

05<sup>th</sup> May, 2023

To,  
 The Manager - DCS  
**BSE Limited**  
 Phiroze Jeejeebhoy Towers,  
 Dalal Street,  
 Mumbai - 400 001  
 Scrip Code: 523828

To,  
 The Manager - Listing Department  
**National Stock Exchange of India Limited**  
 Exchange Plaza, Bandra Kurla Complex  
 Bandra (East),  
 Mumbai- 400051  
 Symbol: MENONBE

**Subject: Disclosure of Information pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Outcome of Schedule of Analyst / Institutional Investor Meeting - Transcript of Earnings Call.**

Dear Sir / Ma'am,

Pursuant to the relevant provisions of Regulation 30 (6) read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we would like to inform you that the officials of the Company had an earnings conference call relating to the Audited Standalone & Consolidated Financial Results of the Company for the quarter and financial year ended 31<sup>st</sup> March, 2023 for the Investors/ Analysts (Participants) which was held as per the details below.

Date & Time	Type of Interaction
02 <sup>nd</sup> May, 2023 at 14:00 p.m.	Earnings Conference Call

The Transcript of the earnings conference call is enclosed herewith and has been uploaded on the website of the Company i.e. [www.menonbearings.in](http://www.menonbearings.in).

Kindly take the same on your record.

Thanking you,

Yours faithfully,

for Menon Bearings Limited

\_\_\_\_\_  
**Manmay Kalyankar**  
**Company Secretary & Compliance Officer**  
**Membership No.: A29264**



“Menon Bearings Limited  
Q4 FY '23 Earnings Conference Call”  
May 02, 2023



**MANAGEMENT: MR. ARUN ARADHYE – WHOLE TIME DIRECTOR AND  
CHIEF FINANCIAL OFFICER – MENON BEARINGS  
LIMITED**

**MODERATOR: MR. SAGAR SHROFF – STRATEGIC GROWTH ADVISORS  
– SGAPL**

**Moderator:**

Ladies and gentlemen, good day and welcome to Q4FY23, earnings conference call of Menon Bearings Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risk and uncertainties that are difficult to predict. 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 presentation concludes. 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. Arun Aradhye, Whole-Time Director and CFO. Thank you, and over to you, sir.

**Arun Aradhye:**

Good afternoon and warm welcome to everyone on the first earnings call of Menon Bearings Limited. Along with me, our Investor Relations Advisors, SGA, are also present on the call. To begin with, I will explain the background and business of the company, its journey so far, broad industry updates and strategies going forward. This will be followed by operational and financial highlights for the quarter and year-ending FY23. After the same details, we can open the floor for questions and answers. We have also uploaded our latest investor presentation on exchange websites, and I hope everybody had a chance to go through the same.

We are the manufacturers and exporters of bi-metal components, aluminium-casted products, and have recently ventured into a new segment of brakes. Our company was started in 1994 and is based out of Kolhapur, Maharashtra. We have three manufacturing plants, all located at Kolhapur and one warehouse in USA. In the bi-metals category, we make bearings, bushes and thread washers. These are highly critical moving engine components that operate in high temperature and pressure. Inside engines with high payloads.

In the aluminium-casting segment, which we refer to as Alkop, we manufacture critical aluminium alloy parts for both auto and non-auto usage. In the Brake segment, we have set up plant and machinery to manufacture brake lining and brake shoes, which are made from eco-antifriction asbestos-free materials. Our products are used in light and heavy commercial vehicle engines, industrial and tractor engines in the auto sector. And in the non-auto sectors, we supply to compressors for refrigerators, pumps, oil and gas pipelines and other customized products to companies like Cummins, Honeywell, John Deere, Concentric pumps, etcetera.

We export to over 24 plus countries and have a robust network of 1,000 dealers and distributors across the country, with products present 10,000 plus retail outlets across the nation. We have a resilient customer base, as the company enjoys a longstanding relationship with some of the biggest OEMs, and no single customer contributes more than 10% of the revenue. Not only, we have rigorous quality check procedures implemented, but we also have an in-house machine building capacity, which results in significant savings in cost. This tooling capability gives us an edge over our peers and helps to provide complete engineering solutions at competitive prices.

We are also among the few companies having facilities to produce next-generation material, so as to produce parts which can cater to future emission norms. Our products have long and highly

collaborative development cycles and hence require rigorous testing and validation before they can be assembled in the part.

As the products are critical in nature, and there is a high gestation period for supply approvals, there is a high entry barrier in the industry with a limited number of players. The domestic market size for bearings is around INR1,000 crores. Aluminium casting products market size is 6,000 crores, and brake segment is INR2,000 crores. We have a healthy market share of 20% to 25% for the bi-metal segment and in the brake, we will carry OEMs aftermarket STOs having an existing supply network, and strong relationship with the OEMs.

We aim to be one of the leading suppliers and exporters in this segment. The commercial production for brakes has started in Q1 FY24, and we will update you on developments in this segment in the coming quarters. For FY23, our capacity is 486 lakh units for bi-metal products, and 1,440 metric tons per annum for Alkop at utilization levels of around 70%. We have put up new lines for bi-metal products this year and hence our capacity has increased by 30 lakh units per annum in FY23.

The total installed capacity for brakes, 15 lakh units per annum for brake lines or brake liners, and 2.4 lakh units per annum for brake shoes. We have done a capex of INR8 crores for the brake shoes and the brake segment, and a total capex of around INR30 crores is planned for two existing segments, which will be done in a staggered manner by FY25, and mainly being funded through internal accruals. The Indian tractor industry has achieved a couple of records in FY23, producing over a 1 million units for the first time ever, and also achieving their highest ever domestic sales.

Tractor sales in India were up 12% year-on-year, which can be attributed to an increase in the minimum support prices, thus boosting farm income coupled with another year of above normal monsoon. Realized schemes in auto and auto component industry will be manufactured. In addition to this, the policy initiative in infrastructure and scrapping policy of vehicles above 15 years will boost the demand for CV and construction equipment. These synergies will play to push growth for our supply sectors, and hence will open more opportunities for us.

Our strategy is to do additional capex in biometrics and crop segments within the next two years, so that we cannot only cater to the surge demand from auto sector, but will also add to more share of our revenue from the non-auto sector as well. We have capabilities of manufacturing wide range of products, which are supplementary to our current product segments, and the company will always be open to new margin accretive opportunities to fuel future growth.

Now, we will take you through the operational and financial allies for Q4 and FY23. For revenue, revenue from operations for Q4-23 -- FY23 stood at INR53.8 crores as compared to INR51.6 crores in Q4 FY22, a growth of 4.4% on year-on-year basis. For FY23, revenue churned by 11% year-on-year, and stood at INR216.9 crores. Revenue bifurcation for the quarter was INR159.5 crores for bi-metal, and INR57.3 crores from Alkop. Both product segments grew domestically, with export showing slight slowdown, as it reduced by 2.6% from FY22 to FY23.

Total capacity for bi-metal segment stands at 485 lakh units per annum as an FY23, which utilised in levels of around 68%. For Alkop, the capacity has 14 and 14 metric tons per annum, which utilised in levels of 70%. Gross profit was at INR25 crores in Q4 FY23, and INR94 crores for the entire year. Gross profit margin for the quarter at 46.6% as compared to 41.3% last quarter, a jump of 627 BPS on quarterly basis.

For the full year, margin was 43.4% in FY23 as compared to 45.5% in FY22. Gross profit was increased on the back of better product mix and efficiencies in manufacturing capabilities. EBITDA stood at INR13.7 crores in Q4 FY23 as compared to INR10.9 crores in Q4 FY22, a growth of 25.1%. EBITDA for the year ending FY23 stood at INR50.4 crores with margins of 23.2%. The same for FY22 was INR40 crores with margin of 20.5%. With cost rationalisation measures and operating leverage, we were able to expand our margins.

PAT came at INR9.1 crores in Q4 FY23, up by 35.4% from INR6.7 crores in Q4 FY22. That for the year ending FY23 is at INR32.6 crores with margins of 15%. The same for FY22 was INR24.5 crores with margins of 12.6%. Even though volumes for exports have sliced down, we expect bearing sales to Japan to recover in the coming quarter.

As the international inflationary environment is fading away, our demand will bound back. Growth in coming quarters will be fuelled not just by brake segment, but also by Alkop growth as it is premium margin segment and has more scope due to customisation needs. With strong OEM sales in FY23 and secure customer relationship, we have the confidence to continuously deliver better results. Thank you very much.

With this, I would like to open the floor for questions and answer. Thank you.

- Moderator:** The first question is from the line of Himanshu Upadhyay from O3 PMS. Please go ahead.
- Himanshu Upadhyay:** Hi, congratulations on good set of number on the margins front, okay. The first question was, in case of Alkop for last year, the revenue growth is around 29% versus the volume growth of 6%. So, can you give an idea of, is it because of the rise in metal prices and how much would be because of higher value addition and what led to such a nearly 23% difference between the volume growth versus value growth?
- Arun Aradhya:** You see, mainly it is because of new developed parts, which the valuation or value addition is better. And mainly, the value addition what we are looking and the components we are accepting are critical ones, where the volumes are comparatively less, but the value is more. So, more value-added products have been introduced during this year, which has really contributed to the margins, better margins, or improved margins, you can say.
- Himanshu Upadhyay:** And can you give an idea of between Alkop and bi-metal bearing, which would have a higher proportion of business from automobiles and from industrial segments, which would have a higher revenue contribution?
- Arun Aradhya:** Certainly, in bi-metal division, auto sector is a prominent one. You can say almost 80% is automobiles.

- Himanshu Upadhyay:** Okay, and in the other business, aluminium casting?
- Arun Aradhya:** In aluminium casting business, that is almost 50%.
- Himanshu Upadhyay:** Okay, so aluminium caters to more industrial side of the business?
- Arun Aradhya:** Yes, variety of products, you can say.
- Himanshu Upadhyay:** Okay, and more on this side only, we are seeing high growth for capital goods, both in India and outside India. How is the outlook for both the businesses? Means, we have OEMs for compressor manufacturers, generators, construction equipment, etcetera? And can we expect the Alkop business to do better than even, or continue to do better than bi-metal bearings in the near future, because of capital goods is much better than auto companies currently?
- Arun Aradhya:** You see, during the last quarter, there were so many foreign delegations, particularly from USA and Korea, they have visited our plants and aluminium, as well as in bi-metal division. So, they are impressed with the performance so far as you can say. For example, John Deere is concerned. Our PPM is very low. We have been awarded with recognition, so far as quality is concerned, time of delivery is concerned. So, John Deere is a global company. So, they are having many divisions in USA also. So, all of them are coming. So, just like China-One policy, Europe-One policy is in existence, what we see. So, many more people are approaching us, so far as bimetal is concerned, and so far as aluminium division is also concerned. So many people are coming and approaching, and we are receiving so many RFQ from all of them. So, what I feel, so far as our country is concerned, so globally, India can be a future hub for all these companies, for manufacturing.
- Himanshu Upadhyay:** Okay. And one thing, in case of bi-metal bearings, the volume growth, can we assume that the volume growth was in double digits for exports? And again, on page 7, and in the concall also recently, currently, you stated that because of slowdown in Japan, the exports for bi-metal bearing fell. So, is Japan a very large market for us outside India, or can we say that it is the largest market for bi-metal bearings outside India for us?
- Arun Aradhya:** No, that is not the largest, but we can say the major player. So that, in Japan, their companies are facing slowdown in their industries. So, because of that, there has been a slight reduction in the exports to Japan, which has certainly affected our exports in totality.
- Himanshu Upadhyay:** Okay. Because, see, if we see the 13% value degrowth has happened in the bi-metal bearings. It seems that the volume degrowth would be at least high in single digits?
- Arun Aradhya:** Yes.
- Himanshu Upadhyay:** And will it be across the geographies for exports, or it is particular to one geography?
- Arun Aradhya:** Particularly in Japan only. Not in USA, the business is growing.
- Himanshu Upadhyay:** Okay. Thank you. I'll join back in the queue for further queries.
- Arun Aradhya:** Okay, thank you.

- Moderator:** Thank you. The next question is from the line of Nirali Gopani from Unique BMS. Please go ahead.
- Nirali Gopani:** Hi, sir.
- Arun Aradhye:** Hello, Nirali, how are you? Fine?
- Nirali Gopani:** Fine. I'm good.
- Arun Aradhye:** Yes, okay. Please let me know.
- Nirali Gopani:** Also sir, my question was on the EBITDA margin. So, we were far higher than our competitors earlier also. But when you look at the last two quarters, we have reached an EBITDA margin of 25%. Now you are saying that it is due to customization or high-value products, but how do you think how sustainable these margins are? How sustainable these EBITDA margins are of 25%?
- Arun Aradhye:** You see, it is 24%, 25% we have been sustaining for not only for this year. Earlier also, the margins were better. And now they are improving further because of more-and-more exports. Exports are being issued. Their margins are slightly higher than what we get in OEMs and domestic market. That is one of the reasons that more value-added products are being introduced in the total gamut. That is one of the major reasons along with operational efficiency that we have in place.
- And then, again, not only export products, products which are being exported are having a higher value addition, but the domestic products which we are receiving, maybe an aluminium division particularly, those are having a better value addition. And the other thing that we have been receiving every now and then, considering that and the total value and the weightage of the products, what we feel that we will not only sustain the margins, but it is likely to increase to some extent.
- Nirali Gopani:** Okay, sir. Sir, the brakes will be a little lower margin product, right, if I am not wrong?
- Arun Aradhye:** As compared to bearing and aluminium, it will be low margin business. Relatively.
- Nirali Gopani:** 17%-18%?
- Arun Aradhye:** Yes, 18%-plus.
- Nirali Gopani:** Okay. And out of INR8 crores of capex that we have done for brakes, what kind of revenue that will generate for us in FY '24? The brakes we have done on capex of INR8 crores, right, that you mentioned for the machinery.
- Arun Aradhye:** INR8 crores-plus.
- Nirali Gopani:** And so what kind of revenue will it generate for us?

- Arun Aradhya:** You see, we have already given all these figures, but these are future forecasts and estimates. But what I feel that when we start, at least with INR25 crores to INR27 crores this year and year-on-year, we increase up about 30% to 40% in that way.
- Nirali Gopani:** Okay. And then the last question is on the revenue growth. So obviously we were expecting a little higher revenue growth, which you explained that, largely impacted due to exports. So we see the pressure on the exports easing out in FY '24?
- Arun Aradhya:** Certainly, it is going to ease in the next quarter, from next quarter itself. So I think it will be eased from second quarter. And basically there was a little slowdown within the last year in tractor segment, which is being normalized now. So we feel that the year-on-year growth year after will be 20% in both segments.
- Nirali Gopani:** Great, sir. So thanks a lot.
- Arun Aradhya:** Yes, thank you.
- Moderator:** Thank you. Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.
- Ankit Gupta:** Hello. Thanks for the opportunity. Sir, on the volume growth side, how do you see the volume growth in the bi-metal segment for FY '24?
- Arun Aradhya:** For FY '24, what we feel that we should be growing at around 20%-plus.
- Ankit Gupta:** Okay. On the volume side or revenue side?
- Arun Aradhya:** Revenue. I'm talking about revenue.
- Ankit Gupta:** Sure. And on the brake-lining and brake-shoes segment, the new segment that we have entered?
- Arun Aradhya:** Sir, that is starting actually. We have started the commercial production now from April. So we'll be expanding our aftermarket. So once we settle in the aftermarket, we will look for OEMs also. So this being our first year, we cannot estimate much about that. But what I feel that our capacity is 25%, and we will try to see that it is fully utilized.
- Ankit Gupta:** Sure. And what can be the ballpark margins in this segment?
- Arun Aradhya:** In brakes?
- Ankit Gupta:** In brakes, yes.
- Arun Aradhya:** Yes. It will be about 18% to 19% EBITDA margins. So it's almost like an Alkop kind of margins that we will have.
- Ankit Gupta:** Okay. And you talked about increased traction in the export side. So is it more on the Alkop side or on the bi-metal side also you are seeing?
- Arun Aradhya:** Major will be coming through Alkop.



- Ankit Gupta:** Sure. And Alkop, we are currently at 60%-70% capacity utilization. So any plans for further expansion on the Alkop side?
- Arun Aradhye:** Further the expansion, we are already given that INR30 crores of capex we have planned for next three years. Our full 60% will go to aluminium division. We are going to build one infrastructure factory and share up around 65,000 square feet there. And 40,000 square feet in bimetal.
- Ankit Gupta:** Sure. And out of that, 60% will be in Alkop segment, yes.
- Arun Aradhye:** Right.
- Ankit Gupta:** Okay. Thank you. And wish you all the best.
- Moderator:** Thank you. The next question is from the line of Pritesh from Mission Street, India, Private Limited. Please go ahead.
- Pritesh:** Sir, many congratulations on good sets of number. Though there was a revenue miss -- bottom line has increased. My question is, sir, you mentioned about some INR30 crores of capex. And also you did some INR8 crores of capex last year. So if I want to count the asset turnover ratio, what could be the optimum revenue level we can see when the facility is fully utilized? What kind of asset turnover ratio we can see out of this? And this INR30 crores, I assume...
- Arun Aradhye:** No, assuming the existing capacities, then addition of INR30 crores, then addition of brakes, put together what we see during '24, '25, or '25, '26, rather, you can say. The capacity utilization, if there is, it is almost 100%, it will be about INR400 crores.
- Pritesh:** Okay. At 100%, it can be INR400 crores of revenue.
- Arun Aradhye:** It is about INR400 crores, you can say. But the capacity.
- Pritesh:** Right. It may come or may not come. That depends upon the business and...
- Arun Aradhye:** That depends upon the market. But we presume that we will make all the endeavours to see that we fully utilize the capacities.
- Pritesh:** Right. Understood. And that can come in '25 or '26, basically?
- Arun Aradhye:** It is '23-'24, '24-'25. By the end of '25, you can say, the capacity will be totally built in. All that will be in place.
- Pritesh:** Okay. And, sir, my second question was, little bit of margin has decreased, like, say, what we were seeing, 25%, 26% in '18-'19. Now we are at 21%, or this year we are at 23%. Do you think our margin will decrease from here because our brakes, which we are introducing, which will come at lower margin? So, if I consider INR400 crores turnover, my margin will reduce from the present 23% to, say, 20% or so. How do we do that?

- Arun Aradhya:** Yes, your question is right. It should have an effect on the total margins. As such, it will contribute to some extent. But at the same time, our business in aluminium and bearing is increasing to such an extent. There is a growth of almost 20%, what we feel it can be. So, considering that increased business and value-addition, better value-addition, we hope that the margins in that, both the businesses should increase to some extent to compensate the reduction in margins so far as brakes is concerned. So, I feel that whatever the margin that we are showing now are sustainable even if brakes business comes into picture.
- Pritesh:** Understood. And can you talk about, like, this brake which you're saying you are selling to aftermarket? Does generally, is it OEM-supported or this is just sold into wider distribution channel? And irrespective of what OEM is, they generally supply this brake. How does this work?
- Arun Aradhya:** It is nowhere related to OEMs. The market segment is totally different. Aftermarket is around INR900 crores. Because it's a consumable item. Though a safety item, a very safety item it is, but at the same time, it is consumable. So, it has to be replaced after every 40,000 kilometers or in hilly area or in mining area, it has to be replaced after every 15,000 to 20,000 to 25,000. So, it's a fast consumable item. And the potential of which in aftermarket alone is about INR900 crores. So, even if we get 15% of it, it will be a huge business for us.
- Pritesh:** You are saying we will get 50% of the aftermarket?
- Arun Aradhya:** 15%. So, and because competitors are not too many for that, at the same time, as a bearing business, we are having all India, pan-India network already in place. So, we can realize that it will be advantage for us also to settle into the aftermarket very fast, apart from the state transport undertakings where the requirement is also high.
- Pritesh:** Understood. And sir, one more question was around your some businesses. Like, I mean, what next? I mean, you have expanded rightly into the brakes, but still we will be around INR400 crores businesses. What kind of businesses or adjacencies you are talking about to say like three, four, five years down the line, the company can do INR1,000 crores of revenue or that is not possible?
- Arun Aradhya:** I should not be talking about 1,000 and all these things. We don't know the future. So, many more products like brakes can come into play over a period of time. But we cannot tell anything about that just now. But what I feel that years down the line we should be, why we should not reach INR500 crores? How will India be able to see that how we can reach INR500 crores?
- Pritesh:** No, but sir, if we can talk about some product adjacency or how you plan to expand, because still, even if you reach INR500 crores, you still be a very small company for an institutional investor or somebody to take interest?
- Arun Aradhya:** I understand fully, but at the same time you see the companies, there are so many companies making 500 or 700 of turnover, crores of turnover. But their margins, PAT margins are just 3%, 4%, 5%, 6%, 7% and that's all. You have to look at the bottom line also. You see our bottom line that is robust according to my opinion. If you consider the total auto industry as such, these are very good margins.

- Moderator:** Thank you. Mr. Pritesh, may we request that you return to the question queue for follow-up questions? The next question is from the line of Nikhil from SIMPL. Please go ahead.
- Nikhil:** Yes, hi. Good afternoon. Yes, and congratulations on a good set of numbers and a significant margin recovery. Sir, I have two questions. One is during the year when we had met, the customer audits and everything was still there and it was very strong pipeline which we were looking at. If you have to understand today, because our export business has not grown significantly during the year, even though the audits and all were happening. So is it like we are audited by most of the customers and have been accepted by the customers, but there was no volume flow through which has happened? As a result, the demand or the revenue growth was a mess. How do we understand, where are we?
- Arun Aradhya:** I will let you know. So maybe in aluminium division or maybe a bearing division, so many more RFQs are in place, like more than INR100 crores of RFQs are in place. There is a high entry barrier. All the material had to undergo rigorous testing and validation. So after the receipt of RFQs, then we send samples and commercials are finalized. They come for audits. Then samples are prepared. Samples are sent. Then they will go for testing. So the entire process requires about nine to 10 months from the receipt of RFQs to actual start of business. So considering that, that all business is in pipeline, that will be converted into the actual business over a period of time. There is no doubt, nothing, no problem at all.
- Nikhil:** Okay, and if you have to understand the hit ratio in terms of the RFQs being received and which getting converted into commercial business, would you say it is like 70%, 80%? Where are we in that conversion rate?
- Arun Aradhya:** Conversion ratio as said from receipt of RFQs to the actual start of business and commercial production. So the ratio of conversion is about 80% to 85%.
- Nikhil:** Okay, and lastly, the capex, which we are doing of 60,000 square feet in the Alkop division and similar, a little less in bimetal, what kind of a volume visibility you have? Is it like there is a visibility from the customer in terms of take up of the product? As a result, we believe that 40%, 50% utilization can be achieved in year one, or is it like we'll put the capacity, then the market development? Just to understand this utilization of capex?
- Arun Aradhya:** Okay. So unless the business is on the horizon, we will not venture into the additional capex. We make an additional capex and planning thereof and then we see the business on the horizon and then we go on putting up the infrastructure in place. So it will not go waste and we will not have to wait and wait for the business thereafter. So the business is in pipeline and considering that, we are going to have an expansion.
- Nikhil:** Okay, fine. Thanks, I'll come back in the queue.
- Arun Aradhya:** All right.
- Moderator:** Thank you. We'll take the next question from the line of Alisha Mahawla from Envision Capital. Please go ahead.

- Alisha Mahawla:** Hi, sir, good afternoon. Thank you for taking my question. So just wanted to understand, you mentioned that we're targeting for 20% growth on both on the bi-metal and alkoxide. What will this growth be driven by? Are we adding new clients, or are we saying that there will be faster growth on the non-OEM side? Or are we increasing wallet share with our clients? What is going to drive this growth?
- Arun Aradhya:** This is same, the pipeline is already there are RFQs you see, conversion ratio is 80% and more than 100 crores of RFQs are in place -- so madam, considering the RFQ which are in hand, that is both OEM and exports in both the segments. So we are adding those RFQs in place to the extent of around INR100 crores of businesses in pipeline and conversion ratio being 80%. We are 100% sure that why we should not be growing at rate of 20%. It can be even more than that if you're putting the brakes business.
- Alisha Mahawla:** Understood. And on the export side, the slowdown that we're witnessing is on the bi-metal side or the aluminium casting side?
- Arun Aradhya:** Bi-metal, bi-metal.
- Alisha Mahawla:** On the bi-metal side. And the same that it will take at least another two quarters for these tools...
- Arun Aradhya:** That is particularly in Japan. Other businesses are growing.
- Alisha Mahawla:** Understood. And for brakes, we've done INR8 crores of capex. What is the peak revenue in the brakes segment that we will be able to do on INR8 crores of capex?
- Arun Aradhya:** I will let you know that asset turnover will be around three.
- Alisha Mahawla:** So then we should reach the peak revenue of INR25 crores in this year only. And then we're seeing that after that, the 20%, 30% growth on the brakes side, but targeting every year will require incremental capex?
- Arun Aradhya:** So that will be nominal because we are all infrastructure in place. Now we just have to add the lines only. So OEMs will be once we are completing the aftermarket, OEMs will be also in place. For that, we will have to go on adding additional lines only, which cost around INR1.5 crores to INR2 crores only. That is not much.
- Alisha Mahawla:** Okay, sir. And just one last question. For this INR30 crores that we're talking of doing, this will be funded completely to internal accruals?
- Arun Aradhya:** As of now, we have decided to fund it through internal accruals mainly. And there will be a nominal funding from the bank. Because this year you can see we are almost debt-free. Our debts and our cash and bank balance is almost equal.
- Alisha Mahawla:** Okay, great. Thank you so much. I'll join back in the queue.
- Arun Aradhya:** Great.
- Moderator:** Thank you. The next question is from the line of Chirag Shah from White Pine. Please go ahead.

- Chirag Shah:** Yes, so thanks for the opportunity, sir. One question, or rather two questions. One on the domestic side, in the auto, can you do a broad breakup of any customer segmentation?
- Arun Aradhye:** No, I cannot understand the question. Can you repeat it?
- Chirag Shah:** For the domestic auto business, which is like 50% for us, if my understanding is correct, what are the end segment breakups? So, vehicle, tractors, EVs, 2-wheelers?
- Arun Aradhye:** Okay. Can you write it down? I will have to tell you. So tractor, it is 30%. HGV, 20%. Brakes, it is 16% to 17%. Transmission, it is 8% to 10%. Replacement market, about 8%. Raw material and strip supplies, about 12% to 15%. And electrical and other material, that is 3%.
- Chirag Shah:** Okay. So, you're saying tractors and HGVs is 50% for us?
- Arun Aradhye:** Yes.
- Chirag Shah:** Tractors and commercial vehicles. And when you say brakes and transmission, it goes to which segment, sir?
- Arun Aradhye:** We don't know. We are supplying to Brakes India or Automotive Axles. To whom we are selling, we don't know.
- Chirag Shah:** Fair point. And, sir, on the export side, the broad breakup of export revenue for us?
- Arun Aradhye:** That is all entirely auto, HGV, LCV.
- Chirag Shah:** Okay, exports is all HGV, LCV for us. And I presume this is more US-dominated rather than Europe-dominated.
- Arun Aradhye:** US-dominated as well as Japan is also there, and then the African countries through Dubai.
- Chirag Shah:** Okay, okay. This is helpful. So, second question is, you indicated that you have won a lot of RFQs and that gives you confidence. Based on your past experience, is there a lead lag which happens, which is much bigger than your estimation?
- Arun Aradhye:** What I told you that out of the RFQs, our past experience is that the conversion ratio is around 80% to 85%.
- Chirag Shah:** No, I'm not saying about conversion ratio. Conversion ratio is 80% to 85%, but once you are approved supplier, if that happens that suddenly the demand gets postponed because of variety of reasons, or once you win the order, the supply begins. So you are not linked to the economic cycles as such?
- Arun Aradhye:** No, not at all. Because you see, once we are given the vendor code, after audit and all approvals, then we go get on a continuous schedule from them.
- Chirag Shah:** Okay. So for the new RFQs, generally the risk of delay is minimal. That is the way to understand?

- Arun Aradhya:** That is, very less.
- Chirag Shah:** So when you indicated nine to 10 months, the entire process, broadly, it could be even 12 months depending upon product. And last year you were participating in a lot of audits and RFQs, etcetera. So reasonable to assume that that will flow through this year?
- Arun Aradhya:** Now you see what happens now. So far as bearings are concerned and aluminium products are concerned, it has to be tested every time. Any new part, it has to be tested. Because that directly goes into the engine. It has to be tested and it is such a longer time.
- Chirag Shah:** Okay. Thank you very much and all the best.
- Arun Aradhya:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Anuj Sharma from M3 Investment. Please go ahead.
- Anuj Sharma:** Yes, thank you. I have two questions. One is, who will be your key competitors in the brake segment?
- Arun Aradhya:** Our key competitors are Rane Brakes. Rane Brakes and Hindustan Composites.
- Anuj Sharma:** Okay, okay. And my second question is on the export market and bi-metal segment, what is the addressable market we are targeting?
- Arun Aradhya:** Sorry, can you repeat, please?
- Anuj Sharma:** What is the size of market?
- Moderator:** Sorry, Anuj Sharma. Please use the handset mode, sir. The audio is unclear.
- Anuj Sharma:** Yes, sorry. So I was just trying to understand what is the addressable opportunity in the exports segment for bi-metal bearings? So what is the total?
- Arun Aradhya:** Actually, actually, what is the knowledge? We don't know exactly how much it is, but according to the knowledge we have got, the export market potential is around INR6,000 crores. But there is a huge market. We have to tap so many countries. So, there is a drive we are taking, one-by-one, one-by-one, we are expanding the market and countries we are covering. So there is a huge market. Maybe Argentina, maybe European countries still are there. We are into USA, Japan, Korea, Mexico, Netherlands, and we can continue till Europe and Russia are weakened.
- Anuj Sharma:** All right, that's helpful. Thank you, thank you.
- Arun Aradhya:** Thank you.
- Moderator:** Thank you. The next question is from the line of Dhruv Jhaveri from Seven Island PMS. Please go ahead.
- Dhruv Jhaveri:** Hello, hi, sir, good afternoon.

- Arun Aradhya:** Yes, good afternoon.
- Dhruv Jhaveri:** Sir, I just had a single question. On the exports front, what are our margins?
- Arun Aradhya:** Margins, we cannot tell you, no. That is secret. Business secret, we cannot tell the margins. But you can see the overall. If you see the overall margins, it will be maybe about 3% to 4% more in exports. Okay, sir, thank you, thank you very much.
- Moderator:** Thank you. The next question is from the line of Varun Bang from Bryanston Investments. Please go ahead.
- Varun Bang:** Yes, so congratulations on a good set of performance. Just a couple of questions. Firstly, in your opinion, what would be the gestation period in the BRIC segment? And, you know, so I'm just trying to understand how long will it take for us to, you know, sort of reach desired set of distribution network and also achieved target set of profitability. So, how long will it take to develop market for us?
- Arun Aradhya:** It might take six months.
- Varun Bang:** Okay, it'll happen in six months?
- Arun Aradhya:** Yes.
- Varun Bang:** And basis of your long-term targets. So, I'm just trying to understand what should be your near to medium-term goals and targets for this division? And what are your focus areas for next one year for this division?
- Arun Aradhya:** Our target for the next, within next three years, we should, why we should not reach 100 cores, that is our target. That is all estimate. Of course, that is all estimate. That is not a commitment. Our entire year will be to see that how we can reach 100 cores business within three years.
- Varun Bang:** No, so I'm just trying to understand your focus areas for this division for over medium to long, medium term, near to medium term, and also when...
- Arun Aradhya:** Immediate business that we are expanding into after market, we are already registered with 50 plus distributors now. All over India. So, after market, then state transport undertakings, then all transporters, private transporters, private operators, and then OEMs.
- Varun Bang:** Okay, okay, got it. And so we've performed very well in FY23, and the growth has been highly profitable. But what we see is the dividend payout has been lower than last year. And I think we've talked about maintaining dividend payout between 45% to 50%, but it is below 35% for this year. So, any specific reasons that you would like to highlight, and how should we look at our dividend payout policy going forward?
- Arun Aradhya:** Overall policy as such, we have made a policy to declare 40% of the PAT as a dividend. But it should be around 200% something that we have paid last year. Maybe this year also the board may take the decision. To distribute dividend to the extent of 35%, 40%.

- Varun Bang:** Okay, I was just saying that the growth has been good for this year, but the payout ratio has been lower than last year. So, I'm just trying to understand, you know, from that perspective.
- Arun Aradhya:** But that is entirely the board decision. Okay. And your decision. I think you'll have to approve that, no?
- Varun Bang:** Okay, sir, no problem. Thank you.
- Arun Aradhya:** Okay, thank you.
- Moderator:** Thank you. The next question is from the line of Darshil Pandya from Finterest Capital. Please go ahead.
- Darshil Pandya:** Hello, sir. Good afternoon.
- Arun Aradhya:** Yes, good afternoon.
- Darshil Pandya:** Majority of the questions are answered. I just wanted to understand one thing. If I heard it right, the market price for the brakes is INR900 crores. Is that right?
- Arun Aradhya:** Market price, INR900 crores aftermarket price.
- Darshil Pandya:** For the aftermarket. So, what is the total market price of this brake lining and brake shoes?
- Arun Aradhya:** Total after market, as such, it is around INR4,000 crores. But that is put together for car, SUV, LTV, tractor, and railways. So, we have LTV and three wheelers.
- Darshil Pandya:** Right. And as you said, it is also for, you know, we'll cater to OEs, aftermarket, and even railways. So, I just want to understand how railways can be, you know, how will you, what's your view on this specific thing?
- Arun Aradhya:** Yes. I could not understand what you mean to ask me.
- Darshil Pandya:** Yes, so I'll rephrase it. So, I just wanted to understand you, in the presentation, it says that it will cater to railways as well. So, I just wanted to understand what is the management, how is it expecting to, you know, cater to the railways going forward?
- Arun Aradhya:** That will be the last program or last plan, you can say. After we complete aftermarket, STUs, transport operators, OEMs, and then we will contact the units.
- Darshil Pandya:** Okay. So any specific gear or something that you are targeted to, you know, get into this?
- Arun Aradhya:** You see, that being a government organization, we don't want to get into so many red, [inaudible:0:52:07] that will be the last shot, you can say.
- Darshil Pandya:** And one last thing you said about, you know, doing a capex of INR30 crores and so on. I just wanted to understand, is there a fundraising in your mind to get up those things? As you said that you will not be going up more with the debt?



- Arun Aradhya:** No, no. Mostly we'll be funding it to internal, internal. Maybe a marginal debt can be there, but not much.
- Darshil Pandya:** Got it, got it. Thank you so much. This was it from my side. And thank you very much. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we'll take the last question from the line of Ankur Kumar from Alpha Capital. Please go ahead.
- Ankur Kumar:** Hello, congrats for a great set of numbers. Thank you for doing the con-call.
- Arun Aradhya:** Yes, thank you.
- Ankur Kumar:** I have a question regarding the...
- Moderator:** The audio is breaking from your line, sir.
- Ankur Kumar:** Is it better now?
- Moderator:** No, the audio is still breaking. Please be in a network area.
- Ankur Kumar:** Yes, sir. Okay. So my question is regarding the tractor is largest share of 30%, but now in this year, there is some worries on the monsoon front also. So, the tractor demand may not be that great for this year is the expectation. So, given this thing, are we still confident of 20% of growth in both segments?
- Arun Aradhya:** 100% because we are already having so many RFPs in hand and that is in pipeline and samples. So, many samples have been already manufactured and sent for inspection and trials. So, we don't think any problem in achieving 20% year-on-year. Not, at all. And as I said, there are certain predictions made by the metrological department. But according to the local panchang, our traditional system, I have got the information that there will be enough and appropriate monsoon and should not be any problem this year also. This is what is the prediction of course. We don't know what happens next.
- Ankur Kumar:** Okay, sir. And then on the brake side, you said INR25 crores is the potential that can come this year?
- Arun Aradhya:** Yes, yes. Maybe a little less because we have started commercial production this month. It will require some time to settle into the market, but yearly target as such, it should be INR25.
- Ankur Kumar:** So sir, can we say bi-metal as well as Alkop will grow 20% for this year and the brake will be extra or total console we're expecting 20%?
- Arun Aradhya:** So consolidated, it will be 20% plus actually for this year.
- Ankur Kumar:** Sure, sir. Thank you and all the best.
- Arun Aradhya:** Thank you. Thank you all.

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

**Arun Aradhye:** Yes. I would like to thank you all for the encouraging response to our first earnings call. We will keep updating the investor community on regular basis for incremental updates on the company. I hope we were able to address all your queries. For any further information, kindly get in touch with strategic growth advisors, our investor relations advisors. Thank you once again. Thank you.

**Moderator:** Thank you very much, sir. Ladies and gentlemen, on behalf of Menon Bearings Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.