6th May, 2024

To

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

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

Dear Sir/Madam,

**Sub: Transcript of the Earnings Conference Call on the Audited Financial Results for the quarter and year ended 31st March, 2024;**

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation and outcome letter dated 1st April, 2024 and 29th April, 2024 respectively, we are enclosing herewith the transcript of the earnings conference call organized on Monday, the 29th April, 2024 at 4.00 P.M. (IST) on the Audited Financial Results for the quarter and year ended 31st March, 2024.

The transcript of the earnings conference call will be uploaded on the website of the Company at www.craftsmanautomation.com.

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

Thanking you.

Yours faithfully,
**for CRAFTSMAN AUTOMATION LIMITED**

Shainshad Aduvanni
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Date: 2024.05.06 17:53:57 +05'30'

Shainshad Aduvanni
**Company Secretary and Compliance Officer**

Encl: As above



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**CRAFTSMAN AUTOMATION LIMITED**

**Earnings Conference Call held on 29th April, 2024 for the quarter and year ended 31st March, 2024**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Earnings Call to discuss the financial performance of the Craftsman Automation Limited for the quarter and year ended 31st March, 2024. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the opening remarks are concluded. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

**Srinivasan Ravi:** Thank you. Good afternoon, everybody. It gives me immense pleasure in welcoming you all for the earnings call for the year ended 31st March, 2024. A brief note on the market, the commercial vehicle business was more or less flat. With the light commercial vehicle, there has been a small uptake, slight impact, but overall, I think in the mixture, I think it has been flat. Exports remain under stress for the financial year because of the new developments in the geopolitical situation. On the passenger vehicle segment, we have seen growth in the SUV portfolio, which we are present as Craftsman.

Now, I'll go to the consolidated financial highlights of FY 2024. In comparison with FY '23, it is strictly not comparable. So, turnover-wise, it's not comparable because we had only two months of consolidation of DR Axion last year. So, INR4452 crores versus INR3183 crores. But the breakup of the current turnover of INR4452 crores is quite interesting.

The Powertrain has been INR1,558 crores. Aluminum products has been INR 2,154 crores. Industrial engineering has been INR 740 crores. With this, the dependence on Powertrain has reduced. Even though Powertrain is good and logical growth business for us, we are no longer dependent only on the Powertrain for Craftsman's consolidated growth.

The EBIT margin has been INR619 crores against the previous year of INR475 crores. Again, strictly not comparable. Powertrain has been INR292 crores. Aluminum products, INR322 crores. And industrial engineering, INR49 crores. Unallocated has been INR44 crores. On consolidated ratios, debt equity, we are in a comfortable situation of 0.88. Debt to EBITDA, still we are manageable level as far as our targets are concerned. It is 1.72. EBIT margin has been 14%.

ROCE has declined marginally from 22.3 in FY '23 to 22%. But ROE has improved from FY '23, which was 19.5%, to the current year of 21%. EPS has improved from INR117.56 to INR144. 144, I mean, considering the owners' fund of 76% stake in DR Axion.

Standalone turnover has grown only marginally. I think it is on record, so I will not elaborate on that matter. There has been some little headwinds in the Powertrain business, which we did not expect a little because of the slowdown in Brazil. There has been inventory correction, plus also the commercial vehicle slowdown was sharper than expected.

We are geared up for higher capacity in Craftsman as a whole. Also, the Tire 5 or the Stage 5, we call it, for the construction equipment business, we invested heavily, put up new lines. The government regulation has not kicked in, has been postponed. There has been similar situation like earlier in the BS6, which has happened. We are waiting for the production to start. The storage business has been flat more or less for the company because of the slow in the investment by the e-commerce and other related companies.

Capex has been higher than what it was envisaged earlier for two different reasons. One reason is two new plants we have invested because the market opportunity and the opportunities offered to Craftsman is quite big. So we decided to take it down considering the future growth aspects. Capex stands at INR580 crores. More of that detail when we go for the discussions. The major subsidiary DR Axion has made a Turnover of INR1,246 crores and EBIT has been INR196 crores.

Regarding fundraising, since we have been little leveraged now because of the huge expansion and also the acquisition which was done a year back, we have decided to de-leverage by reducing the amount of debt. So, we are raising funds via the public, I mean, raising funds. I think the modality of that will be coming in the near future. The timing of that is still uncertain. So, it is only the enabling resolution we are going forward as of now.

With this, we leave the floor open for discussions.

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

**Mumuksh Mandlesha:** Yes. Thanks for the opportunity, sir. can you share the value addition numbers for the Q4 quarter, sir?

**Srinivasan Ravi:** Quarter four you want?

**Mumuksh Mandlesha:** Yes.

**Srinivasan Ravi:** The Powertrain has been INR226 crores, Aluminium products INR107 crores on a standalone basis. Industrial engineering has been INR59 crores.

**Mumuksh Mandlesha:** Sir, just on the margin fall we saw in the auto Powertrain segment, about 300 bps sequentially, any reason for the fall, sir? Was there any one-off in the numbers, sir?

**Srinivasan Ravi:** There is, in a way, not directly a one-off, but indirectly there is a one-off. One thing, we have increased capacity to a large extent, so fixed cost has gone up. So the top line has not improved along with that matter. And also we have invested for new plants. The Faridabad new plant is ready for, again, Stage 5 production, which has not started. And the other portion is the other exports have not picked up as we expected.

This was the main reason. And the one-off, when you look at it, one-off wise, there has been a major inventory correction going into Q4 by our customers, all our leading customers, both in the commercial vehicle segment within the country and also in South America, plus also the other domestic players who are expecting to move to Tier 5. They had producer inventory on Tier 4 products. Similarly, also on the passenger vehicle SUV sector, after the high for this year, there has been a pile-up of inventory at the customer end. So there was a correction, which was quite steep. In fact, some of the customers didn't lift material from middle of March. So that way, it's a one-off.

**Mumuksh Mandlesha:** Someday, would you estimate next quarter onwards, we should be back to at least Q3 levels, sir?

**Srinivasan Ravi:** I think for the full year, yes, we will be on a growth track. Q1 still will be, on the domestic market, I don't think there will be much changes because it will be still muted. But for exports for CV, I think that has started in full swing again from Q1. So it will be a mixed quarter. Of course, our cost will be lesser in Q1. I think repair and maintenance is mostly behind us. So generally, I think we'll have a better financial result for Q1, but I don't expect too much top-line growth for Q1. Beyond that, I think we are okay.

**Mumuksh Mandlesha:** Got it, sir. On the auto aluminum performance, we saw good margin improvement in the both DR Axion and Standalone business. Sequential margin has improved while the revenues are broadly flat. So what led to the better margins in this business, sir?

**Srinivasan Ravi:** I will answer your first earlier question because I left out something. We have invested heavily for off-highway products machining, and also now we are also backward integrating to a certain extent on the casting front. So that has not seen any revenue. There have been only expenses which has been expensed off because these products are a long gestation for development itself.

So I will come back to that later in further Q&A. Now on the aluminum products, I think between the two companies, we have a lot of synergies playing out for us in total. That is the major portion. The second portion is the product mix what we have in Craftsman. It's all 98% which is machined, and most of it is critical machining.

So there's a machining value addition which has played out better for us. Earlier, the margins were muted not because of our operational efficiency matters alone. I would say that was only marginal, but I would say the operating leverage today capacity utilization has improved, and the fixed cost absorption has been better totally.

If you look at the value addition portion of it, and it is more or less pro-rata, maybe some few points improvements is there, but the fixed cost absorption has been far better in the standalone business. In the acquired company also, there has been quite a good ramp-up on the revenue as a whole, and the synergy is playing out with some better cost management. We are able to manage the margins.

**Mumuksh Mandlesha:** Lastly, can you guide the capex for the FY '25 and '26?

**Srinivasan Ravi:** Yes. FY '25, we'll be looking at a capex. We'll be completing the stage one of both the Bhiwadi plant as well as the Kothavadi plant in Coimbatore. With that, we'll be looking at a capex slightly above INR500 crores. Exact number we have to freeze now. I think there's the board approval. So, this is what we look at it.

**Mumuksh Mandlesha:** I'll come back to you with a question. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

**Mukesh Saraf:** Yes. Good evening, and thank you for the opportunity. My first question is on the aluminum segment. Within the standalone business, we've seen some sequential growth in revenue. Could you give some sense on, have you started seeing some contribution from some of those export orders that we had to Europe? Have you started seeing some of those, and could this ramp up further in these couple of coming quarters?

**Srinivasan Ravi:** I mean, regarding export orders for the PV, it is starting only from Q1. This has just started now, little. So, we will be seeing offtake from Q2 of this financial year, and it will peak in Q3, Q4 is what we expect on this matter. That is what is the projections we received. We have not seen much in the Q4 of last year on the passenger vehicle segment for export. But domestically, our business for the powertrain, for the passenger vehicles, for the standalone, we have started production in the Q2, a little.

Q3 was the ramp-up phase, and Q4 was the – we have supplied at full quantity that resulted in the numbers. That is going to continue for the full year, financial year, and for the next year. So, in added to that, I think the export revenue will add to the aluminum. So, aluminum traction is quite strong, similar to the current year. I mean, last year, the current year also looks strong, both for Craftsman as well as for DR.

**Mukesh Saraf:** So, I think you had last time guided that we can do probably 15% of growth in FY '25 in the standalone aluminum segment. So, you stick by that number, sir?

**Srinivasan Ravi:** Yes, we stick by that number on the aluminum growth on the standalone basis. And for our subsidiary also, we are looking at some export to Korea, which will come in Q4 of this year. And if there is a three-year contract, I think that is also a good order. And in FY '26, for us, the Talegaon plant of Hyundai also will be operational. So, that also will add some revenue onwards.

**Mukesh Saraf:** Right. So, just coming to DR-Axion, I think sequentially we have seen some decline, but when we look at, say, Hyundai, Kia's production, there wasn't a decline in production Q-o-Q. Anything we should read into this Q-o-Q decline in revenue, sir? 3Q to 4Q?

**Srinivasan Ravi:** We have in the western region also a major SUV manufacturer as a customer, both for DR-Axion as well as Craftsman. We supply the similar products on the aluminum casting. There has been a very, very steep inventory correction in that particular quarter. They were ramped up for higher numbers.

**Mukesh Saraf:** Yes, I think that's it from my side, sir. Or just a last bit, sir. Within your PT powertrain standalone, could you just give a mix of CV tractors off-highway?

**Srinivasan Ravi:** Yes, please. I will do that and then talk about the top line. You want it for the quarter four or you want it for the full year?

**Mukesh Saraf:** If you could give us both, sir, 4Q and full year.

**Srinivasan Ravi:** Okay. The powertrain revenue-wise for commercial vehicle has been around INR880 crores. Off-highway was INR272 crores and the tractor was INR210 crores and the SUV for the passenger vehicles was INR196 crores. And for Q4 of FY '24 on commercial vehicle, it was INR217 crores, off-highway was INR63 crores, tractor was INR48 crores and passenger vehicle SUV was INR61 crores.

**Moderator:** Thank you. The next question is from the line of Karan Gupta from Varaniun. Please go ahead.

**Karan Gupta:** So, for the quarter four, can you give us the value-add segment-wise?

**Srinivasan Ravi:** No, we can give for the full year the value-add segment-wise. I think for Q4 it will not be relevant because…

**Karan Gupta:** Yes, it's fine.

**Srinivasan Ravi:** So, you want the value-add for the full year on the…

**Karan Gupta:** Yes segment wise.

**Srinivasan Ravi:** INR944 crores on the powertrain, INR391 crores on the aluminum products, and INR276 crores on the industrial engineering.

**Karan Gupta:** Okay, aluminum, what's the aluminum?

**Srinivasan Ravi:** Pardon.

**Karan Gupta:** Yes, what did you say aluminum?

**Srinivasan Ravi:** Aluminum was INR391 crores.

**Karan Gupta:** The second question is regarding the margin side of the powertrain and your industrial engineering part. So, in the industrial engineering part, again, the margin is coming down quarter-on-quarter. So, what's the any volume you are focusing on as of now for the industrial engineering?

**Srinivasan Ravi:** I will talk about the powertrain first as this is a major segment. Powertrain, as I had mentioned in the last earnings call we are now focused on off-highway and stationary engines which is under development there. So, there have been a lot of development expenses.

We have received orders. I will not be able to reveal the orders currently, but all of that will kick in FY26 onwards and good traction is there until FY28 on the new businesses. These are very sticky businesses and these are all major companies, global companies and mostly export-oriented and that expenses of investment has dragged down some of the margins on the powertrain whereas the other existing customers did not have much traction on the current businesses.

Coming on the industrial engineering business, the storage business has been flat totally overall. Being flat has added to our fixed cost of not getting amortised because we are ready for more expansion and more growth in the business. So, today the opening order book is quite substantial.

That means 50% of last year's sales on the storage solution our opening order book is there on April 1st. So, we are quite confident of growing 25%, 30% in the storage business in the current year. So, that way with better overheads absorption because this is marketing, the service and also erection, end-to-end design team everything the overheads are there on the storage solution.

With better revenue mix, I think the margins will come back on the storage solutions. On contract manufacturing and other products other than storage we didn't see much traction in the last financial year, but here also we have geared up with the Kothavadi plant which is a multifunctional plant with addressing the powertrain as well as the industrial engineering segment.

We have started the machining activity for various businesses like the renewable energy businesses the revenue stream has started flowing in the last few months, I would say. So, this will, when it comes to a full year it will bring revenue. These are gearboxes for the -- gearbox housing machining for the windmill.

Later on, we are backward integrating also into the casting at our new facility which is coming in Kothavadi. These are all for export. Our customers are from India, multinational customers are exporting. So, we see good traction going forward. Today, the base is so small that a small capacity utilization change the margins in a big way.

It was a similar case in aluminum a few years back that on quarter-on-quarter we were not able to give a very stable number. Now that the aluminum business has grown, we're able to be stable in the industrial engineering business still it is small. We have to wait for a few more quarters for that to scale up and be more consistent on delivery performance, on result performance.

**Karan Gupta:** Okay, fair enough. For powertrain, I have one follow-up on that. Previous quarter you said some kind of refurbishment is going on. So, it is done now or it will take one more, two quarters more?

**Srinivasan Ravi:** 80% is done. We have to look at the point that FY19 was a high year. FY20 was expected to be doing good, didn't do well. We had the COVID. Post-COVID, we had a ramp-up which was quite steep. So, we didn't have some of the maintenance which we should have done. So, now we have used this lean year to do the maintenance 80% of it is done. We will not have a repeat in the current financial year.

**Karan Gupta:** And the equity you are raising around INR1400 crores, right?

**Srinivasan Ravi:** No, the number is still not finalized and when we are raising there is no timeline defined to it. Very clear. As I mentioned in the last few earnings call we are still open for acquisition within the country and a small overseas acquisition maybe much lesser than 100 crores which will give a strategic advantage in one of the key businesses where we are in and where we are focusing in for the next decade I would say.

So, with that in mind also I think that the capex coming in for the two plants that is Kothavadi plant and the Bhiwadi plant we have also made major investments and we have borrowed already totally. We have to reduce our borrowing that is one of the reasons for this sort of enabling resolution we have taken.

**Karan Gupta:** Okay. And the reason behind starting Greenfield instead of Brownfield what is the, I mean, the strategy you are seeing there?

**Srinivasan Ravi:** I will first answer the Coimbatore facility which is a 50-acre campus. The current 50-acre campus is which we are it is almost full which is housing all the three segments of the business mainly the powertrain, the aluminum products and industrial engineering. So, we have gone for another campus of 50-acres.

The land was acquired in stages over the number of years, but we have started the construction activity in the second half of this year after we got commitments from our customers. These customers are the first customers to commit were industrial engineering customers, followed by powertrain customers for the off-highway vehicles and stationary engines. So, with this, it is an hybrid foundry which we are now putting up for the cast-iron foundry.

So far, it is notable to note that we continue to work with all our foundry partners wherever they can supply we continue to source from them. These products are not available for sourcing within India except one or two foundries who are not making these castings and they are also full of, I mean, they do not have capacity and we are having good global opportunity. So, we check with our foundry partners and there is nothing on the cards for the coming year or two.

So we decided that we are not going to lose the opportunity and we have gone for the investment at Kothavadi. So this will be a multi-specialty foundry, but we have also got resources from the renewable energy sector, mainly the windmill gearboxes, and this is quite a sizable business going forward also. It will be stable, I would say, totally over the number of years, with a focus globally on the renewable energy business.

And also on the capital goods sector, we are seeing that imports are getting reduced. More and more, Make in India policy is coming up. So we are -- the castings requirement are going up in the country, and this is one of the few foundries which will be coming up on global scale in the country for these heavy parts.

I am talking about heavy parts means weighing anywhere from 1 ton up to 20 tons, and these are having critical machining where we already are doing some of the parts machining for the past many years. So this will be a strong point for us. We are still open to working with all of our foundry partners for even buying their castings and continuing there or working for them in a way.

So this will continue our growth path on the powertrain business, and now it will lead to a new growth area in our industrial engineering business, which was -- we have not been concentrating on the sector for some time because of the other growth -- high growth in other segments of the business. So, now I will -- the Bhiwadi plant, if I am done with answering the Kodavadi facility. Any questions on the Kodavadi facility?

**Karan Gupta:** Yes, you can continue.

**Srinivasan Ravi:** On aluminum, well, next two years or at least three years, we have traction from our Coimbatore plant on the aluminum for Craftsman, and also the Coimbatore plant -- sorry, Bangalore plant of Craftsman, and also, similarly, our subsidiary DR Axion. All have got good order booking, so year-on-year growth on FY'25 and FY'26, and even FY'27 is on the cards on the organic brownfield, as you had mentioned. So, this is one thing.

But the Bangalore facility is running out of space, so we may have to have one more location in the south, apart from Bangalore, because our customer demands are going up. That may be coming in phases because of the add-on plant only, but we have not been present in the west as well as in the north all these years. So we see opportunity there and we have very strong players in the west, and we see more opportunity in the north.

So, we are putting up the facility in Bhiwadi, and there also we are looking at a hybrid plant. To start with, it will be aluminum products. We are also going for structural products, which will be.. end use of these products, maybe EV or non-EV also. That is okay for us. That will be reducing our dependency on ICE-related parts, which we are doing for the two-wheeler, on standalone business overall.

So that is one big change, and we see a lot of growth opportunities in the northern region, because all the manufacturing is centered in the northern region for the auto majors, I would say. So this is the reason for the greenfield and the distance between south to north is simply too high for any transport of such parts.

**Moderator:** Thank you. Sorry to interrupt, Mr. Karan Gupta. May we request that you return to the question queue for any follow-up questions as there are several participants waiting for their turn. Thank you. Our next question is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

**Pranay Roop Chatterjee:** Hi. Good evening, everyone. Am I audible?

**Moderator:** Yes, please go ahead.

**Pranay Roop Chatterjee:** I have only one question. Beyond what you have already mentioned, are you able to disclose anything regarding the new off-highway businesses that you will start from 2026, and you mentioned that you have visibility till 2028? Because I am looking at your business today, your powertrain, the annual numbers you have disclosed, where commercial vehicle is INR880 crores, let us say INR900 crores rounded off, and your off-highway is INR270 crores, right?

So if I look from the next two-year perspective, we might not see a lot of growth in trucks. In fact, we might actually see a decline. So how large would be the quantum of these off-highway orders, number one? How many clients would they be? Is it like only one client or multiple clients that you are working on? And are these orders which have already come in or is it that you develop and then you might get the order?

**Srinivasan Ravi:** I will answer your question in total, but I will also have a disclaimer there because we will not be able to make customer names, because of the competitive nature of the industry and also its strategic nature which we will not be able to disclose. But within these guidelines, I will answer to the best of my ability.

You mentioned, right, the commercial -- the off-highway business has been INR272 crores for the full year for Craftsman, whereas the commercial vehicle business mostly within the country has been around INR880 crores and you are right about that we have to wait for the growth in the commercial vehicle business overall, whereas on the other segments of the business, the multinationals who set up plants for engine export and transmission export to the rest of the world, they go step-by-step in that approach.

They are ramping down their facility within their own mother country or maybe downsizing their export orders from the China facility and resourcing them into India. We have to wait for that. They need to get their act right, so it will take -- these are very well-established multinationals we are working with for the last three, four years. Lines have been set up. Capacity utilization has been very, very poor, but we are sure that this business will come in on that segment also, but it will come in in a year or two.

So now on the -- to talk about off-highway, I will put the off-highway in two segments. One is the off-highway on the construction equipment, another is the stationary engines. I will now talk about the stationary engines on power generator business. It is about $32 billion is the global business. The American number one and number two are -- the world number one and number two on these businesses. And one of these companies I think has got a consolidated revenue of more than $80 billion, another is $40 billion, $50 billion, something like that.

The bulk of the revenues is coming from the engines and related to the engines only. And we have other players in Europe as well as in Korea, but Korea is out of our market condition and something in Japan. So we are working with four majors now, and two of them we have -- one of them we have received already at the orders. One of them we are very close to receiving the orders and has been back and forth. It takes huge investment from the OEM side also to invest because of the -- each of these engines sometimes as big as $1 million each.

So the development cost is huge. The time is also huge. So we already embarked on that two years ago, I would say. And on the machining side, we have won orders. We are getting these castings from as far as South America and also in one part of Europe, I would say, not mainland Europe, but these castings are coming into the country and we are machining today. So to ramp up and really take the global market pie, we need this casting facility. So we look at quite a sizable opportunity here.

So we are looking at in four years' time, maximum five years, at least a $100 million increased revenue on the powertrain business for this segment of off-highway and industrial engines. The growth is coming not only a little from mining and other things. Yes, it is coming, rare earth mining. Now base metal prices have shot up, even copper has shot up. So mining is going to increase. That is one portion which you are all aware.

What has changed in the last few years is the power generation required for artificial engines data centers, which is quite big. So this – for the pipeline to fill – yes, there are alternative storage solutions which are coming up as backup power, but the steep ramp-up requirement for these particular areas is also giving a good opportunity for Craftsman to enter the business. Coming back to the – whether it is a ICE engine, today these engines are almost coming to reducing the carbon footprint by 90%. They have multi-flex fuel. They have HVO as a fuel. So – and they also are working on nitrogen engines.

The same engines are now flexible. I think there are big major companies in Germany which are leading this sort of development, apart from a market leader, two leaders in the U.S. and North American market, which you are very much aware. So these are also – the power density of these engines are increasing. So when this – when power density needs to increase, that combustion needs to take place at higher pressure with multi-flex fuel, there are new developments also happening. And when new developments are happening, sourcing needs to be redefined. And when sourcing needs to be redefined, this geopolitical situation, the China plus one, everybody wants one more manufacturing facility other than China.

It was always in Europe or in – but in South America, these capacities were – I mean, the vendors were there or suppliers were there. Now with Europe, the workforce is shrinking. And the opportunity for India growth story has to come. So it is a chicken and egg story. And unless we have a sizable infrastructure, we cannot talk to these four or five majors in this business. So – and we are not present in this business. And our foundry partners are also working with us on the same product line. So we have already given orders to them or working with them on this matter. So that is a parallel activity.

Wherever they are not able to supply or it's out of their current manufacturing scope, that is where we are investing. So this growth story will go up at this $100 million in four to five years' time. Only the additional business on the – not the organic growth in the current off-highway business. This new business will yield around $100 million.

**Pranay Roop Chatterjee:** Thanks a lot, sir. That's very descriptive. Thanks. I'll go back to you.

**Moderator:** Thank you. The next question is from the line of Basudeb Banerjee from ICICI Securities. Please go ahead.

**Basudeb Banerjee:** Yes. Thanks for just continuing with the earlier question itself. So with almost…

**Moderator:** Sorry to interrupt, sir. May I request you to use your audio?

**Srinivasan Ravi:** I'm not able to. We're not able to hear you properly, please.

**Basudeb Banerjee:** Audible?

**Moderator:** Yes, sir. This is better.

**Srinivasan Ravi:** So just continuing with the previous question, like the truck revenue plus tractor, both are going through a decline phase as such for most of the last six months. And as you said, OHV also not doing well. So under that circumstance, how do you look at powertrain overall as a revenue for next fiscal?

And how to look at the other new areas in FY'25 questioning the work of powertrain if at all, not two years or beyond. So if you can just explicitly highlight how to look at powertrain revenue next year. And the second question is, as you said, 80% of repair and maintenance work is done, maybe one more quarter left.

Suppose that how much margin improvement in powertrain one can expect, because operating leverage in powertrain ideally should remain subdued. In fact, incrementally it might worsen further. So how to look at powertrain segment margin in 25 months?

**Srinivasan Ravi:** My sincere request is we have been always very careful about giving any guidance, and we have not given any guidance in the past, only some broad numbers. Thank you. So far, what we see is our current business will be flattish on the powertrain. Our new business, a small portion is clicking in this year. So again, we will see high single-digit or a low double-digit growth on the powertrain. But with better cost control, I think we'll be able to deliver better results with also the repair and maintenance more behind us in this financial year. So we can expect a better year as far as Craftsman is concerned.

**Basudeb Banerjee:** And second thing is too much of dichotomy on one side, so much news on government capex, infra projects, metal mining doing well. And on the other side, commercial vehicle demand remaining subdued almost for preceding six months. And Outlook is also subdued for at least the foreseeable future. So, being a key supplier to commercial vehicle cylinder blocks, how do you see demand Outlook from the key CV OEMs in whatever period you can explain to me?

**Srinivasan Ravi:** While I mentioned on FY'25 and most part of FY'26 also will be more or less as you had mentioned what I had also – I foresee on this matter. But the next change has to come on the higher horsepower engines. If you look at all the developed markets, they're operating between 350 to 450 horsepower engines. Currently, all of our engines are – most of – 90% of engines are below 250 horsepower. So I see that as a step change. This means bigger engines, bigger gearboxes, more fuel-efficient trucks per kilometer covered on this matter.

Higher torque on the gearboxes today, 1,300 newton meter is what is the maximum here in India. And most of them are operating at 1,100 newton meter. So we see that in the global scale, 1,600 newton meter. And the – any commercial vehicle, whether it is even countries like of course China, but also in countries like Brazil, also they have moved to 13-liter engine long back for a major portion of the requirement. They don't call a 300 horsepower truck as a heavy-duty truck. So this is the big growth driver from FY'27 onwards for Craftsman when this change starts to take place.

But meantime, yes, there will be subdued growth on the powertrain business for this segment, I would say, the commercial vehicle segment. But it will start. I hope I answered that holistically.

**Basudeb Banerjee:** Yes, definitely. So you believe by FY'27 onwards, domestic CV players will start focusing on further higher tonnage trucks and higher horsepower engines themselves. But the fleet owners will also benefit from better fixed cost per unit.

**Srinivasan Ravi:** So there are many advantages on this matter. Now if you look at Craftsman's powertrain business on the commercial vehicle segment itself we have grown because not because the numbers have grown in the last 4 years, 5 years until last year. It is because of the truck becoming from a light-medium duty to upper-medium duty.

This is not heavy-duty really in that sense. So we have benefited from the per-vehicle content because of the larger engine or larger powertrain the transmission and axles. The engine per se 98% of the engines being sold in the country are in the range of 6.7 liter. So whereas in globally more than 80% is with 13-liter engine. So what it means is overloading a smaller engine needs to lesser efficiency of the powertrain itself totally. So this will change in the coming years surely.

Second point is it is able to cover more highway – I mean, the highways are good, of course. It depends on the highways. If they're good they're able to make more trips per month.So the cost comes down quite dramatically for the fleet owners when they see the advantage, but to put it in a simple manner.

I just request the understanding of the gentlemen and ladies and gentlemen who are listening to this call. I'm not making an apple-to-apple comparison. Sorry for that. I would say ATRs are moving to Boeing and Airbuses in the air sector. So this also is an ongoing migration on the horsepower and the tonnage of the vehicles I would say. The slow-moving trucks will start disappearing in the market in 3 years to 4 years' time is what I feel.

**Basudeb Banerjee:** Understood, sir. Thanks. That's useful.

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

**Jinesh Gandhi:** Hi, Ravi. A couple of questions from my side. First, clarification.

**Moderator:** So may I request you to use your handset, sir? Your audio is muffled, sir.

**Jinesh Gandhi:** Yes, is it better?

**Moderator:** Yes, sir. Thank you. You can go ahead.

**Jinesh Gandhi:** Yes. So firstly, on the Rajasthan plant, you indicated it will start operations in FY'25. Is that understanding correct?

**Srinivasan Ravi:** Trial production will start in FY'25. Yes, it will mature in 50% capacity to get utilized in FY'26, for which we already have received the orders. 50% of the plant is already booked for capacity, and that will be operational for FY'26.

**Jinesh Gandhi:** Okay. And secondly, with respect to the powertrain-related orders which you're talking about, which you're expecting it to go to about $100 million in four years to five years' time, would this be largely done at the new Coimbatore plant?And that's why the need to expand even when we have seen some bit of mutedness in the overall powertrain business. Is that what is giving you confidence?

**Srinivasan Ravi:** The off-highway for the global market will be only from Coimbatore. The machining will continue at the existing facility, where we invested quite a sizable amount in the last two years, three years for the machining. And we're already doing the machining.As I mentioned, castings are coming from outside the country, and we are machining. And we also secured orders for that. And the castings will come from the new Kothavadi facility.

We are also getting castings from our very renowned, famous foundry partners who are supporting us for that which falls into their capacity bandwidth. There is -- we are already placed orders with them. We are working together as partners in that business.

And all that validation takes 6 months to 9 months because of the customers' high gestation for validation because of the cost of the product and the risk of the product is very high. So all this will take place in the next 12 months. You will see revenue starting to kick in from the Q3, Q4 of FY26 onwards and FY27 I think there will be a steep growth trajectory there.

**Jinesh Gandhi:** Okay. So effectively, these – I mean, the segment which you're talking of OHV and industrial engine segment practically the first phase seems to be now largely booked based on the run rate which we're expecting of USD100 million by the next 4 years to 5 years' time?

**Srinivasan Ravi:** I will reel off some names, not in necessarily order and I'm not saying who is our customer, who is not our customer. We're not into – are we in contact with them. We have India, so we don't want – look at Europe.

Europe majors are Rolls-Royce. Of course, Rolls-Royce owns MTU. Then we have Einburger, which is also – they make lot of gas engines then we have Liebherr which is also a leading construction equipment manufacturer and engine manufacturer. We have MAN of course, not only the trucks they're in stationary engines.

Then we have the very big players and also a big player in UK which is, of course, owned by CAT, which is Perkins. Then we have Caterpillar themselves. We have Cummins themselves. So this is – you look at the size of these companies and the revenue what they generate and how much of the revenue comes from the powertrain business directly related to the powertrain business.

We'll be astonished to say when I said that the business is quite big. I just put a USD32 billion, but if you add the revenues of these companies it'll be very, very – much, much higher than that. I just put the stationary engines number of USD32 billion.

So when these companies want to grow at 10% then you can understand the size of the offering which is there for us. We are very miniscule on that matter. And in North America there has been announcements for 30-year plants, 40-year-old plants which has not expanded for so far.

Suddenly, their announcements have come for USD70 million, USD1 billion only in assembly capacity expansion and everybody's booked with orders. I think this can be researched in the market news overall.

**Moderator:** Thank you. Sorry to interrupt, Mr. Gandhi. May I request that you return to the question queue for follow-up questions. The next question is from the line of Vaishnavi Deshmukh from Yashwi Securities Private Limited. Please go ahead.

**Vaishnavi Deshmukh:** Hi, sir. First question of me is from the aluminum division. First thing is that now aluminum has become our biggest segment if you see the consolidated numbers and what is your outlook for the aluminum prices and we have around INR1,000 crores of inventory lying. So, what kind of inventory is it? It is it high cost or low cost? Can you show some light on this?

**Srinivasan Ravi:** See, the aluminum prices, I mean, as I mentioned, the base metal price now it is increasing overall. Yes, but anyway this is a pass-through for our customer. The inventories are covering all the three segments of the business on the consolidated base. It is not only that. We have a lot of steel also for our storage solution business which is long gestation, the variety of steel is large. So, it will not have any impact on the profitability per se, but maybe the – optically the EBITDA margin may come down, but I don't see any difference on the return on capital or the profitability.

**Vaishnavi Deshmukh:** Okay. My second question would be, can you give the segment-wise break-up for the INR500 crores of capex that you would be incurring in FY25? And what kind of ….. would be there, but I think this – for FY25 it would – the only trial production will commence and it will start 50% capacity would be for FY26. When will this be coming?

**Srinivasan Ravi:** Yes. You see here it is a very, very difficult question. I think we will appreciate it when – I think many of the audience would have visited our plant also on some occasion. We have a shared plant across three segments of the business. So, when you're putting up infrastructure at the infrastructure stage the basic infrastructure like the power, the buildings as and when the segment improves then we are able to allocate the segment. Yes now, in the Kothavadi facility as I mentioned the foundry is a common foundry for the industrial engineering as well as for the powertrain.

So, how much of this equipment we'll be allocating to that will be determined on the order portion and actual usage of the customers. Some will be – mostly will be shared equipment. Some may be specific equipment, but the specific equipment will be booked on that. Now, coming to the facility in Bhiwadi region, we are starting with aluminum and it will be 100% aluminum business to start with. But the land and whatever other things we are taking on the buildings what we are putting up the buildings will be put up also for other segments of the business in the course of time. So, we will be continuing to expand on the capex in stages there.

**Vaishnavi Deshmukh:** Okay sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Krishna Kukreja from Lucky Securities. Please go ahead.

**Pritesh:** I didn't understand your comment on the growth challenge in the industrial piece of the business because I think it's back-to-back second year…

**Moderator:** Sorry to interrupt, sir? May I request that you use the hand set, sir? Your audio is echoing, sir.

**Pritesh:** It's audible now?

**Moderator:** Yes, sir. Please go ahead.

**Pritesh:** So, it's back-to-back 2 years where the growth is little bit different from what the beginning of the year it is promised. Now, this year also you are starting the year with the guidance of fairly higher growth. So, first to understand what is the challenge here in this business and what makes you again tell that you will be having a double-digit growth in FY25?

**Srinivasan Ravi:** I'll come from a fact about today the storage business is 50% of our industrial engineering business. And that is not an order book which we have carried for years and totally it is an EPC sort of business or a product sort of business and when there is some headwinds in the market as far as our customers are concerned, they can postpone their capex.

That is the challenge what we have given to given. E-commerce it is in the public domain that all of them stopped investing in the last financial year totally. So, now in spite of the e-commerce being very, very low for us, we have managed to hold our top line in this area.

So, our firm order book today for the storage business which is forming 50% of the industrial engineering business, is that we are now opening firm order book of 50% of last year's sales. So that is the reason we are saying that we will be able to grow.

**Krishna Kukreja:** So, what was the order book at the beginning of last year?

**Srinivasan Ravi:** That was negligible. I would say it was hardly at INR60 crores, INR70 crores. Now this year, we are opening the year at INR200 crores.

**Krishna Kukreja:** For the storage business, which is half the business of industrial and engineering, right? That is how you will…?

**Srinivasan Ravi:** Yes. This is the reason I am mentioning that I do not want to give guidance and being asked a question because we have to listen to what customer says. Customer can order and not lift the material also on this matter. So I will be very careful hereafter by giving a number. When I am firm, I will give a number. Yes, in good faith, sometimes we say that we will be able to grow.

But today there has been -- interest costs have gone up. There has been the election coming up. All of us have known already, but we did not know about the Red Sea issue or we did not know about this Middle East conflict. All this is there. So we have to take it with a pinch of salt that we are able to manage overall.

**Krishna Kukreja:** And between last year's INR500 crores capex and this year's INR500 crores capex promise, what kind of assets are coming up?

**Srinivasan Ravi:** We have mentioned that we are putting two greenfield facilities, one in Coimbatore, which is Kothavadi and one at Bhiwadi. This is in addition to the general maintenance capex and the normal capacity balance capex across all our 13-14 plants across the country.

**Krishna Kukreja:** So at Coimbatore, you will have the aluminum capacity coming up and at Bhiwadi, you will have the powertrain?

**Srinivasan Ravi:** No. Coimbatore is the industrial engineering business and the powertrain business for the heavy engines and the capital goods. That is the Kothavadi facility, which I explained thoroughly. This is the foundry, which is coming up. I spent a few minutes quite there. And the Bhiwadi facility is to start with on the aluminum side.

**Moderator:** Thank you. Mr. Kukreja, may we request that you return to the question queue for follow-up questions? The next question is from the line of Karan Gupta from Varaniun Capital. Please go ahead.

**Karan Gupta:** Hi. Again, the question related to the previous question. So we are raising maybe debt over the next couple of quarters, maybe, which is not sure. But as of now, we have the debt. So what is the plan of deleverage the balance sheet? That is one. Second is, what is the cash flow we are estimating from these two new plants, which will cover our debt over the period of time without raising much external debt? So that is the kind of blueprint I am asking.

**Srinivasan Ravi:** Thank you, Mr. Karan Gupta, on this question. Now we started during an IPO stage of around INR1,400 crores top line and our consolidated revenue was nothing different from the top line, totally. So now we are at a different number and there is a big outflow towards the acquisition of DR Axion INR375 crores money has left the company to create an asset, which is also giving a good return on our investment, totally.

So the debt portion has been towards a good.. allocation of capital, we are very, very, very careful on this matter. And today, when we are doing some organic growth, unless we have that sort of capacities, the global opportunity is going to slip. With a base of currently on a top line of around INR4,500 crores, how do we grow at a double digit growth? This is quite substantial going forward, unless we are ready with the investment there. So I request your kind understanding of that subject.

Now what happens if we don't grow or we grow late? We grow late, we may miss the bus on the business. As and when we get an opportunity, we have to grab that opportunity and move ahead. Otherwise, we will be stuck with the growth of the existing customers, where then we have to answer that our customers did not pick up the material. So we have to create new customer, new avenues for growth so that we can sustain this growth.

The other thing is a double-edged sword, no growth means we can be attacked on the inflationary angle. So on the old products, always there is a risk of declining margins over a period of time because of the inflationary pressure, totally. So we need to get new businesses at new prices and emerging businesses also. So that is the reason we want to keep this and we are very close to -- I don't want to talk about number, I think we are not far away in the next year to a INR1,000 crores EBITDA number.

I think this is -- we may not get there, but what I am trying to say is that your company is safe enough on a situation that it is interesting for many multinationals to work with Craftsman overall, without any sector concentration nor any customer concentration. If there is a sector concentration or a customer concentration, it is more risky for the Craftsman business by itself, and that is also a big risk to our shareholders' returns.

**Karan Gupta:** Okay. But any guidance on cash flow generation from these two plants, what we are estimating because currently we are in the run rate of around INR500 crores of cash flow. What additional incremental cash flow we are estimating from these two?

**Srinivasan Ravi:** So if you look at our debt itself, we have minused the INR375 crores invested in the DR Axion and minus the two plants what we invested roughly -- around INR100 crores already invested into the two plants put together in the last year financial itself. Then you remove that INR475 crores and overall, I think organically our debt would have been very low if not for these sort of investments. And we have borne the interest also for the DR Axion acquisition that is also depressed our PBT in a way, stand-alone PBT, but look at the consolidated PBT would have benefited from that.

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

**Jinesh Gandhi:** Yes. Hi. Ravi, can you give the revenue breakdown for your storage business?

**Moderator:** Your audio is very muffled.

**Srinivasan Ravi:** Sorry, we are not able to hear you.

**Jinesh Gandhi:** Yes. Can you share the revenue for storage business for full year?

**Srinivasan Ravi:** It is flat as the last year which I already mentioned.

**Jinesh Gandhi:** Okay. Got it. And of this, has the share of automatic storage gone up or that also has been stable?

**Srinivasan Ravi:** So we don't give an automatic storage. Our automatic storage is negligible. I will not say we have automatic storage. We don't have induced segment. It is totally different in that way. We split our business from the storage in a different way. You are talking about automated, is it? Automated is around INR100 crores on the -- 25% of the total storage business. You are right. I thought automotive. Automated storage is around 25% of our total storage business.

**Jinesh Gandhi:** 25%. Okay. Got it. And lastly, DR Axion, we have seen a credible expansion in margins over the last four quarters since we acquired the company. Would it be fair to say the current margins of 20% plus are largely reflecting for your efficiency measures which you have put in place in the last three, four quarters? And from here on, margins should at least remain stable at around 20% level or you see further headroom to expand?

**Srinivasan Ravi:** I have to be very careful when I answer this because, on this matter. This is a plant which was set up in 2006. Then in the next few quarters, we will start doing some repair and maintenance there. There will be also modernization things which will come up in the next few years. There will be also -- of course, the workforce, we are able to cap it at certain level or even in a way for the products we reduce, we are able to improve the working efficiency at the plant level, but that also requires some semi-automation and automation. So there can be increased depreciation gradually over a period of time. So I think more or less it depends on the utilization of the plant. Around these margins plus minus, we should be there.

We are also dependent on the power and fuel cost which is not passed on to the customer in that way. Second thing is also inflationary pressure on the wages which is also not passed on to the customer. What DR Axion has seen is an addition of a customer or ramp-up of a customer, the benefit they got in the last financial year. So adding more revenues, as I said, we have got some -- we are likely to get some orders, on the final stage of getting some orders for export to Korea and also the Talegaon plant of Hyundai. How well they do for the -- their sales will depend on our margins.

**Moderator:** Thank you. Ladies and gentlemen, that was the last question for today. As there are no further questions, I would now like to hand the conference over to Mr. Srinivasan Ravi for his closing comments.

**Srinivasan Ravi:** Thank you very much for attending the conference as well as all the questions we have answered. What I wish to say as Craftsman, we have a philosophy, we should have an engineering advantage and we should be not dependent on one sector or one segment of the business and we have been broad-basing our businesses in the same strength what we have. We have not gone beyond our portfolio what is there.

We are able to interrelate our three segments of the business and accordingly diversify, allocate capital and we have been very responsible on all margin acquisition, whatever we have done so far. This is the guiding philosophy we want to go ahead. India is changing on the manufacturing footprint. We are now viewed by the global companies very seriously but we also should need the capabilities and capacities to execute those orders.

So there has to be a time lag between investment and returns. So I think that is what today from the base -- current base, we are trying to go into the next orbit of the growth phase. So there will be some time lag and I request all of your kind understanding for this time period. Thank you once again.

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