

21st November, 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 Un-Audited Standalone & Consolidated Financial Results of the Company for the quarter and half year ended 30th September, 2023 for the Investors/Analysts (Participants) which was held as per the details below.

Date & Time	Type of Interaction
17 th November, 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.

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 LTD

Q2 & H1FY24

POST RESULT CONFERENCE CALL

November 17, 2023 2:00 PM IST

Management Team

Mr. Arun Aradhye

Whole-Time Director and Chief Financial Officer

Call Coordinator



Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2'FY24 Post Earnings Conference Call of Menon Bearings Limited. Today, on the call from the management we have with us Mr. Arun Aradhya, Whole Time Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risks and uncertainties. Also, a reminder that this call is being recorded. I would now request the management to give us a quick detail about the performance highlights for the quarter that went by, the growth plans and visions for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Arun Aradhya: Thank you, Mr. Vinay. So good afternoon and warm welcome to everyone, and wishing you all a very happy Diwali and prosperous New Year.

To begin with, I will tell about the background and business of the company, broad industry updates and strategies going forward. This will be followed by operational and financial highlights for the quarter ended September 2023. Menon Bearings is strategically located at Kolhapur in Maharashtra, near Auto Hub, Pune. Having four plants with three verticals of products line; engine bearing, bushes, thrust washers, various bimetal strips, aluminium die casting and brake lining.

We are the manufacturers and exporters of Bimetal components, Aluminium Casted Products and have recently ventured into a new segment of Brakes. In the Bimetal category, we make bearing, bushes and thrust washers, these are highly critical moving engine components that operate in high temperature and pressure. 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 linings which are made from eco-antifriction asbestos free material. Not only we have rigorous quality check procedures, but we also have an in-house machine building capacity with results in significant saving in CapEx. This tooling capability gives us an edge over our peers and helps us to provide complete engineering solutions at competitive prices.

We are also among the few companies having facilities to produce next generation lead-free 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 parts, as the products are critical in nature. And there is a high gestation period for supply approach. There is a high entry barrier in the industry with a limited number of players.

Our strategy is to do additional CapEx in Bimetal and Alkop segments so that we cannot only cater to the surge in demand from auto sector, but will also add to more share of our revenue from the non-auto sector also. 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 accrued to opportunities to fuel future growth.

Our major customers are Tata Motors, Tata Company, John Deere, International Tractors, Mahindra & Mahindra, Brakes India, Concentric Pumps. And exports, our OEM customers are Cummins, John Deere, Allison, Magna, Arrow, ADEMCO, Honeywell, et cetera. Our exports is mainly to USA, Japan, UK, China, Belgium, France, Netherlands, South Africa through distributor in Dubai.

We are having pan-India network for aftermarket with 40 field staff and 1,000 plus dealers and distributor network. The performance so far as sales and net profit is concerned for the quarter ended on September 2023. The total income for the quarter stood at Rs.51.12 crores and that for 6 months ended it was Rs.106.27 crores.

The profit before tax for the quarter was Rs.8.35 crores and that PAT was Rs.6.30 crores with percentage of 16.33% and 12.32%, respectively. Our gross profit for the quarter ended stood at Rs.21.71 crore that is 43.30%, while EBITDA is Rs.10.32 crores that is 20.58%. We expect to increase demand from tractor segment from December onwards. All efforts will be taken to achieve performance of the last year. For over a period of time, the company is consistently sustaining EBITDA up around 21% to 23% with PBT of 17% and that PAT between 10% to 12%.

If we look at sales pie of the company about 55% is OEM, 30% is export, 7% to 8% is after market. The company as per its policy has kept comparatively large base of customers, so that no single

customer contributes more than 10% to 12% of the total revenue of the company.

Current capacity of bearing division is 40 to 48 million pieces per month, which will be augmented to 55 million pieces by the end of this year. Current capacity utilization is around 70% to 75%. The present order book position of the company is around Rs.250 crores.

Bearing division has so far received RFQs from 8 new customers, most of which is for exports for 128 parts. The quantity we're off is around Rs.1.15 crores per year, with annual business of Rs.36 crores, samples and commercial data have been already approved.

In view of this additional requirement, the company has approved expansion of the existing facility and constructing 45,000 square feet of building into 0.5 acres of land, and that the same will be completed in all respects by the end of this financial year.

Similarly, in aluminium division from existing as well as new customers, the company has received RFQs from 5 customers for 38 parts, with annual quantity of 7.50 lakh numbers, with annual business of Rs.28 crores. In order to accommodate this, the company is constructing 65,000 square feet of building, and with machinery et cetera., the expansion will be completed by the end of this financial year.

Even though volumes for exports are slice down, we expect to recover in the coming quarters. Growth in coming quarters will be fuelled not just by brake segment, but also by Alkop growth, as it is a premium margin segment and has more scope due to customization needs. With strong OEM sales and secure customer relationship, we have the confidence to deliver better results.

With this now, I would like to open the floor for question-and-answer. Please?

Question-and-Answer Session

Moderator:

Thank you, sir. All those who wish to ask a question may use the option of raise hand. We have the first question from Himanshu Upadhyay. Himanshu, you can go ahead, please.

Arun Aradhya:

Hi, Himanshu.

- Himanshu Upadhyay:** Yeah. Hi. Happy Diwali and happy New Year
- Arun Aradhye:** Yes, thank you very much.
- Himanshu Upadhyay:** See, my first question is, last year the export of bimetal bearing sales fell. How were the exports done in last 6 months? Some idea on that, can you give? And we had said that Japan was an issue market for us. Is that market coming back or some more granularity will be helpful for the last 6 months?
- Arun Aradhye:** One second. The export has slightly came down because of there was little less demand from Japan, basically Japan. That is the only reason. Otherwise in products, there is a surge actually it has remained more or less constant so far as export is concerned. If we look at the domestic sales, there was a little bit of slice down in the tractor segment, which is expected to go up from December onwards and what we see now also we are getting more and more orders so far as tractor is also concerned and from other exporters as well.
- So exports as well as domestic segment in both the segments we expect that we should be having greater prospects in the period to come.
- Himanshu Upadhyay:** But the fall in sales in the last 6 months is because of the fall in exports of bimetal bearing. Would that be right statement?
- Arun Aradhye:** Basically bimetal strips.
- Himanshu Upadhyay:** Yeah.
- Arun Aradhye:** Bimetal Strip not in products.
- Himanshu Upadhyay:** Okay. And this order book what we stated of Rs.250 crores. So this is over what duration the order book is for us what we stated?
- Arun Aradhye:** Pardon?
- Himanshu Upadhyay:** We stated in the call recently or just now that Rs.250 crore is our order book. Okay? So this order book is over what duration?
- Arun Aradhye:** What duration? That is for the 1-year from now.
- Himanshu Upadhyay:** Okay. This Rs.250 crore is 1-year. Okay.

Arun Aradhye: Yeah.

Himanshu Upadhyay: I have few other queries I will join back in the queue.

Arun Aradhye: Sure, please.

Moderator: Building the next question from Harshil. Harshil, you can unmute and ask your question.

Harshil Solanki: Hi, sir, good afternoon. I have two questions? Sir, we were talking that we were working with Bajaj to supply some components for the premium segment which is KTM. So now even Triumph and Harley are being made in India. So are we looking to get into that segment provided we get our desired margins? So just as to diversify from the current CV and tractor space?

Arun Aradhye: It's not only the case of diversion, because you see the sizes and diameters of the bearings of KTM are higher than the regular 2 wheelers. It is almost equivalent to what we have in Maruti or even more than that. So the value addition where is also better and we will never compromise on our margins as well. So we will keep the margins intact and we will sustain the EBITDA or whatever PAT margins always similar. So we will not compromise on that count, because not only that we are, I already told you in the call now, that almost 128 parts are there. And the total quantum of the volumes of the numbers will be 1.15 crores during the next year.

That is additional business we are going to generate. It will take little time. Maybe after March some business will start from April onwards and some business is expected to start from July onwards, because it will take little more time for the testing and validation and approval of samples and that's all. But that is final, because commercials and samples, most of the samples have been already approved.

Harshil Solanki: Understood, sir. But, sir, this can be an opportunity for us given that the premium bike segment is increasing, just wanted your thoughts and because we already are working with Bajaj, so Triumph, Harley can also be an opportunity?

Arun Aradhye: Yes. Yes. There are many more segments that we will be tapping up, because you see we want to enter into the higher diameter segment, not a smaller diameter.

- Harshil Solanki:** Okay. And, sir, last question our debt is increased by Rs.12 crores, so is that for the CapEx that we are doing of Rs.30 crores and 50% would be financed by debt is that on account of this?
- Arun Aradhya:** Which one?
- Harshil Solanki:** Sir, in the half yearly balance sheet our debt has increased by Rs.12 crores.
- Arun Aradhya:** Yes. Yes.
- Harshil Solanki:** So is that purely for the CapEx that we are doing?
- Arun Aradhya:** That is earmarked for the CapEx in bearing division that I have already told you that we are going to have 45,000 square foot of building along with all machinery, et cetera, et cetera. So we have kept that aside for the CapEx for that.
- Harshil Solanki:** Yeah, I understood. And any more plans to take debt, because Rs.30 crores and 50% is Rs.15 crores, and debt has increased by Rs.12 crores. So any plans to take more debt?
- Arun Aradhya:** You see, at the same time, our bank balances are also equivalent. So hardly there is a difference of almost Rs.4 crore of between the term loans, and the cash and bank balances.
- Harshil Solanki:** Understood, sir. Thank you. That's all my questions.
- Arun Aradhya:** Yes. Yes.
- Moderator:** Thanks, Harshil. We'll take the next question from Naga Brahma.
- Arun Aradhya:** Hello, Mr. Naga, how are you?
- Naga Brahma:** Very fine, sir. How are you, sir? How was the Diwali celebration?
- Arun Aradhya:** Diwali celebrations were fantastic.
- Naga Brahma:** Good. Good. Great to know that sir. Sir, I had two questions. One is for the brake shoes or the liners. So is it possible to share how much sales we have done for this half year from this division?
- Arun Aradhya:** I believe that was just the starting point. We are spreading our wings into the aftermarket. We are adding distributors every month. So now

we have received export orders for that also. The export orders are for more than Rs.1.5 crores. In the process, we have started dispatching from the last month. We will see the figures, which were spelled out during this quarter.

- Naga Brahma:** Till H1 we have done around Rs.50 lakhs or so?
- Arun Aradhya:** Not. More than that, it is around Rs.75 lakhs.
- Naga Brahma:** Rs.75 lakhs. Okay. So based on the receipt of orders that you have on hand, how much is expected for the current year?
- Arun Aradhya:** Current year I expect about Rs.7 crores to Rs.8 crores.
- Naga Brahma:** So from Rs.75 lakhs, it's almost 10 times you have the orders in hand for the brakes.
- Arun Aradhya:** Yes, we're already having the orders.
- Naga Brahma:** Okay. Good sir. And how much we can expect next year? It will again grow exponentially?
- Arun Aradhya:** Next year we should be reaching to almost Rs.16 crores to Rs.17 crores.
- Naga Brahma:** And, sir, when you reach what capacity if you reach you will have the same margins as the other products?
- Arun Aradhya:** By if we reach to about Rs.19 crores.
- Naga Brahma:** Rs.19 crores in a year.
- Arun Aradhya:** Yeah.
- Naga Brahma:** Okay. Good. Sir, my second question is for the Alkop division, now we hear all this U.S. and Europe rate of interest increasing and all that inflation and recession. Alkop division was supposed to get a lot of orders from the Europe, U.S. and other countries. So have you seen any decrease in the enquiries or the orders, sir?
- Arun Aradhya:** Just now I told you know, there are enquiries from 5 customers for 38 parts and numbers will be Rs.7.50 lakhs per year with Indian business of Rs.28 crores, almost all of that has been the samples have been approved. Commercial also approved. Those are under testing now.

- Naga Brahma:** Okay. So this will be supplied during H2?
- Arun Aradhya:** Not H2. It will be supplied in the next year.
- Naga Brahma:** Next financial year.
- Arun Aradhya:** Some of the parts are under development, which can be supplied in this year also. Some of the parts.
- Naga Brahma:** Some of the parts. Sir, if you have the figure, if you can share how much we have done in H1 comparison to H1 of last year, sir?
- Arun Aradhya:** No, that figure is not available exactly what was in the last year, 6 months and now.
- Naga Brahma:** Okay. Have we grown in this segment also?
- Arun Aradhya:** Yes. Yes. We are growing.
- Naga Brahma:** We are growing. Okay. Okay, sir. Thank you very much and wish you all the best, sir.
- Arun Aradhya:** Thank you.
- Naga Brahma:** Thank you.
- Moderator:** We will take the next question from Aniket. Aniket, you can go, please.
- Aniket:** Thank you, sir. So my first question is, can you throw some light on the growth opportunity and strategy in your new brake shoe and brake lining business?
- Arun Aradhya:** Yes, in brake lining business, our aftermarket is growing steadily. From Rs.10 lakhs, we started in the month from April, now we are reached to Rs.40 lakh, Rs.45 lakh per month apart from the export order that we have received for more than Rs.1 crores per month.
- Aniket:** Okay. So the second question is regarding your presentation. That shows a point about you being in an oligopoly industry in the engine bearing segment. So can you elaborate on this a bit more as in how many players are there? Or why only that many players and how does that help us to build-up in that market share?

Arun Aradhya: You see, so far as bearing, you are talking about bearing division.

Aniket: Yes. Yes.

Arun Aradhya: In bearing division, there are major four players that is Menon Bearings and our competitors are bimetal bearing – Federal Mogul and KSPG. All are multinational companies, and we are fighting with them, which is the only Indian company. And because of rigorous testing and validation requirement, and it requires a little longer time for getting approved from all OEMs and maybe for exports also. So there is an entry barrier. So no other people are coming into this segment. It is unlike SKF kind of ball bearings or something else.

This is an engine bearing, bushes and washers, which are fitted in the engine and on maybe on transmission and brakes, which are critical items. So there is an entry barrier. So nobody come – Tom, Dick and Harry come and start this kind of business, and approach OEMs. They are not going to allow them. So there is an entry barrier. So there is good amount of potential for us. We are only the four major players in this field. So far as bearing division is concerned.

Aniket: Okay. I got that. So the last question would be that you mentioned that your minimum EBITDA margin target is 20% to 22% from your key business.

Arun Aradhya: We have been sustaining that for many years.

Aniket: So basically what it allows you to the capability of earning such high EBITDA as in, can you explain it more?

Arun Aradhya: So that is our productivity then I told you that we are having own machine building capacity in bearing division, because of that our CapEx requirement is comparatively very less as compared to our competitors. So pricing is also competitive. The overall cost will go down, because of that interest cost will come down, depreciation will come down, and because of that we become more competitive and having more margins and gross profit which you can see it is 43%.

Aniket: Okay. Okay. So that's it from my side. Thank you so much.

Arun Aradhya: Thank you.

- Vinay Pandit:** So just an addition to what Aniket was asking in your brake shoe, brake lining business, can you throw some more light on how do you plan to approach this market? What's the thought process? And I think you are doing some asbestos free as well. Can you throw some more lights on that?
- Arun Aradhya:** We are doing only eco-friendly asbestos free brake lining only. We are not with the manufacturing with asbestos, because we want to be eco-friendly. So we are already having a pan-Indian network of Menon Bearings, where more than 20, 30 people are already working. Apart from that we have employed 10 more people for this aftermarket business of brake lining. We are spreading our wings into the aftermarket and we are approaching more and more people and appointing more and more distributors in this segment also.
- So with this opportunity we are sure we will definitely reach to more than Rs.1 crore per month within a shortest period of time from now.
- Vinay Pandit:** Okay. Okay. Got it. We'll take the next question from Aditya Surana. Aditya, you can unmute and ask your question.
- Aditya Surana:** Good afternoon, sir.
- Arun Aradhya:** Good afternoon.
- Aditya Surana:** Sir, we operate in the same business line as our listed peers do, which have EBITDA margin ranging from 7% to 8%. In context, our company boast of EBITDA margin of 23% to 25%. How do we constantly achieve such elevated margins compared to the other players in the industry?
- Arun Aradhya:** You see, I just now clarified as to why our investments are comparatively CapEx less. Why are our investment patterns comparatively lesser, because of which finance and depreciation costs are lesser? And these are all semi-automatic machines so that we can work with minimum levels also. And with the greater productivity of semi-automatic machines, the greater productivity, the costing of overall comes down, which helps in extracting such kind of EBITDA margins for a period of time. And we are continuing with that now.
- Aditya Surana:** So, I have another question. After completing the Rs.30 lakhs CapEx, what will be the total manufacturing capacity and what would be the anticipated revenue increase post-CapEx and the estimated time framework for completing the investment?

- Arun Aradhya:** So, it is not Rs.30 lakhs, it is Rs.30 crores, before that will be completed by the end of this year in both bearing division as well as in aluminium division, because of which our revenue is expected to increase by another Rs.75 crores. And with additional capacity, which is available at our disposal, that is 25%, we can easily reach to about Rs.400 crores within a period of 2 to 3 years. Within 3 years, you can see.
- Aditya Surana:** And sir, what are the current trend in the export market and commercial vehicle? Where is the demand coming from? And which country is the major contributor?
- Arun Aradhya:** It's always a Japan and USA major.
- Aditya Surana:** Thank you, sir. This was my question.
- Arun Aradhya:** Thank you.
- Moderator:** Thanks, Aditya. We will take the next question from Bharat Gupta. Bharat, you can unmute, please.
- Bharat Gupta:** Hi, Arun, sir. Happy Diwali.
- Arun Aradhya:** Happy Diwali. Thank you.
- Bharat Gupta:** Sir, just a couple of questions from my side. So, last time when we did the last con call, you mentioned that you were having RFQ of around 100 Cr spread across Bimetals and Alkop. So, what has happened progressively? How many RFQs we have been awarded so far?
- Arun Aradhya:** Out of that many of the RFQs and samples have been sent to them, those are under approval. After testing and validation that business will also start.
- Bharat Gupta:** So, sir, any timelines which we are anticipating?
- Arun Aradhya:** Timeline you see, I have already explained that in the past also in the earnings call, it requires almost 7 months to 8 months from the setup RFQ to actual start of business. Because you see the processes is such that we have to get the RFQ, we will check the feasibility of the product, whether we can manufacture that or not. Then, we are sending them the feasibility report. Then, we are getting drawings from them. After drawings, those are being compared here. Then,

design drawings are prepared, then they are sent to them after approval of drawings. Then, we are sending them the details about the tooling required. Then, after receipt of order for tooling and samples, we go for preparation of our manufacturing of samples. We will have to prepare a tooling for that first.

Then, after the preparation of tooling, we have to prepare the samples. The samples are sent for the inspection. Then, they inspect the samples. Then, they are testing and validation for, I don't know exactly how many hours, but I feel, they require to fit on the engine and get trials for almost 2,000 to 3,000 hours of trials, they are required to undergo. And after that, we get testing and validation. Then, we are receiving the samples are approved or not. After the approval of the sample, then they are issuing the first sample or first purchase order for supply of the bearings or bushes or washers, whatever. Then, it takes almost 7 to 8 months to 9 months, right from receipt of RFQ to actual start of business.

- Bharat Gupta:** Right, sir. And sir, you mentioned in your opening remarks that we are working on near about 70 lakh pieces, I think, in the Alkop segments for 38 parts. So that is excluding the Rs.100 crores RFQ, which is there in the customers, whatever kind of RFQ we are in.
- Arun Aradhya:** I could not get you, because your voice is echoing.
- Bharat Gupta:** Oh, sorry. Is it better now?
- Arun Aradhya:** Yeah.
- Bharat Gupta:** I was just asking, sir, you mentioned in your opening remarks that there are near-about 75 lakh pieces of RFQ, which is there in the Alkop segment for 38 parts in the RFQ.
- Arun Aradhya:** 7.50 lakh.
- Bharat Gupta:** 7.50 lakhs. That is excluding the Rs.100 crore RFQ, which you mentioned like in your previous calls.
- Arun Aradhya:** Yes. Yes.
- Bharat Gupta:** Okay. So this is over and above. So, sir, factoring nearly Rs.100 crores RFQ will come in place and like we will be getting more markets share in the brake lining segments. And with the Alkop segment also contributing to the doubling of the turnover it should ideally be

happening on a – like we would be growing on exponential basis, I think, without the factor of more than 25% going forward?

- Arun Aradhya:** Yes. Yes. Of course.
- Bharat Gupta:** Right. And margins we take to operate like we will be maintaining the 21%, 23% kind of EBITDA margin going forward.
- Arun Aradhya:** We will operate with the EBITDA margins of more than 20%.
- Bharat Gupta:** Amazing. Just a last one from my side, sir, with respect to the CapEx, which we are doing the Rs.30 crore sort of CapEx which we have. Can you estimated what kind of asset turnover which we can generate from the CapEx which we are doing?
- Arun Aradhya:** As I told you, it will generate above Rs.68 crores from that additional CapEx.
- Bharat Gupta:** Rs.68 crores is the visibility which we have from the...
- Arun Aradhya:** Additional CapEx.
- Bharat Gupta:** And sir, we were supposed to have a tie up with Hindustan Brake's I think with respect to the brake lining or brake shoe segment. So is it based on our trend?
- Arun Aradhya:** Hindustan?
- Bharat Gupta:** Brakes limited. You were mentioning in the last call that you are looking out for...
- Arun Aradhya:** We are not tying up with anybody so far as brake lining is concerned and that is not Hindustan Brakes, that is Hindustan Composites.
- Bharat Gupta:** So no tie up here looking out for with respect to any OEM player?
- Arun Aradhya:** No. No. We are targeting aftermarket only. And after the completion of aftermarket and exhausting the entire capacity then we will start approaching OEMs.
- Bharat Gupta:** And with respect to the RFQ we have this sufficient amount of capacity available?
- Arun Aradhya:** You are talking RFQ of whom?

Bharat Gupta: I am talking with respect to both like in terms of currently our capacity will be utilized in the brake lining segment. So what you mentioned that Rs.16 crores- to Rs.20-crores-odd of the revenue which will be generated even next year. I think by that time our capacity will be nearly 30-40% utilized, right? This is one bit.

And, secondly, with respect to the RFQ. So what kinds of the capacity addition would be required for meeting of the RFQ requirement? This is my second question.

Arun Aradhye: I never talked about RFQ so far that brake lining is concerned. Because we are targeting aftermarket not OEMs. So, the question of receiving RFQ in brake lining doesn't arise at all.

Bharat Gupta: No sir. This is a second question. First question is with regard to capacity utilization for switching out a Rs.20 crore kind for revenue from brake lining segment, what kind of a utilization level we will be having in the brake lining?

And secondly, that Rs.30 crore CapEx which we are doing, that is including the RFQ part is it, there is some bit of RFQ of the utilization which will be requiring for the RFQ part, that is also inbuilt in Rs.30 crore CapEx?

Arun Aradhye: The second question, I could get it, that is around Rs.30 crore CapEx is required only for additional RFQ that we have received of about Rs.60 crores, Rs.64 crores, Rs.68 crores, and that will be exhausted entirely for that majority part of it will go to exports.

So, for as CapEx in the brakes lining division is concerned. I could not get your question properly, because your voice is not clear.

Bharat Gupta: Sir, I am just asking what kind of utilization we will be operating with the Rs.20 crore revenue in the brake lining segment?

Arun Aradhye: That will be 100%.

Bharat Gupta: Okay. So further CapEx, which will be required in that particular segment as well going forward?

Arun Aradhye: That we will look into that after next year, not now.

Bharat Gupta: Okay. Thank you so much, sir.

- Arun Aradhya:** Okay. Thank you.
- Moderator:** Thank you, Bharat. We will take the next question from Shweta. Shweta, can you unmute, please?
- Shweta:** Am I audible?
- Moderator:** Shweta, you will have to speak up a bit louder.
- Shweta:** Sir, am I audible now?
- Moderator:** Yes.
- Shweta:** Sir, can you guide us for your growth target for this year and next year?
- Arun Aradhya:** Target?
- Shweta:** Yeah, for this year and next year.
- Arun Aradhya:** So I can tell you that this year will be growing at a rate of 12%. And from next year onwards will be growing at a rate of 20% to 22%.
- Shweta:** And, sir, any other new products that we are evaluating right now?
- Arun Aradhya:** No, not now.
- Shweta:** I also had a question. Sir, why do you see your export sales improving again like any sign from your global customers like Japan to increase?
- Arun Aradhya:** You see, as I told you, majority of the RFQ that we are receiving just now maybe in bearing or Alkop, both. So 70% will go for exports.
- Shweta:** Sir, post-expansion in capacity, what potential turnover size can we reach?
- Arun Aradhya:** Potential capacity as said, that would be entirely exhausted, and we will be getting out of Rs.30 crores. We expect revenue of around 64 crores to 70 crores from that.
- Shweta:** Sir, with respect to the brakes business, how do you plan to build up in the replacement market to target growth in this segment for the product?

Arun Aradhye: We have already appointed about 30-35 people into the aftermarket and they are approaching and appointing many more distributors. As of now, so far as only brake lining is concerned, we are more than 50 distributors just now and our target is to reach to almost 150 within a period of 6 months from now, so that our turnover will reach to the maximum what is required is about Rs.19 crores to Rs.20 crores, as I told you.

Shweta: Thank you.

Moderator: Thank you, Shweta. Before we go to the next participant, anybody who wishes to ask a question may use the option of raise hand. In case you are not able to do that, just drop a message on chat and we will invite you to ask a question. We will take the next question from Himanshu Upadhyay. Himanshu, you can unmute, please?

Himanshu Upadhyay: Hello?

Arun Aradhye: Yeah.

Himanshu Upadhyay: Yeah, following on the brakes business itself. So, are the distributors who are already selling our bearings and those only the distributors whom we are focusing or we are adding new distributors also for the brakes business? Okay. And, currently, how many retail outlets we would be present at?

Arun Aradhye: Now, because you see the people and distributors were more than 300 plus distributors plus up to 1,000 retailers. That is different for bearing division. That is only for bearing division, they are not necessarily retailing our products of brake lining. So, we are having entirely different set of distributors for sale of brake liners, which is around 50 now. Which we want to increase up to 150 within the shortest possible time and our efforts are going on in that direction only.

So, we are having a separate team for that also along with our existing team. They are also helping the new team to get the business and appointing new distributors for brake lining. So, that is all efforts are going on.

Himanshu Upadhyay: See, our bearings are also for M&HCV business and tractors business and our brake lining are also for M&HCV and tractors segment.

- Arun Aradhye:** So, distributors are – many more distributors which we are already having. They are not into sale of brake linings. This is a little different category as such for them.
- Himanshu Upadhyay:** Okay. Okay. And are we present across the means north, west, east south, or we are focused on certain geographies currently for brake lining?
- Arun Aradhye:** We are certainly focusing on certain territory and geographies. Our presence is now in Dubai and South Africa so far as brake liner is concerned. Then, we are into Nepal. Then, we are supplying to Bangladesh now and maybe Sri Lanka from the next month. The entire India except Jharkhand, Bihar, Gujarat and Rajasthan. Our presence is almost everywhere now.
- Himanshu Upadhyay:** And one thing we are seeing pretty strong growth rate in the capital goods side, okay, pumps, compressors, power plants and all those things. Are we getting more business or RFQs for capital goods also and some of these industries require heavy, let's say, the castings, okay? So any opportunity for Alkop to become or get more business from the capital goods side.
- Arun Aradhye:** Capital goods, we are receiving orders from Cummins, then concentric pumps. The average that is not capital item you cannot say that. But John Deere is there. Mahindra is there. Cummins as it is already there. Then, TMTL has approached us again. Many more people from John Deere USA have approached us for their parts. Our compressors also we have received the orders from Mayekawa, Japan. So certainly what you tell that is also correct we are approaching those people also for getting more and more business from that segment too.
- Himanshu Upadhyay:** So what I was looking at or we are looking at lay at Indian companies also. Ingersoll or LG to Kirloskar also you might take an orders atlas copco
- Arun Aradhye:** Ingersoll is already there. Ingersoll is there, Cummins is there, Mayekawa is there. John Deere is there. There are many more that is a continuous process that we are approaching newer customers. We are going to add new customers as well in the future. That is a continuous process and that would be followed.
- Himanshu Upadhyay:** See the slowdown is in auto space should be same. The capital goods segment or side of the business is still growing. Even Alkop grew in the first 6 months would it be right assumption?

- Arun Aradhya:** Can you repeat the question?
- Himanshu Upadhyay:** No, are we seeing growth on the capital goods side and whatever slowdown is on the auto side, will that be a right assumption?
- Arun Aradhya:** I think that can be right.
- Himanshu Upadhyay:** Okay. Thanks for the reply.
- Arun Aradhya:** Okay. Thank you.
- Moderator:** Thanks, Himanshu. We'll take the next question from Chirag Shah. Chirag, you can go ahead, please?
- Chirag Shah:** Hello, how are you, sir?
- Arun Aradhya:** Hello, how are you, Mr. Chirag?
- Chirag Shah:** We are all well.
- Arun Aradhya:** Happy Diwali.
- Chirag Shah:** Happy Diwali, sir, and the entire team.
- Arun Aradhya:** Yes. Thank you very much.
- Chirag Shah:** Sir, one suggestion, you used to share a presentation earlier, in which you used to give break up of bimetal and bearing business, the revenue break up on it. If you can start that practice it would be helpful to understand.
- Arun Aradhya:** That is already uploaded on the website, as well as on the website of both the exchanges. Only today we have uploaded, but you can see that because of Diwali vacation we could not do that in time.
- Chirag Shah:** Sir, in that quarterly break up is not being given.
- Arun Aradhya:** Yes, that is given.
- Chirag Shah:** Okay, I just have a relook at that. Because I was trying to understand, sir, the second thing is if you look at H1, our growth is largely flat. How much of this is because of commodity pass-through and how much of this is some slowdown that you would have seen and which,

if at all there is some slowdown, which segments are seeing, have seen a slowdown in H1?

Arun Aradhya: That is mainly, I told you that was just because of slowdown in exports so far as Japan is concerned. That was in bimetal strip only, otherwise in product it has been constant or little more than that what we have done in the last 6 months.

Chirag Shah: So, be tractors, be CVs or be transmission products, so and so forth, we have not seen, there is no revenue decline.

Arun Aradhya: It is little more than that what we have done in last year.

Chirag Shah: Okay.

Arun Aradhya: It only because of bimetal strip slowdown, so far as Japan is concerned, nothing else.

Chirag Shah: Okay.

Arun Aradhya: This will be compensated by exports in the next year that we already issued orders of around, how much? That is Rs.20 crores from single company from USA.

Chirag Shah: Sir, If I recollect earlier you were looking to or aspiring to have around Rs.75 crore revenue coming from Alkop, is there a delay in execution or order off take by OEMs or that Rs.75 crore is doable? So we can go back...

Arun Aradhya: Doable in the next year, because there was little slow down in the first 3 to 4, 5 months in tractor segment and there as well as Honeywell is concerned you see there was a little slowdown in USA actually, because of that slightly delayed otherwise we would have targeted – as per the target it was to be achieved in this year only, but better luck next time, next year, we will be exceeding that Rs.75 crores.

Chirag Shah: Sure. And in bimetal bearing side, what kind of revenues we can do for full year? And any particular segment that that is indicating there could be some slowdown or some risk factors that will come across?

Arun Aradhya: There is little slowdown in tractor segment in initial 4, 5 months also that has affected bearing division also.

Chirag Shah: Okay.

- Arun Aradhya:** Which is expected to bounce back by our December.
- Chirag Shah:** Okay. And the second question was on this brakes business. So, if I understand correctly, the Phase 1 of the current plan put around Rs.20 crores, Rs.25 crores of revenue, correct? And post that you will have to do next round of CapEx.
- Arun Aradhya:** Correct.
- Chirag Shah:** And would it be fair to assume that the next round of CapEx, the call will have to be taken by end of the year itself?
- Arun Aradhya:** No, next year. By the end of next year, not this year.
- Chirag Shah:** So, you are saying that RFQ [ph] fair part.
- Arun Aradhya:** Yeah.
- Chirag Shah:** Okay. Yeah, yeah. So, that's it from my side. I'll come back for more questions.
- Arun Aradhya:** Okay. Thank you.
- Moderator:** Yeah. Chirag, there are no further questions. If you want to ask any further questions, you can go ahead
- Chirag Shah:** Yeah. Okay. Sir, another question which I had was on this optimal capacity utilization. So, we are generated around 70% utilization levels. But up to what we can go up to in terms of utilization levels is 85% the right optimal capacity utilization level or 75% kind of...
- Arun Aradhya:** We will not exceed 80% capacity, because we want to keep always idle capacity for any surge of demand anytime.
- Chirag Shah:** Okay.
- Arun Aradhya:** Normally, don't allow to exceed 80% of the efficiency.
- Chirag Shah:** Okay. So, your CapEx would trigger along with that.
- Arun Aradhya:** Correct.

- Chirag Shah:** So, lastly, you were an aspiration of doubling your revenue over 3-year, everything falls in place. Now, there is some slowdown because of tractors which was beyond your control and also some slowdown which we are seeing or we were seeing in some of the international markets. Is any new product or customer edition that can compensate and you can still look for doubling of revenues over 3 years that your initial target was over FY 2023?
- Arun Aradhye:** Yes, because as I told you the minimum RFQ that I have received you know, considering that within a period of 4 years down the line we can have the double the figure of what we are having just now.
- Chirag Shah:** Okay. So that's all. And so, one last thing the RFQs that we won last year, okay, and which was supposed to get executed this year. Have customers or OEMs delayed the start because of slowdown or inventory issues that they were seeing or...
- Arun Aradhye:** Because slowdown samples were approved, commercials were approved, everything was approved. We started the business also, but the quantity that was required has not come the way we expected, maybe because of a little slowdown.
- Chirag Shah:** But now has it started normalizing or is that month on month update you are seeing?
- Arun Aradhye:** It is getting normalized very soon, I think. It is getting normalized.
- Chirag Shah:** Okay, sir, thank you. Thank you very much. And all the best.
- Moderator:** Thank you, Chirag. We will take the next question from Khush. Khush, you can unmute.
- Khush Nahar:** Yeah. Thank you for the opportunity So my first question was the tool designing that you said which is there in a value chain. So tool designing is our ownership only or it belongs to the OEM?
- Arun Aradhye:** You see, when we are receiving the tooling cost from the customers that is manufactured on behalf of the customer and that becomes their asset and we have to preserve it till the end of certain life.
- Khush Nahar:** Okay. And so just want to confirm the doubling of revenue on FY 2023 base you said was in 4 years?
- Arun Aradhye:** Right.

- Khush Nahar:** Okay. Thank you, sir.
- Arun Aradhye:** Okay. Thank you.
- Moderator:** Thank you, Khush. Sir, since there are no further questions would you like to give some closing comments?
- Arun Aradhye:** Okay. Sure. I would like to thank you all for the encouraging response to our 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 Kaptify. Kaptify consulting our Investor Relations advisors.
- Thank you once again for all. Thank you and have a very bright new year.
- Vinay Pandit:** Thank you so much, sir. And thank you to all the participants, who are joining on this call. You may all disconnect now. Thank you.