

Pitti Engineering Limited

(Formerly Pitti Laminations Limited)

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www.pitti.in



22nd May 2026

To,
BSE Limited
Floor 25, P J Towers, Dalal Street
Mumbai - 400 001

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Scrip Code: 513519

Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 18th May 2026

With reference to our letter dated 14th May 2026, intimating about the conference call with investors to be held on 18th May 2026, please find attached transcript of the aforesaid conference call.

The above information is also available on the website of the Company at www.pitti.in.

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

Mary Monica Braganza
Company Secretary & Chief Compliance Officer
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“Pitti Engineering Limited
Q4 & FY26 Earnings Conference Call”

May 18, 2026

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 18th May 2026 will prevail



**MANAGEMENT: MR. AKSHAY PITTI – MANAGING DIRECTOR AND
CHIEF EXECUTIVE OFFICER– PITTI ENGINEERING
LIMITED**

Moderator:

Ladies and gentlemen, good day and welcome to the Q4 and FY26 Earnings Call of Pitti Engineering 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 are not the guarantees of future performance and involve risks 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akshay S. Pitti, Managing Director and Chief Executive Officer, Pitti Engineering Limited. Thank you, and over to you, sir.

Akshay Pitti:

Good afternoon, everyone and thank you for joining us for the Q4 and FY26 Earnings Conference Call of Pitti Engineering. Along with me are members of senior management team and our Investor Relations partners from SGA. Our financial results, revised investor presentation and related disclosures are already available on the stock exchanges and on company's website.

I hope you have had the opportunity to go through the same. Let me brief you a bit on our journey because it provides important context to where we stand today and where we are headed. We began our journey as a manufacturer of electrical steel laminations, essentially a basic engineering commodity with limited value addition.

Over the years, we have consciously and steadily transformed the company from just electrical steel laminations into an integrated engineering solution provider with strong capabilities in machining, casting, fabrication and high-value assemblies. Over the years, we have consciously moved up the value chain through sustained investment, customer partnerships and capacity expansion.

Today, value-added and integrated products contribute an increasing share of both revenue and profitability. On the macroeconomic conditions, FY25 was a challenging year for the industry, marked initially by tariff wars, followed by inflationary environment and West Asia crisis towards the close of the financial year.

These developments impacted both broader economy and industries through shortages of commodity metals, supply chain disruptions and rising prices across domestic as well as global markets. Despite these headwinds, global supply chains continue to diversify with India further strengthening its position as a preferred sourcing destination, driven by cost competitiveness and well-established engineering capabilities.

Although demand trends differ across end markets, the overall momentum remained healthy. Export-oriented business continued to demonstrate resilience, supported by improved visibility

and relatively fair trade environment for Indian suppliers across key markets towards the end of the year. Against this backdrop, our core sectors maintained strong performance.

Lamination business witnessed steady demand from sectors such as railway, mining and power. While growth in wind energy moderated, it was effectively offset by robust demand from data centers and industrial motors. On the end user industries, traction motors, railway components continue to be key strategic focus area for us.

Although domestic railway capex has moderated to some extent, our exposure remains well diversified, supported by meaningful share of international locomotive and metro project business. Demand from power generation sector continues to remain stable, driven by ongoing investments across DG sets and thermal and hydropower plants.

Industrial and commercial sectors are benefiting from infrastructure development and broader revival in capital expenditure and modernization, while data centers represent one of the most promising midterm growth opportunities, supported by new customer additions across multiple geographies in this category.

In addition, mining, oil and gas and specialized motors continue to witness healthy momentum in new product development. For FY '26, traction motor and railway components contributed 33% of revenue, followed by power generation at 15%, industrial and commercial motors at 13%, special purpose motors at 7%, mining, oil and gas at 6%, renewable energy at 3%.

Data centers at 3% and other segments at 19%. On the volume side, in Q4 FY29, total lamination and assemblies volumes stood at 18,400 tons, a growth of 7.3% on Y-o-Y basis. For FY26, lamination volume increased to 69,500 tons, up by 10% compared to FY25. Within lamination, higher value-added assemblies, integrated shaft and stator rotor assemblies grew faster than loose lamination, reflecting an improving mix.

Total raw casting and machine components volumes for Q4 FY26 stood at 2,783 tons, there was a temporary softness in the year-end. For the full year, FY26 volumes grew by 15.4% to 12,012 tons. On the capacity utilization front, Q4 FY26 witnessed a meaningful improvement across operations.

Sheet metal utilization stood at 80%. Machining hour utilization reached 87%. Casting utilization was 64% during the quarter. For the full year, utilization levels improved to 76% for sheet metal, 81% for machining and 71% for casting, reflecting consistent execution and improved absorption of fixed cost.

We continue to progress on the previously announced capex aimed at enhancing manufacturing capabilities. Of this, nearly INR100 crores has already been incurred and the capacities are expected to become operational by end of H1 FY27. Given the rising capacity utilization levels and healthy order pipeline, we are announcing a new capex program to further expand our capacities and address growing demand.

We have announced a greenfield facility for casting and machine components business with a planned investment of INR290 crores. a proposed capacity increase of 11,400 metric tons in the

casting side. The facility is expected to be commissioned by Q1 FY30, and will increase our total casting capacity to 36,000 metric tons, more than doubling the current capacity levels.

Additionally, machine hour capacity will also increase from current 7,20,000 machine hours towards 10.8 lakh machine hours. The capex allocation will broadly comprise of land acquisition and civil infrastructure, approximately 30% and the balance 70% going towards plant and machinery. The project is expected to generate asset turns in the region of 1.2x.

This greenfield facility is developed with a focus on significant opportunities we are seeing in machine components and castings for the mining, locomotive, data center and power generation applications. Several of our global marquee clients such as Progress Rail, Siemens Mobility, Caterpillar, Voith and Wabtec, among others, are witnessing strong growth in their own businesses.

And we believe as an integrated casting and machining supplier, we are most well-positioned to partner with them in their growth journey and their diversification of their supply chains. Accordingly, our capex strategy is built around 3 key pillars: first, improving efficiencies and debottlenecking existing capacities.

The second is expanding capacities in areas where customer demand visibility is strong; and third, creating a larger platform for machine castings and integrated components, which we believe will drive the next phase of the growth of the company. Moving to financial performance.

For Q4 FY26, our revenue from operations stood at INR506 crores as compared to INR472 crores in Q4 FY25, a growth of 7%. For the full year FY26, revenue from operations stood at INR1,953 crores as compared to INR1,743 crores in FY25, registering a growth of 12%. Adjusted EBITDA for FY26 stood at INR326 crores.

Up from INR272 crores in FY25, registering a growth of 20%, with adjusted EBITDA margin improving to 17% from 15.9%. Margins were also impacted on account of sharp changes in commodity and forex exchanges in Q4, but this is part of the business, and we see this now stabilizing, which will support the overall performance in the coming year.

For the full year, adjusted tax stood at INR128 crores compared to INR123 crores in FY25. On the other income front, we are planning to take the benefit of Maharashtra State Investment Promotion subsidy for the capex, which we have incurred in Aurangabad from FY28 onwards to maximize our claim, which will be beneficial for the company.

FY26 has been a year of consolidation, capacity building and continued momentum of the value chain. We have delivered growth in revenue, improved full year EBITDA margins and expanded our product capabilities, increased value-added volumes and laid the foundation of the next phase of growth.

The Pitti of today is very different from Pitti of the past. The next phase of growth will be driven by focus on value-added products, machine components, automation, working capital discipline and customer-led capacity expansion.

With that, I will now open the floor for the question-and-answer session. Thank you.

Moderator: Thank you. first question comes from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: Good afternoon, sir. Thank you so much for the opportunity. Sir, that INR290 crores greenfield facility, so if you could share some more details, what is the road map for this capex? And this capex is for existing products or we are planning for new products in that spread?

Akshay Pitti: This capex is for machine castings. In terms of, is it for existing products or new products? I would say it's for similar products. We make castings from 50 kilos all the way up till 4 tons single piece. We are catering this capex towards the larger castings, which will be required for mining off-highway and data center-related applications.

Balasubramanian: Sir on the inventory side, I think.

Akshay Pitti: On the machining side, we are also currently investing a lot of that money towards the machine hour expansion. That is going to happen in a modular manner. It will not be commissioned only in FY30. It will start getting commissioned from FY28 and FY29 as well to support the machining growth that is required in the current machine components business as we have already debottlenecked the casting capacity to 24,000 tons by end of H1 FY27.

Balasubramanian: Yes, sir. So the second question is, we targeted inventory level of INR300 crores. I think FY29. So I'm trying to understand how do we look at inventory levels in coming years? It's remained at INR400 crores levels. I think we have secured new supplies from Korea and Japan. And how do you look at supply side and inventory side in coming years?

Akshay Pitti: So we have already like diversified the supply chain and the steel availability has improved significantly over the Q4 and currently in Q1 as well. We see the inventory levels maintaining at around INR390 crores, INR400 crores level going forward as we continue to grow.

On the working capital cycle, our days payable have gone down as obviously to reduce the inventory from its high watermark, we have not procured as much. As we start procuring material and consuming the same inventory, the days payable will go up and our working capital will get released.

Balasubramanian: Thank you, sir. All the best.

Moderator: The next question comes from the line of Avnish Tiwari with Vaikarya. Please go ahead.

Avnish Tiwari: Hi. Can you articulate how over the years, in your experience, whenever the currency has depreciated in India compared to others, how has that impacted any either existing order book or customers looking for future orders from a sense of your profitability, your cost position relatively, assuming all else equal because you have done a great job in qualifying in so many projects and visiting marquee clients?

Akshay Pitti: Yes. So the currency position definitely helps India become more competitive as a destination. However, I would say it does not result in increased margins or anything as we have a quarterly

price change mechanism with all of our international clients, wherein the benefit of any currency depreciation is passed on to them. And in the unlikely event that the currency appreciates, they pass on the benefit back to us.

Avnish Tiwari:

Okay. And has it created any benefit in terms of the discussion about new projects? I mean, you said it benefits your destination in terms of cost position. Has that phenomena you experienced in past whenever the currency depreciates or even recently in last month or something where customers have -- engagements are getting more frequent or getting closer to the conclusion?

Akshay Pitti:

See, it definitely helps, but I don't think it drives anything in terms of customer decision-making as obviously, these supply chains are very long term -- it takes a long time to establish these supply chains and approve these products. So they are not looking at it from a quarter-to-quarter price change in terms of dollar strength or weakness. They are looking at India as a destination for low-cost engineering goods as an alternative to China. And definitely, the currency depreciation helps in bringing overall competitiveness when compared to other international destinations.

Avnish Tiwari:

Okay, great. Thank you.

Moderator:

The next question comes from the line of Vivek Ganguly from TCG AMC. Please go ahead.

Vivek Ganguly:

Thank you. One simple thing we just were trying to understand in layman's terms. So in this table, you have given high value-added assemblies, laminations and laminations and motors and then loose. If you can, in layman's term, explain what this means in terms of value addition and how they are different and how -- while we are seeing the growth rates is different, for the value added is much higher than in the loose assemblies, it would be helpful if you can articulate in your own terms?

Akshay Pitti:

Okay. So the loose lamination is basically an engineering commodity. It's a piece of sheet metal, which is 0.5 millimeters thick in which you do a stamping operation. So there's not really much value add that goes into it, and therefore, the margins also are lower. When we add low value-added assemblies to that, we add that for a simple reason.

Sometimes the customer says, don't send it as loose lamination, just do a single weld and send it as a stack. By doing that does not become an assembly, therefore, by nature of it becomes a much higher value add. It's a very low level of value add in that assembly. So that is why we bucket these 2 into this segment. I would say you should look at it more like an engineering commodity, the loose laminations and low value-added assemblies.

Now when you move to high value-added assemblies, firstly, these are possible in niche segments such as data centers, railways, wind turbine generators, special purpose motors to name a few, wherein the motor complexity is much more when compared to the other applications such as DG sets or a ceiling fan, if you will.

So there are 2 different kind of end markets and end use cases. therefore, different levels of value add. So we classify them in a different category. If I have to give you a delta between a loose lamination to a high value-added assembly based on today's selling price, a loose lamination

would be selling at approximately INR1,70,000 to INR1,80,000 a ton depending on the grade of steel.

A high value-added assembly would trade somewhere between INR2,20,000 to INR2,30,000 a ton. The second thing that happens is when you're going to these high value-added assemblies, it's not just laminations, which are just welded together. There are multiple things which we call as child parts, which you can see in the line below of total lamination.

These are other machine components going into the lamination assembly. So that's what differentiates the high value from the loose and low value-added assembly. When we talk of stator frame and -- or rotor integrated shafts in the lamination business, these are basically these higher value-added assemblies wherein the customer wants us to either fix the shaft of the rotor or the frame of the stator.

And supply to them in a fully usable condition, where the only value add remains is the winding of the motor or the generator. So there, we take these high value-added assemblies and integrate them with the machine castings or machine shafts to get the final product. In terms of margin profile, obviously, this is going to be significantly higher when compared to the high value-added assemblies as well.

- Moderator:** Does that answer your question, Vivek?
- Vivek Ganguly:** Just another question. So what is the borrowing at the end of FY'26 and the cost of borrowing?
- Akshay Pitti:** You mean the total borrowing or the net borrowing?
- Vivek Ganguly:** Total borrowing.
- Akshay Pitti:** The total borrowing is INR698 crores.
- Vivek Ganguly:** And the cost of borrowing?
- Akshay Pitti:** On an average cost basis, just give me a second. Around 7% to 7.5%.
- Vivek Ganguly:** Okay. Thank you. That's all from my side.
- Moderator:** Our next question comes from the line of Dhiral Shah with PhillipCapital.
- Dhiral Shah:** Yes. Good afternoon, sir. Thanks for the opportunity. Sir, if I look at your Q4 numbers and if I look at your export segment particularly, so on a Y-o-Y basis, there has been a degrowth. So any particular reason what has led to this degrowth? I mean, even if I look at overall FY26 numbers, the growth on the export side has remained maybe around 5% to 6% kind of average growth?
- Akshay Pitti:** Okay. So see, firstly, I mean, the answer for both the questions is interlinked. If you look at the Q4 numbers, there's a degrowth in the export numbers. That is largely led by two issues. One, from 1st of March, there were severe issues with petroleum products, which are used in our foundry operations.

So if you see even our foundry output is lower in Q4. So that has impacted our export numbers and that is mainly on the export side. So that has impacted our overall Q4 number and more specifically, export numbers. Secondly, if you see on the lamination side of the business as well, where we were not impacted with the energy situation, the containers were still not moving out in most of March. So due to that, around about INR20-odd crores of sales have not taken place, which would have taken place ideally, mostly which were export oriented.

Dhiral Shah: Okay. So when this revenue will start, will it reflect in Q1 itself?

Akshay Pitti: It will be a slight slog because even now the energy situation is not fully normalized, especially on the LPG side, as you know. You're living from moment-to-moment. Anything can happen in West Asia right now. So I don't want to comment.

Dhiral Shah: Okay. And sir, what is the overall growth that we are looking in FY27 and for the next year FY28 in terms of revenue and maybe margins?

Akshay Pitti: So let me first give you on the quantitative side. On the lamination side of the business vis-a-vis the 69,517 tons that we have done in FY26, we have targeted 78,000 tons of sales. And on the machine component vis-a-vis the 12,000 tons that we have done, we are targeting around about 16,000 tons of sales. This should in current commodity price terms translate into roughly INR2,300 crores of top line.

Dhiral Shah: And sir, in terms of margins – is there any figures on margin improvement?

Akshay Pitti: Yes. In terms of margins, I think we should look at similar margins in terms of percentage. Going forward, like I said, if the commodity prices continue to rise, obviously, your top line will grow more, but then the margin will be lesser.

Dhiral Shah: Okay. Thank you so much, sir. That's it from my side.

Moderator: Yes. Thank you. The next question comes from the line of Nikhil Purohit with Fident Asset Management. Please go ahead.

Nikhil Purohit: Hi, thanks for the opportunity. Just to understand on the capacity side. So by FY27, we will have 90,000 from standalone and 80,000 from PIPL, right?

Akshay Pitti: I would say you should look at it as we'll have 108,000 tons of consolidated capacity because you are moving capacity between facilities for optimization, which is why we have not given any breakup in standalone and subsidiary capacities.

Nikhil Purohit: Okay. So 108,000 okay. So in FY28, where will this be?

Akshay Pitti: By FY28, this capacity will be the same. We have not announced any additional capex for the lamination side of the business.

Nikhil Purohit: But we'll be more than 80% utilization, right, in FY27?

- Akshay Pitti:** FY27, we should be a little less than 80% capacity, 78,000 would be roughly 72.2%, it would be. Definitely, beyond FY28, we should, depending on the market situation, look at additional capex on the lamination side. The current capex is sufficient to take us till FY28.
- Nikhil Purohit:** Got it. Got it. And can you give the revenue numbers for PIPL and DFPL individually and the subsidiaries?
- Akshay Pitti:** Just one second. For the full year, revenue from Pitti Industries was INR314 crores and revenue from Dakshin Foundry was INR67.65 crores.
- Nikhil Purohit:** Got it. Got it. And just to understand on Q4, our gross margins were hit in this quarter, right? They are down 100 bps, I think. And this is after we had indicated that BC IPL, the production will ramp up from January onwards and margins should ramp up even higher. So why did we see this just to understand?
- Akshay Pitti:** Two factors. Like I mentioned, we couldn't execute around INR20 crores worth of sales of the machine components and export laminations, which are a higher value-added product. So that's lying in our inventory. So obviously, the gross margin has not been accounted for. It will only be accounted for when we sell it.
- And secondly, in terms of energy cost, we were on a very high energy cost regime in the month of March. And typically, our price change mechanisms are on a quarterly basis. So this was like a Black Swan event where there's a sharp increase in energy cost, mid-quarter post the price change.
- Nikhil Purohit:** Okay. Okay. And like you mentioned, Q1 should also be slightly slower on that side, right?
- Akshay Pitti:** Yes. Quarter 1 will continue to be slightly slower on that side as well as on the lamination side. It will not be worse than Q4, but you will not see a sharp recovery in Q1.
- Nikhil Purohit:** Got it. Got it. And on the debt side, with our inventory levels maybe stabilizing, how do we see net debt reducing our finance costs and do we see our finance costs basically going back to FY25 levels that inventory levels normalize?
- Akshay Pitti:** I think it will be somewhere in between FY25 and FY26 levels, to be very honest. In terms of debt, what we are looking at is about INR125 crores of creditors are increasing. So our payables will increase by INR125 crores, which should help offset interest cost to that extent.
- Nikhil Purohit:** Okay. Okay. And you mentioned in the opening remarks that the Maharashtra scheme for the Aurangabad plant coming in from FY28. Can you maybe quantify that and do we have any benefit in FY27?
- Akshay Pitti:** So we are eligible to take the benefit in FY27. Typically, these incentive schemes are given for 7 or 9 year basis. So we have invested roughly about INR400 crores in Maharashtra facility over the last 4 years, which we are now eligible to recover. Unfortunately, for us, the government has approved a 7-year recovery plan.

The requirement to recover per year is very high. And the current Maharashtra sales will not support maximum recovery. So we are doing two things. We are also looking to work with the government to allow us to recover this money over 9 years, in which case it becomes very simple, we can start accounting for.

And therefore start receiving these cash flows in the next 18-odd months. However, if that does not happen and we still have to recover in 7 years, we feel we have a better chance to recover more money if we delay the accounting by 1 year, because by then, the local sales in Maharashtra would ramp up further and thereby resulting in better recoveries.

Nikhil Purohit: Got it. Got it. That was clear. Just one last question, a bookkeeping question. So I was just comparing FY25 full year numbers and noticed some changes in figures to other expenses and employee expenses like has there been any reclassification here? If you could clarify that?

Akshay Pitti: Other expenses, I don't think there's any reclassification from what I understand.

Nikhil Purohit: INR22 crores in FY25, it was earlier INR22 crores something. Now it is INR27.619 crores this is FY26 number.

Akshay Pitti: For Q4?

Nikhil Purohit: No, I'm talking about the whole year, FY26?

Akshay Pitti: INR27 crores has become?

Nikhil Purohit: INR27,619 crores is the current number, other expenses, right?

Akshay Pitti: INR271 crores, yes.

Nikhil Purohit: Yes. So that was earlier INR220 crores approximately. Is that right? FY25, if you look at it? And -- so I mean, your other expense has reduced and your employee benefit has increased. So is there some reclassification there?

Akshay Pitti: No, there is no reclassification there. Let me just check on that. I'll make a note of it. But as far as I know, there is no reclassification. All we have done is we have started giving you the adjusted EBITDA on the investor PPT slide, wherein the employee cost is slightly reduced to the extent of the impact of ESOP cost.

Nikhil Purohit: Got it. Okay.

Akshay Pitti: And one more thing which we have done is we classify the forex loss on contracts on our potential receivables in OCI as per the standard. However, last year there was hardly any value to that number. Most of it is only in Q4.

Nikhil Purohit: Got it. Okay. Got it. Those are my questions. Thank you.

Moderator: The next question comes from the line of Mohit Jain with DR Choksey Finserv. Please go ahead.

- Mohit Jain:** Yes. I can hear you. Hi, good afternoon. So basically my question is on the segmental side. So traction railway segmental revenue dropped from 38% as a percentage of revenue to 33%, especially in Q4. In absolute terms, I guess, we have done around INR165-odd crores versus INR178 crores last year same quarter.
- We have seen an actual decline in the segment, especially on the quarterly basis. So I was just checking on that Wabtec was described as a consistent and growing customer of ours. So either other railway customers, Indian Loco Medha pulled back or what is the case that has been in this quarter, especially in the traction side?
- Akshay Pitti:** No. So if you see, again, like I mentioned, there was about INR20-odd crores worth of sales impact in this quarter due to various issues, including the energy situation and the dispatches that did actually get affected on produced material due to shipping constraints. And that is mostly an entirely for our export market, which is largely traction motor and railway components, both to Wabtec and Siemens Mobility.
- Mohit Jain:** All right. And -- got it. Akshay sir, my second question, basically, I joined the call late. So I don't know if this has been answered already. But this newly announced capex of INR290 crores Greenfield facility, especially for casting, where will this be located?
- Akshay Pitti:** Hyderabad. It is adjacent to our existing facility. So we are in process of acquiring land right adjacent to the existing foundry facility.
- Mohit Jain:** Got it. Thank you Akshay sir. Best wishes.
- Moderator:** The next question comes from the line of Sahil Sharma from Dalmus Capital Management. Please go ahead.
- Sahil Sharma:** Yes. So I just wanted to understand on the new capex program. So what are the expected margins and working capital investment requirements for the same?
- Akshay Pitti:** So see, once it's fully operational, we are estimating a 1.2x asset turn with approximately a 25% to 28% EBITDA margin.
- Sahil Sharma:** Okay. And working capital requirement would be how much?
- Akshay Pitti:** Working capital requirement would be roughly 90 to 120 days, net working capital. So it's going to be a little heavier on the working capital side.
- Sahil Sharma:** Okay. Got it. Thank you.
- Moderator:** Thank you. The next question comes from the line of Rahul Kumar with Vaikarya Fund. Please go ahead.
- Rahul Kumar:** Yes. Hi, just one clarification. Out of these machine components and the high-value assembly, what is the mix between domestic and exports?

- Akshay Pitti:** So if I have to give you,- let me start from the stator frame and rotor shaft integrated assemblies. I would say that's about 50-50 ballpark. On the high value-added assembly, I would say it's about one-third to 40% export and the remaining domestic.
- Rahul Kumar:** And in the machine components part?
- Akshay Pitti:** On the machine components part, export and domestic, you're asking?
- Rahul Kumar:** Yes
- Akshay Pitti:** That would be about 80% export and about 20% domestic right now.
- Rahul Kumar:** Okay. Okay. Got it. So just on exports, I think last time we had mentioned about a couple of new clients, customer acquisition. So, what is the development on that front?
- Akshay Pitti:** So, the products are under development. We have made the samples on some of the parts and the remaining parts are in process of sampling. We would expect revenue from Q3FY27
- Rahul Kumar:** Okay. And this is for the competitor of our existing customer, right?
- Akshay Pitti:** Yes, it is for the competitor of our existing customer.
- Rahul Kumar:** No, I was saying we were speaking to a couple of more customers apart from the -- on the traction motor front. So, what is the progress on those 2 companies?
- Akshay Pitti:** So, we are already working with Siemens Mobility, as I mentioned in my speech, through our Dakshin Foundry. And then those parts which were going as raw exports are now getting machined progressively and being shipped out. Obviously, Progress Rail has been added as a new customer. And Alstom is already a customer in India.
- And we are exploring opportunities for the international requirements. If you take into account these 3 -- sorry, these 4 customers, including Wabtec, I think you cover majority of the railway, locomotive, metro client customers globally X of China. I mean your Japanese, Mitsubishi and Toshiba are the only ones left.
- Rahul Kumar:** Okay. That's great. I think for the FY '27, I think you had given a guidance of volumes and the EBITDA margins. Would you be comfortable sharing the bottom-line PAT number for the same for next 1 year or 2 years?
- Rahul Kumar:** Can you share your guidance for the PAT for FY '27 and '28?
- Akshay Pitti:** That would be a little difficult for me to predict as this capex, which is going on, when does it get capitalized and how the depreciation will start getting accounted -- something which will be slightly more nuanced as we keep going forward.
- Rahul Kumar:** Okay. Okay. How much is the capex, -- ongoing capex for the new casting and lamination facility?

- Akshay Pitti:** For INR50 crores. And as of 31st March, INR100 crores was already spent. INR50 crores of cash flow was yet to be spent.
- Rahul Kumar:** Okay. Okay. And you mentioned that it will be commissioned by H1 of FY '27?
- Akshay Pitti:** Yes.
- Rahul Kumar:** Okay. In the opening speech also, you mentioned about adding a couple of clients on the data center part of the business. Can you just talk about a bit more on that front? Are they export customers and what products are these?
- Akshay Pitti:** So, we have two products that we've added for the export side, both with existing clients. It's just the application is new for the client. One is casting for data center. This is basically our housing for data center generators as well as certain engine parts, which we are looking at now for the data center turbine engine on the casting and machining side.
- The other client, again, based out of U.S., it's basically right now loose laminations going to them for assembly in the U.S. Once we get that relationship into a mature level, they will then explore taking these high value-added assemblies out of India from us. So, it's a 2-step program with them.
- And thirdly, there's again, an existing client in the diesel generating space based in India. which is looking for the data center assemblies, again, for their domestic and export requirement. But for us, those would be domestic sales. So, these are the 3 additions on the data center side.
- Rahul Kumar:** Okay. Understood.
- Moderator:** Thank you. The next question comes from the line of Harsh Patel with Share India Securities. Please go ahead.
- Harsh Patel:** Hello. Thank you so much for the opportunity. I just wanted to understand that what would be our total on consolidation level, the debt on considering working capital as well as long-term debt for FY '27, '28. Like we had an approach that we would go for debt free. So, what would be the debt reduction plan going forward?
- Akshay Pitti:** So, see, as of now, the net debt is around INR570-odd crores. We expect INR125 crores release from working capital. So that should take our net debt down to about INR470-odd crores before any current year earnings and cash generation. Out of the INR290 crores of new capex and the INR50 crores of pending capex from the previous announcement, we intend to spend about INR100 crores from own funds and the remaining is going to be funded through net debt. So whatever cash we generate, I believe, should flow through to your net debt numbers going forward.
- Harsh Patel:** Okay. So, for FY '28, '29, what would be our net debt expectation?
- Akshay Pitti:** See, again, this is without looking at any further capex in the lamination side. As I mentioned in my previous response to one of the questions, the current lamination capacity is sufficient till FY '28 requirements. So ideally speaking, if the market supports us, we should be looking at

further capex in FY'28. Having said that, if you don't look at any capex happening in FY'28, I would estimate that your net debt should be down to about INR250-odd crores.

Harsh Patel: Okay. And sir, one more thing. On consolidated side, like our tax rate has increased to 30%. So, is there any deferred tax adjustments going forward? Or what would be our sustainable tax rate for FY '27, '28?

Akshay Pitti: See, there are deferred tax adjustments which are there and unfortunately, they'll continue, one which is relating to ESOPs, which is not permitted as an expense under income tax computation. Secondly, in terms of the hedge accounting that we do, so the forex losses, especially the ones which are uncrystallized on open contracts again not considered in income tax and the difference in depreciation.

So, these are the 3 reasons why your tax rate is different from ,and looking at around 33%. Going forward, I think this would be similar. It may come down slightly, but it will be similar. This issue is not going to go away till the ESOP and the difference in depreciation rates goes away.

Harsh Patel: Okay. So, it will stay for at least a couple of years to the same?

Akshay Pitti: I would believe so.

Harsh Patel: Thank you so much.

Moderator: The next question comes from the line of Keshav Kumar with Niveshaay. Please go ahead.

Keshav Joshi: Yes, thanks for the opportunity. So, sir, like on the data center side, do we supply anything to the global giants like Caterpillar, especially for the windsets?

Akshay Pitti: That is a customer which is under development, which I mentioned in my opening remarks. So, one of the key clients is Caterpillar, both directly and indirectly, directly for their data center housing and engine-related components, which are machine castings and indirectly for the generator part, the stators and motor assemblies, which we are supplying to their vendor. So these 2 are under development, and we expect, again, Q3 for start of commercial revenues on these 2 products.

Keshav Joshi: Got it. So thank you. That's it from my side.

Moderator: Thank you. The next question comes from the line of Avnish Tiwari with Vaikarya. Please go ahead.

Avnish Tiwari: This capitalization of depreciation you mentioned, so that is regarding this INR50 crores of capital work in progress you have? Or is there more capex which you think will have an impact on depreciation, which is hard to predict right now?

Akshay Pitti: See, the INR50 crores of investment, which is pending from the INR150 crores announced last year, that is pretty well predictable. Out of the INR290 crores of current capex that we have announced, there are two parts to it, which is why we have to give the revised slide. The Greenfield foundry will take 2 to 2.5 years for commissioning and then becoming operational.

However, the machine hour capacity that we are increasing is for immediate consumption. So how quickly these machines will get delivered given the current global environment and how quickly we will be able to ramp up will determine the rate of depreciation. Out of the INR290 crores for the foundry side, it's only about INR110 crores, INR120 crores of investment. The remaining is largely going into the machining centers.

Avnish Tiwari: Right, right. So those depreciation rates are tougher to predict how much and how fast can you?

Akshay Pitti: How much and how fast, both. Yes. More so because they are under a lease finance arrangement.

Avnish Tiwari: Correct, correct. But they will start getting revenue and EBITDA also as soon as they start getting capitalized. So, they will be profit accretive, right?

Akshay Pitti: Yes, yes. Obviously. I mean your EBITDA will shoot and only then the depreciation would come in.

Avnish Tiwari: Correct. And beyond like that machine component part, if you just look at the base business, the depreciation rate should be largely at the rate currently are at and plus INR50 crores, which is not yet capitalized? Or is there any other moving part on depreciation?

Akshay Pitti: Yes.

Avnish Tiwari: Okay. So, there's no moving part other than that, right?

Akshay Pitti: No, nothing else.

Moderator: The next question comes from the line of Dheeraj Reddy with Alpha Square.

Dheeraj Reddy: I have two basic questions, sir. One is like how should one think about margin structures for basic casting, machining -- I mean, casting plus machining, subassembly and integrated assembly, like these are 4 different things done by a company. Like how are the margin structures different for these 4 works?

Akshay Pitti: They are vastly different. It's a good question. So, if you look at raw casting, right, at a gross margin level, they would be somewhere around 50%, 55% gross margins. And in terms of EBITDA, it would be roughly around INR30,000, INR35,000 a ton kind of EBITDA on the raw casting. The minute you move to machined casting, firstly, the weight drops, you are machining away some of the casting element, right?

and you're putting in a lot of value add. The sale price shoots up somewhere around INR350-odd kind of, and you look at, again, about 55%, 60% gross margins. However, the flow-through to EBITDA is much better. Here, you would look at almost INR80,000 to INR1 lakh a ton as your EBITDA margin.

Dheeraj Reddy: Okay. Sir, if you can mention the percentages, that would be much better actually?

Akshay Pitti: Percentages is misleading because as you know, we have a full pass-through on costing, barring a black swan event where towards the end of a quarter, you have energy cost, all costs are passed

through to the customer. So, when the prices go up, the percentage goes down. And the prices go down; percentage margin goes up. So, we are always more comfortable giving in a per ton basis because that is what is the actual margin that is negotiated with the customers.

Akshay Pitti:

Now when you go to lamination side, I'll finish the lamination in the second part. When you talk of the stator frame integrated casting, if you are already accounting for the machining margin in the casting, then you have to look at it slightly differently. If you're only looking at stator frame related thing from a lamination side, it's a different thing. Otherwise, it'll double-count the margin.

So, if you now look at the lamination side, your loose lamination and low value-added assemblies are roughly INR15,000 to INR18,000 EBITDA margin. Your high value-added assemblies are somewhere between INR30,000 to even INR60,000. It all again depends on the type of high value add that there is.

There is no definition for high value-added assemblies, So, if it's a very complicated product, if it's a limited quantity, then it's a higher margin. If it's a regular high running volume and not as complicated, we are lower margin. So, it is very variable there. So, you have a very wide band in that. Now when you come to the stator frame and rotor shaft integrated assemblies, it's nothing but a high value-added lamination assembly, which is integrating with the machining casting. So there, you can add the margin of both and then something on top of that for processing.

Dheeraj Reddy:

Understood. No, this is very helpful, sir. This is very helpful. Sir, if I may ask you one more question. See, fundamentally, I think the company overall profitable structure and growth structure has changed a lot in the last 5 years, if we see right? What has led to this kind inflection point? And how do you see the next 4 to 5 years because we have moved that phase? And what are the next complicated or areas which the company is working on, which are very, very hard to replicate or where fundamentally there is a moat which the company is trying to establish?

Akshay Pitti:

On the loose lamination side, it's very strange, but we are always doing the higher value-added assemblies and the stator shaft integrated assemblies in the past. Our exposure to loose lamination, low value-added assemblies was lower. So, the inflection point for the company was that we tried to grow this lower-margin volume-based business.

Therefore, increasing our overall capacity and ability to absorb the higher fixed cost that we have. So that is what has led to the inflection point number one. Inflection point number two was this whole consolidation of Pitti Casting into Pitti Engineering, vertically integrating a casting facility, which has both iron casting and steel casting facilities along with the machining supplier.

So, with that, the ability of the company to offer solutions to customers, especially in the challenging environment of the COVID years, which are fresh in our memories where the supply chains are all disrupted and our ability to execute across lamination and machine casting for these customers helped us grow our capabilities as well as our base.

Now, we have gotten into a virtuous cycle, I would say, wherein the demand for such kind of products is increasing due to trade wars with China, US, buying iron casting from India is

cheaper than to buy from China now due to the duty structures. There are FTA's coming in. So, it is leading into a cycle wherein India is more and more emerging as a strong contender for being the next supply chain solution to China for most of the global OEs. And if you have demonstrated capabilities in terms of products or facilities, obviously, your name is on the top of the list with all these clients. So that's how the future is evolving from that infection point.

Dheeraj Reddy:

Understood. And if I may ask one more question here. How can a company actually extend their capabilities into new metal areas? Like, for example, today, Pitti has both steel and iron capabilities, right? How can someone really expand their capabilities into titanium, nickel or how more complicated areas where the future is also like growing a lot in terms of space or be it aerospace, defense, etcetera, right? I mean, those are the applications where we are currently hearing. So how can one company even expand their capabilities into those areas? Is Pitti Engineering even thinking about it, etcetera?

Akshay Pitti:

See, in terms of ability to expand, I would say, we have maybe 60% to 65% of the tools required in our toolkit in terms of understanding how to do those machining, understanding how to do the simulation, pattern making, etcetera. In terms of doing the other stuff, which is institutional knowledge of how a particular metal would behave when it is being casted or how it reacts with certain sands and coatings.

Both the things that you learn as you go through the journey. So, if you ask me, it would take like 3-odd years for us to expand into the non-ferrous side. I won't just say titanium. I'm saying like non-ferrous castings. It would not be a far leap from where we are. However, today, we are not looking at it as a sector for growth because our core competencies, which is iron casting and steel casting, we are seeing a huge requirement.

And things that you mentioned are typically used in aerospace and defense, where the volumes are smaller, obviously, your values are higher. But then the sustained growth across such core sectors such as mining, off-highway vehicle, locomotives, these are more sustainable businesses, which we understand very well, and we don't need to reinvent anything. So today, we are not looking at anything on that side.

Moderator:

The next question comes from the line of Rahul Kumar with Vaikarya Fund. Please go ahead.

Rahul Kumar:

Just one question on this ESOP cost. So, till when this ESOP cost will continue to be expensed?

Akshay Pitti:

I believe given our schedule of ESOP cost, if we have not, we'll be shortly updating it on our website. I think this INR10.3 crores ESOP cost, which is booked per annum, this would be there for the current year. And then after this year, it starts tapering off. So, we can give you a small excel sheet, which has this accounting treatment over the next 7 years, how it will keep going downwards.

Rahul Kumar:

Okay. Understood. And second question on these value-added products in the lamination. I think -- how do you see this going forward? Do we see the share going up? Or do you believe that the next volume growth is going to come from lower value-add laminations?

Akshay Pitti: See, both are going to grow. They are completely different drivers. Now when we qualify something, say, as a DG set, we would put it in loose and low value-added lamination because of the value add that there is into it. So, we are seeing all of those sectors still growing. And again, some of the wind lamination assemblies goes loose.

Some of the railway-related laminations that we supply within India go loose. So those sectors are still continuing to perform strongly. And if you ask me how I see the mix in FY28 for something like a 90,000 tons, I would say that loose lamination and low value-added assemblies will be something like, 60-odd thousand tons. And the remaining would be high value-added and steel laminations. So, the growth rate in those would be smaller. The growth rate in the others would be higher. However, the base effect is such that, that is still going to grow exponentially.

Rahul Kumar: Okay. And these 90,000 tons, which you mentioned is the total lamination volume, including the -- it includes the lamination as well as assemblies?

Akshay Pitti: Yes. What is 69,517 tons today, I'm talking of that cut.

Rahul Kumar: Okay. Got it. And similar question on the casting side also, how do we see this machine component share going forward?

Akshay Pitti: So, the target that we have for current year of 16,000 tons, I would say that your machine castings going into SMDs will expand to maybe about 2,000 tons. And total machine components, the second line in the Slide number 8, that should rise to somewhere around 6,000 tons, 6,500 tons. And the remaining would be in the raw casting bucket. And this may change depending on how quickly we get our machines and how quickly the ramp-up happens. It goes back to your same question on the depreciation side, right? So, it's all related to that.

Rahul Kumar: Got it. Understood. Thank you.

Moderator: The next question comes from the line of Khushal with Asian Broking. Please go ahead.

Khushal: Sir, I just wanted to know one thing. In your con calls, you have said that you do not hedge. Like, I just want to know the reason behind it. Like as far as I know the entire business is surrounded around electrical steel. So, there should be some correlation with steel prices and all, like there should be hedging possible, if I'm not wrong?

Akshay Pitti: See, there are two things. We 100% hedge our forex. I don't know which hedge you're talking about. So, if you're talking about the forex, 100% hedge. So, commodity hedging is not required in our business. If you look at our business, we typically hold one months' worth of inventory with us in raw material stage, if you look at historically over the last, say, 2.5, 3 years.

And the way the price change mechanism works with our clients is that you have a quarterly price with them, and we have a quarterly price with our raw material suppliers, which is stable. The quarter for pricing to the customer staggered by 1 month. So, for example, my new prices for Q1 FY27 with my client will get implemented from 1st of May.

So, the one month of inventory that we hold, the low-cost inventory, which will be lying in our books in April gets consumed at April pricing, which is the last quarter pricing. Similarly, in an environment where the steel cost is coming down, if I'm holding high-cost inventory, it will get liquidated in April and the lower prices get implemented from 1st of May. This largely works and there's no reason to hedge. The contract structuring is in that way.

Khushal: Okay. So raw materials are priced every quarter, like new prices and all for customers and everyone?

Akshay Pitti: Yes.

Khushal: Okay. Thank you sir.

Moderator: The next question comes from the line of Abhijit Mitra with Aionios Alpha Investment Management. Please go ahead.

Abhijit Mitra: Just to sort of understand the mix change as the machining capex comes in. So, you mentioned that currently this year, 2,000 tons will be machine castings into assemblies, machine components will be 6,000 tons, 6,500 tons and almost 7,500 tons will be raw casting. So as machining hours pick up, 7,500 tons will move from raw casting to the machine components bucket?

Akshay Pitti: Yes, I would say that is the right way to look at it and also new products which are getting developed. So, the 16,000 also will rise further. And all that development that is happening is in directly a machine component. There are certain segments and clients such as pump casings and cement mixer related plants where the machining is not so value accretive for us. So, we are not focusing to do that today in-house.

Abhijit Mitra: So, machine components, 6,000 tons, 6,500 tons will be the number which will keep growing as you move to 24,000 tons and then to 36,000 tons?

Akshay Pitti: Yes, absolutely.

Abhijit Mitra: Got it. And also, the machine casting into assembly, the 2,000 tons that will also grow?

Akshay Pitti: Yes. That will not grow significantly. That will grow significantly over the next 12 to 18 months. This is part of a transition of certain clients where they are taking more value-added products from us to offset the duty structures in the US. If you recall, I had mentioned that about a year ago, and this is a longer-term plan.

So that is now playing out. So, some of the high value-added assemblies that you see will move into the stator frame and integrated assembly bracket and some of the machine components will move up the bracket into the machine casting going into lamination assemblies.

Abhijit Mitra: Understood. And just to understand, yes, the margin numbers which you mentioned earlier, you mentioned that machine castings, I mean, raw castings EBITDA is around INR30,000, INR35,000 per ton. And machine castings would have, what, around INR80,000 per ton EBITDA?

- Akshay Pitti:** INR80,000 to INR1 lakh per ton.
- Abhijit Mitra:** Okay. Got it. And for integrated casting, you have to sort of add machining and -- I mean, on top of that lamination, which is essentially 20,000.
- Akshay Pitti:** Yes, add machining, add lamination, add the other machine components going into assembly. So, these are basically at tasks or they are basically like other machine pieces, which come from, say, forging or bar steel that we buy and machine. So, all of those values plus then something on top of all three.
- Abhijit Mitra:** Got it. Great. That is all from my side. Wish you all the best. Thank you.
- Akshay Pitti:** Thank you.
- Moderator:** Ladies and gentlemen, due to time constraints, we would take that as the last question for today. I would now like to hand the conference over to the management for the closing remarks. Akshay sir, please go ahead.
- Akshay Pitti:** Thank you, everyone, for your time and for joining us today. We appreciate your continued interest and support. And as we move into FY27, our focus remains on disciplined execution, improving working capital efficiencies, completing ongoing capex and scaling our machine components vertical, strengthening our position as an integrated engineering partner for customers across India and global markets. Should you have any other queries, please feel free to reach out to our Investor Relations Partners, SGA, and we'll come back to you with our answer shortly. Thank you.
- Moderator:** Thank you, sir. Ladies and gentlemen, on behalf of Pitti Engineering Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines.