



PRITIKA ENGINEERING COMPONENTS LIMITED

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CIN: L28999PB2018PLC047462 **Tel. :** 0172-5008900, 5008901

Date: 13th November, 2024

To
Department of Corporate Services,
National Stock Exchange of India Ltd.
Exchange Plaza, Bandra Kurla Complex, Bandra (East),
Mumbai - 400 051

NSE Symbol: PRITIKA

Dear Sir/ Madam,

Sub: Transcripts of Earnings Conference Call held on 11th November, 2024

This is in continuation of our letter dated 12th November, 2024.

In compliance with Regulation 30 and 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the Earnings Conference Call held on 11th November, 2024. The same is available on the website of the Company at <http://www.pritikaengineering.com/transcripts-earnings-call-11nov2024.pdf>

This is for your information and records.

Thanking you,
Yours faithfully,

For **Pritika Engineering Components Limited**

C B Gupta
Company Secretary & Compliance Officer

Encl: a/a



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“Pritika Engineering Components Limited
Q2 FY’25 Earnings Conference Call”

November 11, 2024



**MANAGEMENT: MR. HARPREET SINGH NIBBER – MANAGING
DIRECTOR – PRITIKA ENGINEERING COMPONENTS
LIMITED
MR. N. K. TYAGI – CHIEF FINANCIAL OFFICER –
PRITIKA ENGINEERING COMPONENTS LIMITED**

MODERATOR: MR. JAINAM SAVLA – KIRIN ADVISORS

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY'25, Earnings Conference Call of Pritika Engineering Components Ltd. hosted by Kirin Advisors. Please note that this conference call will be approximately 30 to 35 minutes long.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on a touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jainam Savla from Kirin Advisors. Thank you and over to you, sir.

Jainam Savla: Good evening, everyone. Thank you. On behalf of Kirin Advisors, I welcome you all to the Earnings Conference Call of Pritika Engineering Components Ltd.

Our management team, we have Mr. Harpreet Singh Nibber, Chairman and Managing Director, Mr. N.K. Tyagi, Chief Financial Officer. Now I hand over the call to Mr. Harpreet, sir. Over to you, sir.

Harpreet Singh Nibber: Good evening, esteemed investors. We are grateful for your presence on Pritika Engineering Components Ltd. Q2 FY'25 Earnings Call.

We deeply value your continued trust and commitment to our as I present the latest developments and our financial performance for the quarter. Pritika Engineering Components Ltd., a distinguished member of Pritika Group of Industries, has consistently established itself as a cornerstone of the automotive sector over the past five decades. Specializing in precision machine components, especially castings, we cater primarily to automotive industry and we focus on tractors, trucks and other commercial vehicles.

Our enduring relationship with original equipment manufacturers underscores our commitment to quality, reliability and innovation. Our diverse portfolio is crafted to meet the specific needs of the automotive sector. We manufacture an extensive range of critical components, including end covers, sealed brake covers, differential cases, hydraulic lift covers, front wheel hubs, fly wheel housings, rear axle housings, brake housings, front engine supports, crankcases.

Each component reflects our commitment to excellence, contributing significantly to vehicle performance and safety. In alignment with our strategic growth vision, we are pleased to finalize approximately 87,000 sq. ft. of land at Village Simbli on Phagwara-Hoshiarpur Road in Punjab. This acquisition is part of our expansion plan to enhance production capabilities and reflects our long-term dedication to meeting the rising demand within the tractor and automotive industry. The Pritika Group, now celebrating its Golden Jubilee, has transformed from a small manufacturer of forgings to a recognized leader in the automotive industry.

Today, we are among the top manufacturers for components used in tractors, commercial vehicles and construction equipment, providing world-class quality and innovation.

In the second quarter of FY'25, the company demonstrated robust financial performance. Total revenue for Q2 FY'25' increased by 40.59% year-over-year to INR32.03 crores, up from INR22.78 crores in Q2 FY'24. EBITDA surged by 74.52% to INR5.28 crores with EBITDA margin improving by 318 basis points to INR16.48 crores compared to INR13.3 crores in the previous quarter. Net profit rose by 78.2% to INR1.64 crores with a net profit margin of 5.11%, up from 4.04% in Q2 FY'24. Diluted EPS for the quarter stood at 1.24, representing a 63.16% from 0.76% in Q2 FY'24.

In the first half of FY'25, the company's total revenue reached INR54.92 crores, a 23.97% growth over INR44.30 crores in HY FY'24. EBITDA grew by 54.33% to INR8.89 crores with EBITDA margin of 16.19%, up by 318 basis points from prior year. Net profit for HY FY'25 was INR2.58 crores, a 39.87% increase year-over-year with a net profit margin of 4.70%. Diluted EPS for H1 FY'25 stood at 1.96, a 28.10% rise from INR1.53 in H1 FY'24.

Our commitment to honesty, responsibility, customer dedication set us apart in the competitive landscape. I once again thank you for your continued support and partnership, which remain pivotal to our success. Thank you for being an important part of the company's journey. We appreciate your commitment to our journey. Your confidence inspired us to reach new heights in the engineering component industry. We value your partnership and growth. Now we are open to take questions that you may have.

- Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Babu George, an Individual Investor. Please go ahead. Yes, Mr. George, go with the question, please.
- Babu George:** Sir, first question is, could you discuss your approach to talent acquisition and retention, especially with the planned capacity expansion and rising production demands?
- Harpreet Singh Nibber:** Pardon me, I didn't get your question. Could you please repeat it?
- Babu George:** Sir, my question is, could you discuss your approach to talent acquisition and retention, especially with the planned capacity expansion and rising production demands?
- Harpreet Singh Nibber:** Yes. We, I mean, actually we have, number one, we have a lot of good talent in-house and we have continuous training programs and we send them in-house training programs also and we send them to outside other institutes also for regular training. So that is one way of retaining the talent and ensuring that they grow with the company. And as and when needed, we acquire the talent from outside also.
- Babu George:** Okay, so my second question is, with the overall growth in the tractor and automotive sectors, what are your expectations for the market over the next few years and how do you plan to capture larger market share?
- Harpreet Singh Nibber:** See, we expect the long-term, I mean, maybe short-term, so there might be some ups and downs. For long-term growth, the forecast is intact. Tractor industry is expected to grow at a long-term CAGR of 6% to 7% and similarly for automotive.

And how we plan to expand is, I mean, we have different ways of expanding. I mean, we normally expand by adding new products from same customers or adding new customers or increasing share of business for existing products from existing customers, that is what is our strategy, normal strategy.

Babu George: Okay, thank you, sir.

Moderator: Thank you. The next question is from the line of Aditi Roy from Patel Advisors Private Limited. Please go ahead.

Aditi Roy: Good evening, sir. Congratulations.

Harpreet Singh Nibber: Thank you, ma'am.

Aditi Roy: My question is, with the focus on international expansion, do you have plans to enter new geographical market or will you remain focused on domestic growth?

Harpreet Singh Nibber: No, we now have very aggressive plans to enter geography, to increase our geographical presence. I mean, we already have set up some agents in Europe and we are planning some in USA also. So, next 3 to 5 years, we are going to be very aggressive on expanding our geographic presence.

Aditi Roy: Thank you, sir. And my next question is, can you explain the recent uptick in net profit margin and whether this level of profitability is sustainable moving forward?

Harpreet Singh Nibber: Pardon, pardon?

Aditi Roy: Can you explain the recent uptick in net profit margin?

Harpreet Singh Nibber: Yes, Yes because the reason is that we are slowly and steadily moving into products with the higher value addition with all and whatever technology we are adopting, that also gives us better profitability. And we are slowly and steadily moving to products where the value addition is higher. So, that's why we think we will be able to maintain our profitability and we will try to improve it. Our target is higher than this. So, we will surely, with the kind of technology we are adopting and kind of products we are adding in our portfolio, in coming two to three years, margin should improve considerably.

Aditi Roy: Okay, sir. Thank you, sir. That's it from my side.

Harpreet Singh Nibber: Thank you, ma'am.

Moderator: The next question is from the line of Rachna Sharma, an Individual Investor. Please go ahead.

Rachna Sharma: Okay. Good evening, sir. Thank you so much for providing me this opportunity. So, my question is, could you provide more insights into the anticipated benefits of the newly acquired land in Punjab and the specific production expansions planned?

Harpreet Singh Nibber: This, we are acquiring this land. We plan to finalize it. We are still to acquire it fully, but we hope to complete the acquisition by end of November or first week of December.

This is mainly for our expansion for our railways and for our machining unit. That is the basic need for this since we are now expanding into railways. So, for that purpose, we have done this acquisition for railways and for expanding our machine shop.

Rachna Sharma: Okay, sir. So, my next question is, given the rise in demand in the automotive and tractor industry, how are you preparing to meet the potential capacity constraints?

Harpreet Singh Nibber: See, if you see, we are consistently expanding for last two, three years. So, as far as our capacity is concerned, we keep ourselves ahead of the curve. Anticipating the demand, we are keeping ourselves ahead of the curve. So, we don't see major constraints in the next two to three years. With whatever expansion plans we are having, we don't see any major constraints.

Rachna Sharma: Okay, sir. Thank you so much. So, that's it for my side.

Harpreet Singh Nibber: Thank you, ma'am.

Moderator: Thank you. The next question is from the line of Sarah Kaur from BY Capital. Please go ahead.

Sarah Kaur: Sir, my question is that, are there any new product lines and innovation, you know, that we are doing?

Harpreet Singh Nibber: Pardon? Yes, ma'am. Can you please repeat the question?

Sarah Kaur: Yes, my question is that, are there any new products in line, you know, or any innovations, or are we looking to explore to expand the portfolio further?

Harpreet Singh Nibber: Yes, see, if you see, we have recently added a new technology around one and a half years back. LFC is a new technology in castings for India. And that has given us a very excellent result. So, that, with coming of that, our product portfolio is expanding. Earlier, we were moving into small and medium castings. Now, we are slowly moving into large and very large castings.

Earlier, our portfolio was mostly from, say, 25 kgs to 80 kgs. Now, we have expanded from 80 to 160 kgs. And now, slowly, with this technology - addition of this technology, we will be expanding beyond. We will be expanding up to 350 kgs. That is our plan to expand our portfolio to heavy casting to 350 kgs.

Sarah Kaur: Okay, sir. And my next question is that, as we are celebrating 50th year this year, what are your plans? What are our future plans and how we are going to contribute to the coming years?

Harpreet Singh Nibber: See, our future plan is that our target is to reach, say, INR900 to INR1000 crores in next three to... We have very aggressive plans in next three to five years. And we are preparing ourselves for that. It's continuously expanding our capacity, adding new machines, adding new foundry capacity, then adding new customers and new products to that. So, that is... We are very aggressive on our expansion plans of that.

- Sarah Kaur:** Okay. And my next question is that, what is our customer retention rate like that?
- Harpreet Singh Nibber:** Customer retention rate? Ma'am touchwood by the grace of God for our group, if I must say, for the last 50 years. I mean, we have not dropped any customer. So, if you see our relations, we have very vintage. I mean, the spot is almost 50 years now with M&M is since 2006. So, you can say it's almost 18 years with TAFE from 1998. So, it is almost, what, 26 years with TAFE and with the Ashok Leyland from 2008, 16 years. So, I mean, touchwood, we have, I mean, a long and vintage relationship with our customers.
- Sarah Kaur:** Oh, that's great. Thank you so much.
- Harpreet Singh Nibber:** Thank you, ma'am.
- Moderator:** The next question is from the line of Mahesh Seth, an Individual Investor. Please go ahead.
- Mahesh Seth:** Hello good evening sir. Can you hear me?
- Harpreet Singh Nibber:** Yes, now it's better, Mr. Mahesh. We can hear you.
- Mahesh Seth:** Sir, my first question is, what kind of revenues we can expect from railways and defence component business?
- Harpreet Singh Nibber:** You see railways business is a long gestation period. So, we are still in development stage and revenue, I mean, for a long for next four to five years, we are targeting around INR300 to INR400 crores for the railways. I mean, immediately in one or two years, I mean, we don't expect we'll be developing the things, but from third to fourth, fifth year onwards, it will be a good growth.
- Mahesh Seth:** Okay. Got it. And also, what kind of margins can we expect in this business?
- Harpreet Singh Nibber:** See, margins, what we are planning to do is we are planning to go in most of the components which we have selected is we are planning to go through the RDSO route where, I mean, competition is a niche market. Niche players are there where margins are better.
- Mahesh Seth:** Okay. So, margins are better?
- Harpreet Singh Nibber:** Yes.
- Mahesh Seth:** Okay. Got it. And my next question is, how we plan our component to further strengthen our relationship with existing OEM clients? And are there any initiatives to add new clients?
- Harpreet Singh Nibber:** Yes, Yes. That new clients we are adding, I mean, you know, with OEM business, every year you cannot add a client because it's a long-term thing. But we have a dedicated marketing department which keeps on going to customers, adding new products from existing customers, adding new, we try to add new customers. So, that is an ongoing regular process where our marketing department is continuously working on that.
- Mahesh Seth:** Okay. So, you mean the ongoing marketing initiative?

- Harpreet Singh Nibber:** Yes. It's already, I mean, there.
- Mahesh Seth:** Okay. Got it. And my next question is, how are you managing inflationary pressure? If anyhow rising raw material cost had on your margin?
- Harpreet Singh Nibber:** Yes, Yes. See, inflationary pressure, now with all OEM's advantages that we have a pass-on mechanism with them. So, in some it is, I mean, pass-on quarter-to-quarter or in some it is month-to-month. So, there is no major pressure of inflation or deflation.
- Mahesh Seth:** Okay. My last question is, what is your current order book, particularly with OEM's?
- Harpreet Singh Nibber:** The order book for Pritika Engineering is on a consolidated basis. We have a capacity of 2,500 tons per month. Our order book is around 3,000 tons per month.
- Mahesh Seth:** Okay. And over the next few quarters?
- Harpreet Singh Nibber:** See, this quarter is, I mean, the Q3 is always down. It is normally, it is the leanest quarter. But we expect this Q3 to be better than last, last few years Q3 and Q4 should be good.
- Mahesh Seth:** Okay. Got it. Thank you, sir.
- Harpreet Singh Nibber:** Okay, thank you.
- Moderator:** The next question is from Babu George, an Individual Investor. Please go ahead.
- Babu George:** Hello, sir.
- Harpreet Singh Nibber:** Yes, Mr. George.
- Babu George:** Sir, could you provide insights into the company's R&D effort and how innovation factors into long-term growth?
- Harpreet Singh Nibber:** See, we have our own dedicated design and development department, which is headed by one senior person, where we are continuously working on our products. Normally, we don't, R&D we are doing, mostly development we are doing with the process, because the product design is by the customer only. But wherever needed, we give our inputs. And this team continually works on the process improvement, process modifications, some new technology adoption, new tooling adoption. So, this is a department which keeps working on that.
- Babu George:** Okay, sir. Got it. Sir, my next question is, how are rising labor costs impacting your financials? And what steps are you taking to manage them?
- Harpreet Singh Nibber:** See, it is rising manpower cost does impact the - our operation. But we are continuously working on a low cost automation thing, automation - putting automation wherever it is, I mean, it is beneficial. So, that is all, we are already working on that, because we have started, we have moved from normal machines to high-end CNC machines. Then for CNC machines also, we are working, I mean, a person can do multitasking or a single person can work on two machines like that, and that we are working on that.

- Babu George:** Okay, sir. Thank you, sir.
- Moderator:** The next question is from the line of Pramod Kumar from OHMY Loan Private Limited. Please go ahead.
- Pramod Kumar:** Yes, good evening. What is the current capacity utilization?
- Harpreet Singh Nibber:** Current capacity utilization is around, say, we are doing around 60%, around we are doing that.
- Pramod Kumar:** 60%. And the expansion is not in the same line of business. It is into the railway component. Am I correct?
- Harpreet Singh Nibber:** It is in railways and in same line also, we are adding machine shop to, because we have low capacity in the foundry. So, as in, because what we do is, because foundry capacity is added in blocks, but machining capacity you can add in small units. Foundry is a bigger block. So, now with our foundry, new technology stabilizing, we are adding capacity in the machine shop and for railways.
- Pramod Kumar:** So, what I understand in your last reply to one of the question, that capacity current is 2,500 tons per month, and we have ordering hand is 3,000 tons currently, which is equivalent to maybe around 34-35 days. Is it normal in this industry? And from your past experience, is it normal?
- Harpreet Singh Nibber:** Yes, it is normal. That is normally we go, I mean, what we do, we book capacity with customers when, because that is for the new product. All of the capacity is for the new product. So, as and when those products come, we start expanding our machine shop. Foundry capacity we add in blocks. Then we start adding the machines as and when required.
- Pramod Kumar:** Okay. And what was the reason for going for expansion in railway product? I'm asking this considering the size of the company and the industry, our total size for this type of components instead of expanding in the current product variant the company is.
- Harpreet Singh Nibber:** No, we wanted to diversify our industry base. We are primarily into tractors and heavy commercial vehicles. And in the railways, we see next great potential in next 10 years. After next 2 years, next 10-12 years, railways has great potential. So, that is why we wanted to enter the railway segment.
- Pramod Kumar:** And what is the CAGR and payback period we are expecting for this type of expansions and capex?
- Harpreet Singh Nibber:** See, railways, the products which we are selecting, so we, I mean, payback I mean, we expect in three to four years, that is what we are expecting in railways. And our CAGR, railways, see for us, it's a new business. So, whatever we will be adding will be from 0 to, I mean, if we go to 400 in next 5 years, 300 going for 5 years. So, you can see what is the CAGR going to be.
- Pramod Kumar:** What is the expected date of commercial production or dates for put to use of this new expansion?

- Harpreet Singh Nibber:** See, this machine show we plan to start by April 2025. And whatever we do for railways will come in April 2026.
- Pramod Kumar:** One small question, the company has gone for another subsidiary. So, in place of having the same business here, going into subsidiary, any specific reason for that?
- Harpreet Singh Nibber:** Yes, there was some government incentive.
- Pramod Kumar:** And we believe the turnover which the company has reported for this quarter and a half year, is any RPT, related party transactions included because company has a parent company also?
- Harpreet Singh Nibber:** Yes, Yes, it has a related party transaction also.
- Pramod Kumar:** How much is the related party transaction in terms of sales?
- Harpreet Singh Nibber:** In sales would be around, I think, so 60% to 70%, 60% to 65%.
- Pramod Kumar:** Okay. Is it because some value addition happened there or the customer belongs to?
- Harpreet Singh Nibber:** No, no. That is only because the customer, the OE doesn't want to create new vendor codes.
- Pramod Kumar:** Got it.
- Harpreet Singh Nibber:** That is the reason.
- Pramod Kumar:** Thank you very much.
- Moderator:** The next question is from the line of Naina Jain, an Individual Investor. Please go ahead.
- Naina Jain:** Congratulations, sir. My question is, what is the company's capex outlook for the rest of the FY'25, especially in light of the recent land acquisition?
- Harpreet Singh Nibber:** We are planning a capex around INR40 crores, which includes machines and, I mean, buildings, land building and machinery. That is what we are planning.
- Naina Jain:** My next question is, how does Pritika Engineering Components manage the quality control, especially for high-precision components to maintain its reputation with OEMs?
- Harpreet Singh Nibber:** See, we have a dedicated quality control and quality assurance team and we have all the necessary quality equipment required for our components. We don't compromise on that. That is our main trend that whatever is required, whatever that product requires or customer requires, we have that equipment, that instrument in our company to ensure that quality is maintained.
- And secondly, the machines which we are adding, with the technology which we are adding now, that ensures that quality-assured component is produced. So, our target is to, first, number one, to produce a quality-assured component and, number two, to ensure that even if there is an issue that our instruments and our system should be strong, then nothing passes on to the customer.

Naina Jain: Okay, sir. Thank you.

Harpreet Singh Nibber: Okay, thank you.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Jainam Savla from Kirin Advisors for closing comments. Over to you, sir.

Jainam Savla: Thank you, everyone, for joining the conference call of Pritika Engineering Components Limited. If you have any query, you can write us at research@kirinadvisors.com. Once again, thank you, everyone, for joining the conference call.

Moderator: Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.