India, the last decade's experience has been that it's always been up and down, up and down. It has not been very consistent, actually. Demand has definitely gone up. But, it goes up for a year or two years, and then, again, there is a lull, when you change the cycle from BS4 to BS5, and some transitioning happens, and all these things. So, Indian demand is going to depend quite a lot on the government spending on infra, on roads, and all these things. So. If that continues the way it has happened in the last two years, then I think domestic demand should continue. But my feeling is that for us to be able to fill up our capacities at Bangalore, we'll definitely have to get a good amount of orders from outside India. It's only then… only domestic market will… I don't see us being able to fill up that factory with domestic demand. So, we'll have to start working more and more with… one is, of course, with Caterpillar, who's our number one customer, and we are already supplying directly also to their plants in the US. And earlier, we started with one plant, now we have three different plants where we supply to. And so that… that is the main anchor customer, but they will definitely have to look at other customers as well to be able to fill up that. So that is going to be very critical for us. But there, my confidence stems from the level that Earlier, we were hampered because of infrastructure within the company, the space and other things. now that we have a good amount of infrastructure, plus a high level of automation that we are doing, our capabilities, if we are able to work with Caterpillar, which is the number one company in its space in the whole world, and that has raised the company's capabilities to a very different level. So, that is the reason it gives me little confidence that we should be able to work with other customers as well, and fill this capacity. So, I mean, bottom line is that we will need business from overseas to be able to fill up this capacity. I don't think domestic demand will be enough to take up, take up this This much… this much additional business.

Harshad Patel: The, that was, that was about capacity and sequential. Sorry, I missed out your second question, Rahul. Can you please, repeat?

Rahul Singhania: Yeah, yeah, so, our diversification has not yet translated into market leadership. Right. Or a larger revenue base.

Harshad Patel: But I… but I… True, yeah, it's, it's very accurate. Actually, what has happened is, that, We had a leadership position in the industry, you know, from 2003 to 2012. We had a very, very good position in the industry, but after we ran through, after we ran into a lot of problems because of overcapacity and financial issues, etc. So we were… sort of not in the market in various areas. And so, after we have come back. In, which has, happened, very recently over the last 3 years. is when we are again trying to regain our space in the market. And now, by design, you know, we are not going in for a very high, high turnover kind of businesses. So, we are looking at more and more, little bit challenging jobs where it takes a little bit more time, but, you get better realizations, and those jobs are also more sticky. So this could involve… when we come to welding now, for example, we were, earlier, mostly about 90% plus work was all carbon steel. Now, we are doing more work with stainless steel. We are also starting to work with aluminum. In the EV space. And, we recently have started talking to LNT for working welding with Inconel materials also. So, we are doing, on the welding side, two things. One is automation. Second, so we want to automate more and more welding so we can get better quality and reputability. Second is that we also have now some concerns in place who are helping us to get into a little bit more challenging areas of welding and, improve. So, our position is improving year by year, but yes, we will not be… our turnovers are not, I mean, we will not be in a space where, you know, we will ramp up, even in the yellow goods, you know, to something like 340 400 crores, which also is an opportunity. Which is being addressed, actually, by some of the other players in the industry. But that is not… I mean, that boat has sailed, actually, as far as we are concerned. So, we are not doing many of the parts, like buckets and some of the low-value added parts in the earth movement. industry. But as against that, we recently also added one customer in Pune, an American company, which is making some road-making equipment, which required… sorry, it's a German company, which, for the first time, they are making those components outside of Germany, because those machines were being made for India, and now our first part for that equipment is also being sent to Germany for trial. And if that gets approved, we'll export the same part to Germany as well. So these are the kind of projects on which we are trying to focus much more. So those things generate, you know, turnover, you know, annual turnovers of anywhere between, you know, 3 to 5 crores. But, they are very, very sticky in terms of, you know, continuous business. And once the original challenge of getting the quality and all those things approved. they give you much better margins, and they are much more sticky. So, that is… that is the kind of path we want to follow, and I think, that is working out, working out okay. One more area which, we were… we used to be very, very strong was in the metros and, that place, again, where we have… we had vacated. We are, again, trying to sort of strengthen our position there. As of today, we are doing very small amount of work in that space of metros and railways. But now we want to try and work a little harder to see whether we can get some new sort of items from there which are a little complicated to produce and make, and so that's, that's the area, another new area which we are working on. So we are trying to go in a little different manner, and that is definitely going to work. Another good development is that Europe has now become very, very expensive to manufacture anything, so they are all struggling, you know, to find ways to to get out of there and get stuff made outside, either to transfer the whole manufacturing or to source components. So, that is where a very large opportunities… it's not easy to get it done, but there is a very big opportunity there, which we have to sort of become a little bit more aggressive in addressing, and that should be… help us to Sort of give us good business at good margins also.

Rahul Singhania: Thanks for giving such a detailed answer, sir. This gives a very clear picture of the company. I wish you best of luck for the future.

Harshad Patel: Thank you so much, Rahulth. You're very much appreciated.

Rahul Singhania: Thank you, sir.

Confideleap Partners: Just a quick reminder to everyone, if you have questions, please raise your hand using the reaction tab. Also, one can request their question in the Q&A box. Next, we have Mr. Ripain Shah, so you may unmute and introduce yourself.

Dipen Shah: Yeah, thank you for the opportunity. Harshad Bhai, a good set of numbers, given the circumstances. I am, actually seeing the company… I started seeing the company recently, and I had a couple of basic questions. Just wanted to understand, sir, is there a concept of an order book kind of a thing in our business? If yes, what could be the order book like? The second question is that, what is the longevity of a particular contract? In the sense that, whenever a contract comes through, does it take 1 month, 3 months, or slightly longer? So that is… that could give us some idea about the visibility which you have for the business. And the third question is that, during the current quarter, did you have any impact of the tariff issues? And if the tariffs were to go down, would that be a, you know, a source of some, you know, some better, margins in the next quarter, or in the quarters after that? Thank you so much, Harshab.

Harshad Patel: Yes. Yeah, thanks very much, Deepin. So, see, in our case, order book, so there are two types. Our major business is, you can say, is kind of, supply to OEM. So, in.

Dipen Shah: Yes.

Harshad Patel: most of it is repetitive business, so once you have some articles which you have started supplying. then you will continue to supply those items, and your business will depend on the volumes of your customers. So, if his sales go up, your volumes will go up. And the other way is that maybe your share in the business, because most of the customers want more than one vendor. So, typically, for any article. would be two or sometimes even three vendors supplying. So, if your quality, delivery performance, etc. is better than the other parties, you can get a more share of business. So, the two ways to look at it is, one is your share of business from the customers, second is those… so, order book, as such, we don't have a value order book, but typically, for each customer, we have an idea that, you know, that, okay, this customer, if he runs at a certain… I mean, their run rate is, let's say, for example. For example, 50 lakhs a month is what they are picking up. If their volume ramps up by 10%, that 50 could go to 55 lakhs, or whatever, or if it goes down, it could go down to 40 lakhs. So, this… and within the year, there will be some ups and downs of months, because these being all parts of capital goods, it is a little bit lumpy also sometimes. like automobile, where, you know, every year, every month, so many cars are going to be produced, so motorcycles are going to be produced. Of course, in earth-moving equipment, there is a little bit more regularity, but in other types of equipments, which are going to OEM, which could be, you know, for companies, any other engineering companies, SUSER, or windmill companies, or so many other companies, the, it is, it is, it is always going to be dependent on, on, on, their volumes. Business is very sticky in this industry, because it is too much of a pain for a customer to change his supplier, because they have to go through a lot of headaches. So, unless you really goof up with a company on quality or on some other parameter, by and large, customers tend to stick with you. to get into the company is a little difficult, but once you get in and you are smoothly delivering to your customer, they do tend to sort of stick around with you. It is… somebody cannot just come and say that, oh, I will give you this, I have a new factory, or I have better facilities, or I'll give you 10% cheaper. A buyer is not going to… he may use that as a stick to, you know, try to pressure you into price reduction, but it's not likely to sort of move away from you. So business is fairly sticky in the industry, which is a good thing, and because there are other things also. Because these are all tailor-made items, you have to invest a little bit in tooling, fixturing, certain process. require some specific tools for that particular order. So, once you… once you invest in that, many times the customer pays you extra for that investment. So, he also wants you to sort of continue to work on that. So, after you get in, it is quite good.

Harshad Patel: The… the other part, which is, quite interesting, actually, is, you talked about how the business increases or longevity. Actually, what happens is that, you know, as and when customer wants some new, either their design changes or some new model comes in, so he has a chance, they will give the drawing. Obviously, he would prefer to give the new parts to an existing supplier who's satisfying him the best, where he has the most confidence that this is the guy who can, sort of give me this. But there, the challenge comes that how quickly you can develop the first article. So once you get the drawing from the RFQ stage to the first article production, then to get it approved, and then a small batch is sent, that gets approved, and then you come into commercial supplies. So, your speed of reaction, right, from the time the first drawing comes to you, till you are able to do that, that is the sort of trick to be more successful. And that involves having a proper team, you know, a design engineering team in your company, and that has been traditionally a big challenge. For everybody in the industry, because, You need, you know, people who understand all these 3D drawings, and then you unfold it, you do some engineering work with that. We have done very, I mean, a good amount of work in the last one and a half, two years. We invested in, you know, very high-end softwares, and we are still continuing to invest more in software. Which will help us to do all this first part of the work quite a lot. So that, of course, is hardly ever discussed as a capex or whatever, but that back office work is very, very critical to get it, you know, successful for you to get, deliver the first article properly. That, and the second part is the human resource the quality of people who are working, your equipments are all very high-end, they are all automatic, CNC, etc, but the person who is running that equipment also should have some sort of, you know, knowledge about what he's doing. And that is another very challenging aspect of the business. So, we have been working very hard on that front, over the last, maybe 18 months, and continue to do so. So, two ways. One is investing in software, training people on that, and at least I think we would have spent close to a crore of rupees on this, on the various softwares, licenses at different plants. And second part is on the human capital side, we have now a full-fledged training center in the company, where we train our staff, a training officer at a fairly senior level. He's full time there to train and upgrade the quality of staff, so that they are able to do the work properly and get it out, because Though it may look that, you know, there are… these are automatic, highly automatic machines, you just have to press a button and things happen. But since ours is not a repetitive, high-volume business, every time you are doing something different, some… even a small changes are made in drawings, it requires some kind of work to be done on the shop floor and all that. So, we are investing quite a lot On the back-end side of the business. And that is the harder part of the… the easier part is to put up the machines and put up a factory. But the people area and the software, that was proving to be more challenging. But we have done a good, significant work, and that has also definitely helped in improving our volumes, because now our time from which you receive an inquiry to the time you are able to give a quote, or to able to give the first article, that has been shortened, and customer is looking to reduce that cycle time even further, because even just yesterday in my meeting at Volvo, the head of purchase, he told that only that in India, we are giving you 8 weeks to do this, whereas in other… in China, you know, we get it done in 2 weeks. So, why can't y'all bring it down to 4 weeks? And he was absolutely right in demanding this. So, I think those challenges we have to address, and that will improve customer satisfaction to a great extent, you know, and then the business will flow more. And there, also, we are on track. Especially a very good amount of good work has been done at Pune facilities on this front, and that is what is giving better sort of response to the… especially the foreign customers are much more demanding, because typically in India, you know, we are over-busy doing things, and we don't quickly respond, we don't give the… even the quotation sometimes take 7 days to give, because so much of drawings have to be read. So there, we are investing in automation, software, all these things. So that part is also helping to sort of improve the pipeline of… the more RFQs you are able to handle, the more business you'll be able to do. So that part, we have worked quite a lot on that, and it's giving very good result.

Harshad Patel: Coming to tariff, actually, tariff has not impacted us in any way directly, means any orders which were in place have not been affected, but additional business which was being targeted is slightly… I mean, again, there, all the engineering side work, approvals, all that is going on, but, the business is not likely… I mean. Business may get hampered if the tariff is not reduced. So, we are… we… tariff reduction is going to be a little important for us also going forward. But most… all the indications I'm getting from overseas, as well as in India, is that this will happen very, very quickly. I mean, in a very short period of time. And you'd have seen that even Reliance has just announced that they'll stop using any Russian oil for the refinery. So India is taking all the steps to see that the great Donald is very satisfied, and he reduces the tariff on India. So, that is… that's about tariffs, Depend.

Confideleap Partners: The pain, sir, if you're trying to speak, you are on mute.

Dipen Shah: Yeah, sorry. Sir, thank you so much for your detailed reply, and all the very best to you, sir.

Harshad Patel: Thank you, thank you, Divine, yeah.

Confideleap Partners: Just a quick reminder for everyone, if you have questions.

Harshad Patel: Please…

Confideleap Partners: I'm sorry. Just a quick reminder for everyone, if you have questions, please raise your hand using the reaction tab. Also, one can request the question in the Q&A box. We believe there are no further questions from anyone. Would like to hand over the call to Mr. Rajnish for the Q&A box.

Rajnish Mishra: Yeah, so we have a few questions in the chat box. We'll go one by one, sir. So we have a couple of questions from Mr. Grish. What is your order book currently? What steps are we taking to boost exports? And do we see any big exports market? What is your biggest market in exports? Second question from Mr. Grish is, could you elaborate about the journey of automation and how it would add to top line and bottom line? Hashatza, over to you.

Harshad Patel: Yep. So, as I mentioned earlier, order book is, I mean, suppose, I mean, let's say today our current, Monthly run rate is something like 13 crores. So, visibility is anywhere, I mean, around 14, 15 crores is the kind of monthly sort of call-offs which come from the companies, and then some of them, towards the end of the month, say, oh, we don't want it this month, you go into the next month, etc. So. For us to have higher turnover, that's the number that we have to increase, and so more orders coming into pipeline, partly from existing customers, and partly from new customers. We have been a little bit weak in adding, adding more new customers. That has been a slight area of concern over the last few years, but now, I think this year, we have added more new customers, and many of them have very good business going forward. Some of these customers are existing… they are doing that work in-house, and they want to outsource it now, because they feel that this is not their core area of strength and expertise, so they are moving it out. These involve some special kinds of welding and other things. So those kind of things are helping us to get more orders into the order pipeline funnel.

Harshad Patel: Exports, I would say that the highest potential for exports, in my opinion, would be Europe, because Europe has become extremely, extremely costly, and they are really struggling now to sort of produce things there. And, of course, many factories are shutting down also because of high costs. So, it is Europe where I feel… of course, this cuts both ways, because if those factories become unviable, the customer's factory end closes down. To that extent, that business is gone, that customer is no longer alive. And either, you know, Chinese have eaten up the business, or some other country has. But to the extent customers who are sort of carrying on. They are all looking to, to, sort of, outsource. Highest, I would put it, Western Europe, has, has, is very, very sort of keen to look at, but we have inquiries coming from all over the world, including Australia, and, and the United States, as well. And some of these companies… some of these companies also are setting up buying offices in India, and they typically start off with castings, forgings, and all that, which are… which India is already fairly strong and well-placed, and then they come onto the fabricated items, because fabrication items, the proving time and the amount of work that is involved is much more. And so, they typically, come in a little bit, come into the orders a little later. But that is, that is happening, as we speak, and, it should, it should continue to increase, according to me. But it has been a little longer journey there also, than… than what we expected. But it's moving on the right track.

Harshad Patel: Automation, is, an area which is very, very dear to me, and, we, I mean, absolutely are on an attack mode, and, ahead of the curve in the sense that, because, custom… I personally feel that, we… if we focus too much on immediate ROI, that TLI, you know, prove that automation is going to be cheaper than doing it manually. What happens is that you sometimes are not able to give the kind of quality, reputability, or timely delivery because of problems of human resource. So my thinking and strategy is that you should automate right away, as fast as possible, and ensure that your quality and delivery is good so that business will flow. It is the other way around. If you automate, you'll be able to get more business. Rather than thinking that if I get more business, I will automate. In my opinion, it's the other way around. And that is… I think that is where India, I mean, as a nation, we are… what I am finding is that people have been a little bit slow in going for automation. As I had discussed earlier, also, we have started this automation division about maybe a year ago, 9 months, and last 3-4 months, we are getting good, good traction. We have started selling now robots and cobots fairly regularly. Every month, we have some orders now coming in, and we are seeing a good amount of traction. Next year, I expect, even automation business to pick up, and hopefully. If the way I see trends moving, we could even be doing about 10 crores of even sales of automation products to other companies. And in-house, of course, whatever, wherever automation is possible on welding and on surface finishing, other areas, we are installing robots. Every month, one or two robots are being installed. So, my hope is that a large part of our welding, we will move towards on the automation side. And, that is, that is, that is… it has taken a little bit time initially, but now it is moving very, very fast. So, I mean, we have now… our new Bangalore plant is really state-of-the-art in that it's… state-of-the-art, of course, is a cliche, but I would still like to say that in this case, it is true. So, yes, automation within the company is moving very fast, and we also are looking to make it as a good new vertical of business, even for outsiders. So I think that's… that's about automation.

Rajnish Mishra: Okay, so, Hoggiriji, your question has been answered. Next question we have from Mr. Pranav Mishra. Steel fabrication is a working capital heavy business. Could you quantify any increase in inventory days and receivables days post-expansion? How tight is liquidity currently? Second question? You highlight presence across industries like railways, T&D, construction, etc. But which one segment is still driving majority of the growth? What happens if infra-railway orders slow down? Third question. Tube segments entry is recent. What is incremental margin profile versus legacy sheet metal? When will this contribute more than 10% of revenues, and how we see in upcoming future? Hachetzer, over to you.

Harshad Patel: Yeah, so you're right, working capital cycle could be… could be, an area of concern in our kind of business, because you buy raw material on cash, immediate payment, and you sell on credit anywhere between 45 to 90 days. But our working capital is, I would say, the best in the entire industry. And you will not find a company with such a low working capital fund deployment in the entire industry. And I think this has more happened due to the, you know, when we passed through a very severe finance crunch. we started… I mean, by design, we could not do business wherever the working capital blockage was more, where either the credit was more, and stuff like that. So, automatically, the whole way of addressing the business became that our working capital, you know, cycle should be very, very small. And that is why, even with a, you know, a business of about 150 crores. We have a working capital

CC limit of just about 3-4 crores, you know, which, typically for any other company would be, you know, anywhere between 20-25 crores. So we… we discount, we get our sales converted to revenue by customer discounting the bills in their facility. or our inventory management also is very, very tight, because we… the flow through the factory, our WIP, the speed of movement of the material in the factory is, again, the best in class in the entire industry. So, working capital management, I think our CFO or CEO, Mr. Ganesh Agarwal, has Done an absolute miracle, for the company, and that is… could be one of the area of strength.

Harshad Patel: As far as concentration of business is concerned, today, more than 50% of the business, I would say maybe close to 60% of the business is coming from yellow goods sector, which is, by yellow goods, we mean, you know, earth-moving, mining, road-making equipment, construction, machinery, and that whole sector. So, yes, we are overexposed. to that, particular area. And, if there is a major sort of slump in, in, infrastructure spending, definitely, that could, that could, impact, impact business. But just now, I would say that, virtually all most of our customers are… are on growth mode, so… they are not seeing any, any, slowdown in, in the immediate near future. So, I don't think, I think it's a good thing to be in that, that area of business, and, all… everybody is in a, in a… quite an optimistic mode just now. So, hopefully that, that should be, that should sort of, That is not a risk in the short term, according to me.

Harshad Patel: As far as, tube business, is concerned, unfortunately, we are… we have, sort of been struggling, to get, get the right, breakthroughs. We are… we are… it's a very small business as of today, and we are only sort of supplying very high-end, very small quantity batches of these products to the existing customers in the yellow goods space. But that doesn't generate enough revenue. We have to be in a more commoditized kind of tubing product businesses also, which will be coming from the automotive industry or the furniture and the consumer goods kind of space. where we are still working to get the right breakthrough. But there, if you see, if you're following, you know, the steel consumption. the fastest growing segment in the steel area is in the tube section. So, tube production in the country is growing much, much faster than the overall steel production. So, all those tubes, unfortunately, a large part of those tubes are being exported without being processed. So, my optimism of that business was stemming from the macro picture. But, we have yet to, sort of… we have all the technology in place, very high-end kind of processing machines. But we have not yet made a right breakthrough in that area. I'm quite optimistic that in coming year, that breakthrough, it can happen anytime now, but we have to make that breakthrough and make it happen, which would then be able to take it to a 10%, as you mentioned. When would it be? After we get one breakthrough, I would feel that we can scale it up fairly quickly. That should not be much of a problem. But the right breakthroughs are not yet in place. So that's about the tube business.

Rajnish Mishra: Pope Pranavji, your question has been answered. Next, we have Mr. Jaisha. We have a couple of questions from him. The new Bangalore plant requires Rs. 15 crore kepex, and is expected to add 100 crore over 4 years. What are the current utilization levels, and by when do you expect the facility to become EBITDA processed when giving the initial profitability? Second question, you mentioned enhancing export capabilities, so what percent of revenue currently comes from exports, and why has this not scaled meaningfully despite multi-location presence? Hashitza, over to you.

Harshad Patel: Yeah, yeah. Regarding new facility, I think, we've already, you know, addressed it from various angles of what is the business potential, etc, in the earlier question. So, mainly, it is with regard to, exports. Ganesh, can you, sort of look, give some feel of the numbers of export, current numbers, and how, how that would move?

Ganesh Agrawal: Boot number 2?

Harshad Patel: Yeah, export, yeah. No, no, export, the… from entire company we are talking about? Yeah, I would… I would think so, yes, yes, entire company, yes.

Rajnish Mishra: Yes, sir.

Ganesh Agrawal: Yeah, it's moving in the right direction, and there's a lot of potential, talking to, you know, 3-4 new customers as of now.

Harshad Patel: So…

Ganesh Agrawal: I think, you know, that business is going in the right direction, and I see a lot of potential in that sector going forward.

Harshad Patel: Yeah, so, so, from, from current, number to, I mean, from current number where to where, what could be, the… I mean, from current number where to where, what could be… I think that would, possibly be what Jaesh was trying to, ask.

Ganesh Agrawal: So, if you… I mean, to answer this question, in Q2, we did 6 crore rupees of, this thing. Explorer. both time. Yeah. Right. So, yeah. We can extrapolate that in that, and if this 3-4 customers who we are talking to right now, those customers, you know, that business materializes, then I think there would be a 20-25-30% jump in that. Yeah, minimum.

Harshad Patel: Yeah, so in export, I will only add one more thing, that many of these companies are talking very, very large business. So initially, they may sort of start with, you know, just, you know, maybe a small $100,000 kind of thing. But they are giving indications that if some of these things fall in place, it could be very large business. And some of these items that we are looking at are from very different industries, which we've not worked with in the past also. So those are the kind of inquiries which are coming. And what we've now done is that earlier we were trying to restrict the kind of jobs we were looking at, but now we have broadened the portfolio. So, for example, even if there are certain parts of those projects which are not outside our scope, we are trying to look at it that how can we sort of outsource some of the things, or we can collaborate with some other companies in India, and then source it, and then supply to the customer. We are also broadening our way of looking at the export business as a whole, and that is what is helping us to get a more broader sort of range of inquiries, which we have to… and that is, again, a little lumpy business, so if some of these click, it could be a fairly big… I mean, a single customer could be talking in terms of, you know. anywhere between 10 to 20 crores of business. That's the kind of business that can flow from even a single customer.

Rajnish Mishra: Hope, JSG, your question has been answered. Next, we have Mr. Anshul Jain. You are now entering a scale-up phase with automation, new segments, and export ambition. Do we have the right professional leadership player, chief operating officer, business heads to isolate the good? Over three decades, the company has been led largely by the same leadership team. What is the formal succession plan to ensure continuity, fresh strategic thinking, and institutionalization of growth beyond founder-driven execution? Third question. With defense, renewables, and export supply chain shift accelerating Which new industries, vertical example, aerospace, defense fabrication, turbine structures, are in serious qualification pipeline today? And what revenue do we expect from them by FY28? Hashitza, over to you.

Harshad Patel: Yep. Yeah, so, yeah, very, very good question. This is the biggest area of challenge for the company, for generally also for all companies and general industry, and also, obviously, for us. And, Post, you know, post our downturn, we sort of downsized in a big way, and at that time, we restructured the organization. And now, after that, we have, again, after some time, come back into growth mode. And so, even with our new Bangalore plant, that has proved to be a very big change. challenge also, and also contributed to some of the delays and all that, because we could not get the head of that plant in place in time, and then we got a very good person. Unfortunately. he got a very good assignment overseas, and he left, and then we've got another person. So, senior level, people getting right and getting them in place is, is very, very critical to our success, especially, for the kind… for the type of organization that we are running, because What we do is that each location is run by a business head. who is responsible for… he's a profit center, and he's responsible for the P&L of that location. And therefore, getting that person right and stable is quite critical. And, some… quite… some of our senior staff have either retired or left us in the last 8 or 10 years. And, some replacements have worked out, some have not. And that is an area we are, we are still working on, even as we speak. And, we, we, we have to, we have to do, some work there.

Harshad Patel: As far as, you know, founder-driven, strategy is concerned, we are today at a stage where, My role in the company is not really much in running the company as much as in looking at the future direction of the company. So, I am mainly involved more in strategy and in technology, and in trying to sort of decide the path on which we are going. And that's why we have focused so much more on automation, on robotics, because robotics is an area, a business of the future, in my opinion. And that's the area that I am sort of concentrating on. Otherwise, we have a reasonably, I would say, quite a strong senior management team in place. But that is to be more strengthened. Our HR function as a whole is not yet up to the mark. It's quite weak. And, specifically on manufacturing side, we are quite strong. But, design development also, we are still, sort of working in place. So organization definitely needs to be strengthened, and at the senior level, some more people, have to be, have to come in. And then, I mean, it is… it can… it is… it will be in place for the kind of size of the company and what we are planning. I think that that should be in place. The, the… The replacement, obviously, for the founder is a bit of a challenge. And, I… I mean, that's something that, we have not yet, clearly, addressed. But, I mean, that's a role that, will have to be played by, by somebody else, in the future. But that is not yet, not yet 100% clear, you know, what it is. But the management team, is by and large in place, and it is being strengthened. But yes, that is an area where we… there is… there is a gap, there is a gap, and that gap needs to be worked on. That is my… again, my personal area of focus is that tool, to see that that is strengthened, because that is what is going to drive the business, you know. So from… from marketing area and marketing angle. and some of the other sort of leadership challenges. But fortunately now, most of our business heads are in place. Some more addition has to be done, and that should be okay. At least in the… over the short run of three years, according to me.

Rajnish Mishra: Alright, sir. So we have last question from Mr. Sonak Meyani. Why is promoter holding so low? Any plans of increasing holding?

Harshad Patel: Yes, so… So, you know, we had, during, during our very aggressive growth phase, during 2003 to, you know, 2010, we had two, preferential allotments, which were made, and at that time, management, had not participated, and that's what, had brought… to start with itself, the holding was not… has not been very large. But because of those two dilutions. The holding has, come down to this level, and that's, it has remained sort of constant, at this level, and, I mean, I have not been… I mean, we have not increased that holding, and neither I see any short-term, any possibility for that. We recently had a small preferential, allotment as well, but their promoters have also taken an equivalent amount to their current holdings. So the stake is likely to remain this level. I don't see, in very short… I mean, in the near term, our ability to sort of increase stake beyond this level. And this is an historic, sort of, I won't say problem, but a situation, let me put it. And that's what it is, you know.

Confideleap Partners: Thank you, sir. There are no further questions from anyone. Would like the management to give the concluding remarks.

Harshad Patel: Well, this was a very long, and I hope, fruitful… it lasted much more, and I'm really happy that some of you all have taken so much time to try and understand what the company is doing. I would urge some of you, if you all have time, to sometime visit our new facilities and see see in reality what is being done there. It'll be quite interesting and exciting. So I'll invite y'all to, if interested, to please be in touch and visit the plant and get a feel of a ground reality of the, of the business. That'll really… I would feel your confidence in the business and the company would, drastically go up once you visit our facilities. So thanks once again for, you know, taking the time out and talking to me.

Confideleap Partners: Thank you for joining Rishi Laser Q2F526 conference call, hosted by Confideleap Partners. Participants may sign off.