RICO AUTO INDUSTRIES LIMITED
REGD. & CORP. OFFICE : 38 KM STONE, DELHI-JAIPUR HIGHWAY, GURUGRAM - 122001, HARYANA (INDIA)
EMAIL : rico@ricoauto.in WEBSITE : www.ricoauto.in TEL. : +91 124 2824000 FAX : +91 124 2824200
CIN : L34300HR1983PLC023187

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BSE Limited Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400001 Scrip Code – **520008**	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No.C/1, G Block Bandra-Kurla Complex, Bandra (E) Mumbai - 400 051 Scrip Code - **RICOAUTO**

Sub : **Transcript of Conference Call held on 14th August, 2026**

Dear Sir/Madam,

Please find enclosed herewith the transcript of Conference Call held on 14th August, 2026 with the Investors.

This is for your information and record.

Thanking you,

Yours faithfully,
for **Rico Auto Industries Limited**

RUCHIKA GUPTA

Digitally signed by RUCHIKA GUPTA
Date: 2026.08.19 12:28:40 +05'30'

Ruchika Gupta
Company Secretary
FCS : 6456

Encl : As above

"Rico Auto Industries Limited

Q1 & FY27 Earnings Conference Call"

August 14, 2026

"E&OE - This transcript is edited for factual errors and readability. In case of discrepancy, the audio recordings uploaded on the stock exchange on 14th August 2026 will prevail."

MANAGEMENT: **MR. ARVIND KAPUR – CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR**

MR. R.K. MIGLANI – EXECUTIVE DIRECTOR

MR. KAUSHALENDRA VERMA – EXECUTIVE DIRECTOR

MR. NAVEEN SOROT – CHIEF FINANCIAL OFFICER

MR. SANJAY BHAT – ASSOCIATE VICE PRESIDENT (SALES & MARKETING)

Moderator: Ladies and gentlemen, good day, and welcome to Rico Auto Industries Limited Q1 FY27 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note this conference is being recorded.

This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

From the management, we have with us today Mr. Arvind Kapur, Chairman, CEO and Managing Director; Mr. R.K. Miglani, Executive Director; Mr. Kaushalendra Verma, Executive Director; Mr. Naveen Sorot, Chief Financial Officer.

I now hand the conference over to Mr. Kaushalendra Verma, Executive Director from Rico Auto Industries Limited. Thank you, and over to you, sir.

Kaushalendra Verma: Great. Thank you. Yes. Good evening, everyone, and thank you for joining us for the Q1 FY27 earnings conference Call of Rico Auto Industries. I hope that you have had the opportunity to review our financial results and the investor presentation, which is available on the stock exchanges and also on the company's website.

I would like to start by giving a brief overview of the company and industry and company performance, post which Mr. Naveen will brief you on the operational and financial highlights for the quarter.

The global economy continues to remain resilient, although geopolitical developments, commodity price volatility and changes in the global trade continue to create uncertainty. At the same time, the ongoing restructuring of global supply chains is creating opportunities for manufacturing economies that can offer scale, quality and localization.

Coming to the automotive industry, the environment remains constructive. Q1 FY27 saw strong production momentum, while the industry continues to undergo a structural shift towards the innovation, electrification and hybridization and a greater localization. This continues to create opportunities for Indian component manufacturers, particularly as global OEMs diversify their sourcing and reliable manufacturing partners.

Against this backdrop, Rico delivered its highest ever quarterly revenue during the Q1 FY27, reflecting continued momentum across our core automotive businesses. Our businesses continues to participate across ICE engines, hybrid and EV platform with new programs at different stages of development and ramp-up.

There are around 55 new programs in launch phase, out of which 28 programs already launched and are in ramp-up phase. These are long-term programs for Toyota, Ford and BMW with program life of more than 7 to 8 years. All these programs are highly profitable, and we are single source supplier for all these programs.

Our focus remains on flawless execution of these programs and progressively scaling them up as per customer ramp-up plan.

During the quarter, profitability was impacted by elevated of cost pressure with the raw material price settlement lag being a key factor. We also saw elevated freight costs, particularly air freight as disruption in global shipping routes due to increase in ocean freight transit time from 5 weeks to 9 weeks, which led to greater resilience on the air shipments to maintain supply continuity.

We are actively working and discussing with our customers to pass through some of these costs. Our new plant at Hosur is progressing and as planned, is expected to do the commercial production in September 2026. This facility will support our hybrid and EV-related programs with the key OEMs. Alongside our core automotive business, we continue to develop our presence across adjacent sectors.

Our railway and defense business are progressing, supported by increasing localization, infrastructure investments and the government focus on prefer lines. In railways, RDSO approvals are progressing and supplies have started. We expected this business to develop progressively and add to the diversification of our businesses.

Looking ahead, our revenue outlook remains unchanged, and we continue to work towards our previously stated target of around INR3,000 crores this year. We are confident we will be surpassing this and we will be achieving a revenue more than INR3,200 crores in FY 2027.

While the current cost pressure and the timing of the customer settlements are likely to keep margins under pressure in the near term, our focus continues to remain on improving operating efficiency progressing the price settlements and driving the ramp-up of newer programs. We remain confident to exit the current year near to our targeted full year margins through customer price revisions and continued improvement in operating efficiency.

With this, I would like to now hand over to our CFO, Mr. Naveen Sorot, to take you through the financial performance. Thank you.

Naveen Sorot: Thank you, sir. Let me now take you through the performance for the quarter and provide some perspective on the key drivers of profitability. Rico delivered a strong revenue growth. During Q1 FY27, consolidated revenue stood at INR755 crores compared to INR543 crores in Q1 FY26, reflecting a growth of around 39%-odd. EBITDA for the quarter stood at INR34.8 crores, translating into an EBITDA margin of 4.6%.

PAT stood at a loss of INR3.4 crores compared with a profit of INR16.7 crores in the corresponding quarter last year. From a segment perspective, aluminum casting continued to be the principal contributor, accounting for 89% of the consolidated revenue, while the ferrous casting contributed the remaining 11%. Exports accounted for almost 15% of our total revenue during the quarter.

While the underlying revenue performance remained robust, profitability during the quarter was impacted by elevated operating costs and certain temporary cost pressures, as already highlighted by K.V. sir. Other operating expenses were higher by approximately INR24 crores, primarily due to air freight and sorting costs, which were around INR13 crores in this along with the inflationary pressures across manpower, power, fuel and gas, tools and consumables.

We expect air freight costs to peak in Q2 as inventory levels reach the desired position. Thereafter, the temporary requirement of air shipments is expected to cease with shipments progressively returning to the normal sea freight cycle from Q3 onwards.

Profitability was also impacted by the lag in the raw material prices settlements. This was particularly relevant for aluminum, where the prices increased significantly during the period. The settlement lag resulted in an estimated impact of approximately INR10 crores during the quarter.

Importantly, these cost pressures are not structural in nature. We continue to engage actively with our customers for appropriate price revisions and cost pass-throughs. While the timing of these settlements will vary by customer and program, we expect the benefit to be realized progressively over the coming quarters.

At the same time, we are driving productivity, operating efficiency and cost optimization initiatives across the group to mitigate inflationary pressure and improve execution. Looking ahead, the cessation of temporary air freight, progressive realization of customer price revisions and cost pass-throughs, together with the benefit from our ongoing efficiency initiatives are expected to support a progressive improvement in the profitability from Q3 onwards.

Our focus, therefore, remains firmly on execution, customer settlements, productivity and disciplined cost management while continuing to build on the strong revenue momentum and the programs underway.

Thank you. Now we are open to the questions.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin with the question and answer session. First question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: So sir, I just wanted to ask about the freight cost. Like I think you said 15% was exports, right? That would roughly turn out to right, I think we did INR100 crores plus INR120 crores of exports. So freight, air freight costs were higher by 10%. That is something that I'm trying to reconcile, right?

Like air freight would only be for exports, right? So if exports were such a small amount, then if we had so much air freight, then you would have -- all the exports order would be a loss-making order for us, right?

Kaushalendra Verma: Yeah, our export in this quarter was around 10% to 12%, and this cost is related to that because we need to ship the parts to meet the supply continuity because these are related to the new program launches where we are the single source for the customer.

And we had some issues with the quality correlation where we need to do some certain kind of a correlation in the measurement with the customer and our measuring instrument. So that has basically put some parts are on the hold, which will be used in the future, but we need to maintain the -- we need to ship parts to maintain the supply continuity.

Darshil Jhaveri: So sir, we were the exclusive suppliers, they didn't give us some kind of benefit, like have we received some kind of -- because if you -- like our margins would be what we are losing in air freight, right? Like just wanted to understand that how do we reconcile that, sir?

Arvind Kapur: This air freight is an exceptional thing and mainly because, a, it's taking almost 9 weeks for shipment from here to -- from India to the U.S. And earlier, we should get the goods there in about 5 weeks' time. Now we have extra inventory of almost 4 weeks in the sea, that's almost 9 weeks of inventory in the sea and plus 1 month inventory, we are required to maintain that. Now because this is one.

And secondly, there were some issues in our correlation as far as the specs are concerned, those have been sorted out. So this is a temporary phase that we had to go through for the new components that we are shipping overseas. And since the customers are BMW and Toyota, being a single source, we can -- our commitment is to the customer to see that the lines keep on running. And that's the reason we had to resort to air freight.

We are negotiating with them. And in fact, one of the customers has agreed to pay us a freight and which would be accounted for as and when we get it. And that's almost 50% of whatever will be already incurred. But we've not taken that into consideration at the moment because that will come over time. And so we are talking to our customers, and this will be done.

And this extra time of sea freight -- sea time that is taking, that is impacting our supplies at the moment. See, the capacity that we built up is as per whatever the requirements are. Now all of a sudden, we had to almost increase the capacity by 25% to 30% so that we could make larger shipments to the U.S. and to Europe. And we are doing that, and we are pulling out equipment from wherever possible so that the deliveries are taking place in time and the lines of our customers keep on running.

And we also build in. Yes. So this is a onetime thing that has happened. And we are very bullish about the exports. The margins are much better. The customers are the best customers that one could dream of and very supportive. And so one of the customers have already agreed, but others we are trying to convince.

Besides this, the price increases that because of the inflation of the rupee getting weak, all the other imports, the prices have gone up, and we have also taken up that with our overseas as well as the domestic customers, which is under negotiation at the moment. This is over and above the raw material prices that we are talking of.

Darshil Jhaveri: Okay. Okay. Got it, sir. And sir, just wanted to understand, I think our last call was in June, right, 2 months of Q4 would have already been passed. And I think we said we can do 10% plus EBITDA.

So we would have known about the situation that's happening, right, then why would have we still guided for 10%? Like I think that is something that I think people didn't like. So could you just clarify that what was the issue? Like did it come later on or what -- we would have known about this, right? It would be going -- the war has been going on, the lead time would have increased.

So why we gave the guidance of 10% EBITDA when we knew that there were extra cost pressure. Even if we are going to recover, but at that time, it was not stated, right? So could you just help us with that, sir?

Arvind Kapur: The war started and we were making shipments from 5 weeks, they went up to 6 weeks or 7 weeks and so we were comfortable with the 7-week thing. Then all of a sudden, the time went up to 9 weeks and 9 -- plus/minus 1 week. It goes up to 10 weeks sometimes and it also goes to 8 weeks.

So these are things that we could -- we did not factor. And -- but having said that, the customers are talking to us, and we are talking to the customers, and we would -- we had to take in the books at the moment because at the moment, we do not have a part for those -- for these extra air freight. But when it comes, those will be factored and that will show as an extra profit and the thing. But the -- that is one.

And number two, we had the initial launch issues when we started shipping -- and with so much material in the sea and as a material arrived there, there were some -- because it's staying in the sea for a longer period, there were also some rust issues started coming up. And normally, in 4, 5 weeks, there is -- the components are totally protected.

So those started showing up, and so we had to change our packing and everything. And then -- but we had to keep the lines running being a single source. So we took this -- it was a difficult call, but having the commitment to the customer, we had to make the shipments by air.

Darshil Jhaveri: Fair enough. So -- and this issue is going to continue in Q2, right? So we can see similar kind of performance in Q2 in terms of margins?

Arvind Kapur: The margins will be better. And if I remove all this, we are actually in the region of -- like in the month of July, our turnover is around or close to INR300 crores. And so by that, we are actually going up to almost about INR3,200 crores, INR3,300 crores or close to INR3,500 crores, but we are playing it stable. We are talking about INR3,250 crores will be our turnover by the end of the year. So we are very excited that we are wrapping up.

We're excited that the business is growing. And -- but this is one pitfall we've had as far as the air freights are concerned, which will cover up. And in Q2 also, there will be some air freight. And Q3 onwards, of course, we should be back to normal. And we are hoping and wishing for the last almost couple of months now that the war ends and the shipping comes back to normal and the freight rates also come down.

Naveen Sorot: So Darshil, just to add to it, I guess one of the query that you raised that why we not pre-informed the market. So if you recall, I guess, our discussions happened sometime around early June. And major portion of this air freight has happened post that call, so the later portion of June when the situation escalated. So that is how it is.

But yes, the discussions are continuously carrying on with the customers. I guess the priority was to stabilize the supplies and then start negotiating with the customers and settling whatever air freight that we can settle with them.

Darshil Jhaveri: Okay. Okay. Fair enough, sir. And sir, just wanted to ask with regards to railways and defense, right? So I think we had previously guided like railways could be INR100 crores revenue segment and defense also we are trying to get in. So what about these segments like development, if anything happened in this quarter? So you could guide us for that, sir?

Arvind Kapur: Railways, we submitted our components for inspection and all that so that we get the RDSO approval. And we are in that cycle. It's a cycle 2, 3 months before we get those permissions. We are in that cycle. And there are new components which will also be submitted to the railways.

But indirectly, we are already supplying to various customers who are supplying to the railways. But for the intricate more profitable component, we want to supply directly and through the railways, and that's the reason we get the RDSO.

And on the defense side, we -- like we had mentioned earlier, we're making the shooting ranges, practice ranges for -- these are computerized ranges in containers. There could be 40 footers, 60 footers, 30 footers and for training purposes. And that is going on. I think we could supply how many -- what are the numbers?

Naveen Sorot: Total 200.

Arvind Kapur: We'll be supplying 200 ranges this year and...

Naveen Sorot: And the containers.

Arvind Kapur: Containers, yes. And besides that, we are also giving consultancy for...

Naveen Sorot: Baffle Range.

Arvind Kapur: Baffle Range, yes. That is also happening. That's also going parallelly.

Darshil Jhaveri: No, that's really great to know, sir. And sir, just any...

Arvind Kapur: See, just to add, there is progress. It is slow, but it is surely there.

Moderator: Our next question comes from the line of Sunil Kumar Daga with Sunil Kumar HUF

Sunil Kumar Daga: This is Sunil Kumar Daga. My question is with respect to this thing -- just in this thing, sir, mentioned that there was a INR10 crores increase because of freight up and down, but the percentage to sales is 67% this time as compared to 53% in the last quarter. So if there is only 10%, there is a difference of, I presume, more than 13% in the cost of materials.

Naveen Sorot: Can you repeat the query?

Sunil Kumar Daga: My query is with respect to purchase as compared to sales. March quarter, it was 67% -- it was 53% and this quarter, it is 67% and similar June quarter, it was 55%. In the concall just now, we had, you said some -- there was a 10% increase because of some rise in cost and all. But this INR10 crores increase is not reflecting the 13% cost, which has been -- extra cost, which has been shown in the published account for the June?

Naveen Sorot: They are 2 different questions. I guess you have combined both of them. One is regarding the extra cost on the air freight and the sorting side, which was almost at around INR10 crores. So that amount with other expenses side and not in the raw materials. And if you look at both the air freight and sorting, I guess INR12.8 crores constitute almost 2.2% of the profitability.

On the raw material side, if you look at the way the aluminum has moved up, if you compare Q1 current year versus Q1 last year for a specific grade, the increase is almost 57%. So even if, let's say, these increases are passed on to the customer, you will find that in terms of percentages, the RM as a percentage of sales will move up.

Sunil Kumar Daga: Okay. So this is only...

Arvind Kapur: On the aluminum side, it was INR230 to INR240 last year. And this year, it is almost INR345 or something.

Naveen Sorot: INR349.

Arvind Kapur: INR349.

Naveen Sorot: INR222 Q1 last year.

Arvind Kapur: INR222 last year. So that is the increase that is there and which has to be passed on to the customer, then there's a lag in that. And that's why you see the raw material are on the higher side at the moment.

Sunil Kumar Daga: How do you foresee future?

Arvind Kapur: Fortunately, this quarter, it is coming down slightly, and we hope that it keeps on sliding down. And -- but we don't know what the U.S. decides to do if they continue with the war, again, there could be a spike. But at the moment, there seems to be a relief in that.

Sunil Kumar Daga: We might have done some hedging for the aluminum prices and all?

Arvind Kapur: We don't do hedging on the aluminum price because it is decided by the customers, and they are the ones who announce the price, and they are the ones who are actually in negotiation with the various vendors and suppliers, they announce the price.

Sunil Kumar Daga: And what is the forecast for Q2 considering the -- since we have already crossed 45 days or so?

Arvind Kapur: Like I mentioned that in the month of July, we have done almost INR300 crores, and we are heading for plus...

Naveen Sorot: INR840 crores approximately.

Arvind Kapur: How much?

Naveen Sorot: INR840 crores.

Sunil Kumar Daga: Can you repeat again?

Arvind Kapur: Yes. We'll be crossing INR840 crores for Q2. And the total comes to about INR3,250 crores plus. And Q3, we'll be crossing INR850 crores and then Q4 is about INR900 crores.

Sunil Kumar Daga: Sir that is the revenue number...

Moderator: Sunil sir, you please rejoin the queue for more questions?

Sunil Kumar Daga: No, I have not yet...

Moderator: Sir, I request you have already asked 2 to 3 questions.

Arvind Kapur: Let him ask, please. Yes Sunil?

Sunil Kumar Daga: Yes. Sir, you have shared the projected numbers for Q2, Q3 and Q4. How do you see EBITDA level and PAT levels considering we are barely plus in this...

Arvind Kapur: Q2 PAT will be better. But Q3, we'll come back to normal because there would be no premium freights and there would be -- we would settle for the raw materials and also the price increases that we've demanded for the labor, etcetera, from the domestic suppliers as well as our overseas suppliers.

So we have a certain figure, which we have not factored in at all at the moment, but that's quite a substantial figure, which we are taking into consideration. That includes the gas and oils and etcetera, etcetera, everything and also the carbide inserts, etcetera.

Sunil Kumar Daga: Okay, thanks.

Moderator: Thank you.

Arvind Kapur: But we'll surprise you by the end of the year. Despite the air freights, which we'll get -- to some extent would be we will claim it for the customer, we will stand by what our commitment is.

Moderator: Our next question comes from the line of Saurabh Jain with Sunidhi Investment.

Saurabh Jain: Just a small clarification before I ask my questions. So EBITDA margin during the quarter stood around 4.5%, 4.7%. And you said by Q3, assuming the things settle down on the West Asia crisis part, so we'll come back to a trajectory of around 10%. So can we expect Q2 be somewhere in between?

Arvind Kapur: Yes, it will be in between.

Saurabh Jain: Okay. And sir, my first question is on growth. You have done wonderfully well with 39% growth, and you have actually increased your guidance from crossing INR3,000 crores to INR3,200 crores or INR3,250 crores for this fiscal. So just wanted to know how much of this 39% growth has come from high metal prices?

Arvind Kapur: I think it's about INR100 crores to INR200 crores in this, which could be because of high metal. The exact figure I can share with you later, but that would be there also.

Naveen Sorot: So in this Saurabh, if you look at standalone number for the company, the impact of raw material is almost INR100 crores. So the INR581 crores that you are looking at, if you net off -- and if you, let's say, take the same base as was even last year, this number will be somewhere around INR481 crores.

Arvind Kapur: Standalone. Yes.

Saurabh Jain: On a consol basis, so -- are you saying INR100 crores of the impact due to metal prices, higher metal prices, so around INR650-odd crores.

Naveen Sorot: So this is on a standalone number. So you can increase that INR100 crores by another INR10 crores, INR15 crores to give you a consol number.

Saurabh Jain: Okay. Fine, fine. And sir, what would be your capex guidance for FY27 and '28.

Arvind Kapur: Okay. We -- at the moment, the projects, 54 projects that are in hand, we are making investments there, but we are also curbing the investments. And -- but having said that, after this, I think for 1 year, we are going to invest only wherever absolutely necessary. And otherwise, we'd like to stabilize and be able to run all the assets to full capacities. And once we stabilize, then thereafter, we will look at some larger projects.

But it's only the small expansions of capacity increases to our domestic customers and our overseas customers, that is what we'll do at the moment. But newer projects after these 54 projects are over, we will first stabilize and then make the investments.

Saurabh Jain: Sir, if you can just quantify for FY27 and FY28, it would be really helpful, including your maintenance capex and all what is the usual...

Arvind Kapur: We will share with you.

Saurabh Jain: Okay. And my last question is on -- in the presentation, you have just published Slide number 30 about the digital transformative initiatives. Can you please provide some more color what kind of investments are we planning here? You have put several points on the slide and what areas are we going to invest and how it is likely to play out in terms of profitability and all?

Arvind Kapur: See, one is, of course, we are learning more and more about AI and our people are getting engaged in that. And we're looking at how AI can be used for improving the productivity. And we have started using for designing and also for...

Saurabh Jain: Okay.

Arvind Kapur: Okay. A lot of information and also trying to improve our manufacturing capability and ability and productivity on the machining lines. We're also adopting it for designing of dies, etcetera, and that's a nascent stage, but we are in the process of doing that.

And we are also connecting all the equipment so that the monitoring can be done very effectively and the machines can be utilized very efficiently. We have already done this on a couple of lines. Those are very successful, and we are further trying to improve that.

And then we will replicate that across the board for all the lines with the information available readily to us for every line and also the losses and with this, the advantage we get is that productivity improves, we'll be able to control the losses or loss of time, etcetera, very well.

Moderator: Our next question comes from the line of Hiten Boricha with Sequent Investments.

Hiten Boricha: Sir, my first question is on the railway and the defense. So have railway or defense contributed anything in Q1?

Arvind Kapur: Yes, it's going on regularly.

Hiten Boricha: Sir, if you can share the number. In the last quarter, I think you mentioned it was roughly around INR4 crores or INR5 crores?

Arvind Kapur: We will share the numbers with you.

Hiten Boricha: And sir, till then, if you gave the number, should I ask my second question?

Arvind Kapur: Yes, please carry on.

Hiten Boricha: Yes. So the second question is on the guidance. You mentioned we are still looking at INR3,200 crores, INR3,300 crores kind of top line with improving margin trend. So assuming if you want to achieve 10% margin for full year FY27, so is it -- you are mentioning our margin will be better than 10%, 11%, 12% in H2, which will eventually lead us to like 8%, 9% margin in full year?

Arvind Kapur: So the 54 projects that K.V. mentioned that we are launching -- on the process of launching -- 28 have been launched and others were in line. Those are definitely better margins and those are with the current prices of raw material. And so the margins are also calculated accordingly, much better margins, and those are the volumes which are actually going up. And we've also done a lot of savings as far as the machining is concerned.

There is a cost reduction that has happened. We've worked a lot on our rejections and we're trying to also -- that is also adding to the kitty. And the margins are definitely going to improve. And our target -- we had mentioned last year that we -- our target should be around 12%. We will be achieving the 12% target.

And -- but unfortunately, this air freight came in because our commitment to the customers and being a single source, we did not want to let the customers down. And so this expense, but we will honestly try to claim whatever we can. Even though about I think INR9 crores to INR10 crores, there is a certain percentage that has been agreed by the customer. But then there's a sorting cost of the rust and other component that had happened in the U.S. That we have to see how we can reclaim from the customer or at least reuse the components by cleaning them up and all that. That sorting will have to take place.

Hiten Boricha: Yes. That is well taken, sir. But what I'm asking is to achieve a 10% margin for the full year FY27, eventually, you will have to do like 12%, 13% margin for the rest of the quarter.

Arvind Kapur: Let's see.

Hiten Boricha: Okay. Okay. So we are confident on that point.

Arvind Kapur: Yes, we are fairly confident of what is happening unless something else happens in Iran or something, then we -- it won't be in our control. But whatever is happening now, if this continues, I think we are fairly confident because fortunately, the Indian market is also growing.

Hiten Boricha: And sir, one on the follow-up of that 54 new projects, if you can share some color on that, what exactly are we doing with our new customers. If you can tell us a little bit about that, that could be helpful, sir.

Kaushalendra Verma: These projects are with the custom -- global OEMs like Toyota, BMW and Ford. Ultimately, these -- our components will get into the -- to deliver to these components. These are long-term programs, as I mentioned in my opening remarks, with a program life around 7 to 8 years. And as MD sir mentioned that these are the programs which are on the recent cost structure and having a very high profitability.

Hiten Boricha: So approval and everything is already done for this component, sir, right?

Kaushalendra Verma: Say again?

Hiten Boricha: Sir approval has been already...

Kaushalendra Verma: Yes, for 28 programs, which has already gone into the SOP for that all customer approval and everything is in place. Only that we will start.

Arvind Kapur: Like in Hosur we'll be adding more components. That project starts from September. October onwards, we start the production. Those will be the new launches that will happen there. And then there are launches taking place in Chennai, the launch is taking place here in North India as well. Sanjay, you want to add something?

Sanjay Bhat: So these programs, what we were mentioning already they are in the ramp-up phase, most of the programs and the new ones that are going to start Pathredi, Bawal and Hosur.

Arvind Kapur: So those will start in September, October and slowly ramp up. Some are going to start in February, March next year, and they start ramping up a couple of months later. So we are at that site.

Hiten Boricha: Okay. And sir, these components are for ICE as well as EV, right?

Kaushalendra Verma: For Hosur facility, these are mainly for the hybrid and for the EV. In the northern part of it, these are mostly for the ICE also. And export is...

Arvind Kapur: ICE, EV also and hybrid also. Yes. So it's a hybrid, ICE and EV.

Hiten Boricha: Okay, sir. And that number you were supposed to give, sir. Revenue from...

Arvind Kapur: Defence guys are on leave today, the nominees will be here.

Hiten Boricha: Understood. No worry sir. I'll take it on.

Arvind Kapur: I see it in the region of about INR5 crores to INR7 crores, but I'll give you the exact figure.

Moderator: Our next question comes from the line of Bajrang Bafna with Sunidhi Securities.

Bajrang Bafna: Congratulations for good top line growth. Of course, the adjusted margins are much better than what optically it looks like on the reported numbers. So sir, my questions are a little going to be more strategic in nature.

If you see last 5 years, your top line has gone up almost INR600 crores from INR1,900 crores to INR2,500 crores broadly from 2022 to 2026. And in that period, we have done a capex of almost INR1,000 crores on an average of INR200 crores per year.

So now you guided that why it took us almost 5 years where we did a capex of INR1,000 crores, where we could not be able to grow the top line, even the onetime of capex that we did. So now what is changing in the company?

We have seen multiple changes, not only on the top line growth side, but on the margin guidance and on this 3x top line growth that you're talking about by 2030, then board level changes, then a lot of process optimization and back-to-back SAP implementation, then talking to customers for price increases.

So can you just say what is something which is changing in the company right now, maybe after a lull of 5 years, where we are now giving a significant growth guidance for next 4, 5 years. So if you could just outline the broader strategy of the management while making those changes on each and every front. So if you could just touch base on the broader road map on that will be really helpful, sir.

Arvind Kapur: So just to give -- I'll give you a very broad picture as to what is happening. Like you mentioned, of course, the Board has changed and everything is happening. We started focusing on the high tonnage parts. High tonnage part means for the aluminum die casting, we started focusing on machines which are above 1,000 tons. So going up to 1,400 tons, 1,700 tons, 2,000 tons, 2,700 tons die casting machines.

Those are expensive equipment. And like to give you an example, 2,700 ton machine, the basic machine cost -- landed cost is about INR25 crores, and it's another INR10 crores to INR15 crores is the infrastructure around it that is to be built up. So we have about 7, 8 of those machines now.

Now these machines, when they come in, each die can cost you about INR8 crores, INR8 crores for those die casting machines. So it's a process of making the dies of setting up the plant and also starting the production and setting up the equipment and machinery and setting up the infrastructure for that.

So -- and the projects we have taken up are long-term projects, like some of the projects were awarded to us almost 1.5 years or 2 years back and which are coming to production now. The Hosur facility, the project was given to us last to last year and now the facility is coming into production.

So these are the projects which the OEMs take up long term, but they want a commitment -- a fairly early commitment where the investment also starts taking place. And the testing and the running of the equipment by the local OEMs is done much before the time the production comes in, we come into production.

And so the investment actually takes -- there's zero turnover that actually happens. It's only the sample making that we do. And -- but now all those are coming into focus and the other thing we've done is the performance of the productivity on the equipment. We've managed to improve the productivity of equipment.

We've been able to pull out a lot of CNC machines and redeploy them into newer projects and the other investments which are taking place now. So we are minimizing the investment, but focusing primarily on the turnover, which is happening and also focusing on the bottom line.

Now with this, the die casting capacity is also better utilized now and our iron capacity also will be better utilized. So that is also going to have a major impact. You will see this impact this year and next year also.

Bajrang Bafna: Got it. So sir, I know I can remember the older days when you were the king of that area. And now maybe in last 4, 5 years, maybe 10 years where you have done good capex also, but you have lost that glory that Rico was enjoying maybe 10 years back. And a lot of other auto ancillary companies who were much smaller than you have grown sizably much stronger and bigger in last odd 10 years. So probably, I would say it's a lost decade for Rico.

But of course, we have brought up the capabilities and now we have done INR1,000 crores capex. So what sort of number that you can achieve? You have already guided. But my only submission there is that without capex, with this INR1,000 crores capex that we did in last 5 years, what sort of top line is achievable by us with minimal maintenance capex we can go ahead with to achieve this INR7,500 crores top line guidance that you have given for 2030?

Arvind Kapur: There would always be maintenance capex which is largely there. But we can achieve a figure of about INR4,000 crores in the setup that we already have at the moment. There would be investments in the dies, especially for any new component comes in, there are special dies, which are made. And those investments take -- we normally try to claim that money from the customer upfront.

But in some cases, like Maruti and Hero, they don't play upfront, they do it in the piece price. And -- but with the other customers, we do request them to pay us upfront. So we try to minimize whatever -- but we can touch a figure of about INR4,000 crores plus.

Bajrang Bafna: Okay. Without any significant capex?

Arvind Kapur: Without significant -- without -- I would say, without taking up a major project.

Bajrang Bafna: Okay. Okay. Got it. And sir, broadly, if we try to judge the impact of aluminum prices, which is there, which has gone up 57% for some grades that you have talked about. So that is something which is an unknown.

We don't know that how it will behave maybe this year or next year. So when you are giving this INR3,250 crores sort of guidance for this financial year, what is the aluminum price that is under the assumption so that at least we can correlate in the future that how that movement is happening and where the numbers are going to behave?

Arvind Kapur: Impact of the raw material, I can give you the exact value, but I think it should be in the region of about INR200 crores, INR250 crores.

Bajrang Bafna: Okay. No, when I'm trying to say that this USD3,300, which is the aluminum price right now, so when we are giving this guidance of INR3,250 crores of top line for this year, what is the aluminum price that we have made an assumption, which probably we can correlate the ruling price in MCX is around USD3,300.

Arvind Kapur: INR320 a kilo. INR32,000, yes.

Bajrang Bafna: Okay. Got it, sir. And all the very best sir for the coming quarters and I hope that we deliver what we are getting.

Moderator: Next question comes from the line of Zalak Rathi, an Individual Investor.

Zalak Rathi: In the last con call, Arvind sir said about the CNC machines that you'll be selling in the market. So if you could give an idea about that, like what's the spare capacity? And do we have customers on board?

Arvind Kapur: Yes. We have already started delivering and that is expanding and the process is on. We have actually sold more than we are making. So that's the situation at the moment. And we've not factored that as far as the total revenue is concerned.

Zalak Rathi: What's the spare capacity, if you could give a number because we have 3,000 capacity that we are using for captive consumption, right?

Arvind Kapur: I didn't understand your question.

Sanjay Bhat: 3,000 is not the capacity that are the machining centers we are having. But if you talk about the capacity in terms of the numbers, this year, we are planning around 100 machines. So that is the plan. But the 3,000 is the number of machines which we are currently having in our...

Arvind Kapur: 3,000 number of machines we use for production purposes in our plants. It is over 3,000 machines. But these are the new CNC machines that we are selling to -- earlier, we used to make it only for ourselves. Now we started selling to customers outside.

Zalak Rathi: Okay. So what kind of revenue or margins are we expecting from this?

Arvind Kapur: Margins are definitely better in the machine tool side. And we're going to sell about -- we've not included that revenue in the current INR3,250 crores guidance that we have given. The railways will be add on and also this would be add on.

Zalak Rathi: So do we project any major revenue like we are projecting major revenue coming from railways and defense. Do we see this as a major segment of revenue, CNC machines because this is just...

Arvind Kapur: It should become a major revenue. Now see, this is the first year we're doing it. So we are also testing the market, and we're also getting feedback for our equipment. Earlier, we were using it internally, but now since we have customers outside, we are getting feedbacks, and we are also upgrading whatever the expectation of the customer is, and we're trying to exceed their expectations.

Zalak Rathi: Okay. And...

Arvind Kapur: But our target is to sell 100 machines this year.

Zalak Rathi: Okay. Any approx number that we are getting, some sort of number, if you could give -- that would be helpful on the revenue side for the CNC machine?

Arvind Kapur: About between INR35 crores to INR40 crores.

Zalak Rathi: Okay. And we have also -- there is a land which is held for sale. So do we have customers and where will the money go for that land, the property in Haridwar? There's an asset INR10 crores, 2-acre land?

Arvind Kapur: By 30th December, we'll get the complete payment of that.

Zalak Rathi: Okay. So we will be getting INR10 crores that will be used for debt repayment. What are we going to use that for?

Arvind Kapur: We use it for work whatever repayment.

Moderator: Our next question comes from the line of Darshil Jhaveri with Crown Capital.

Darshil Jhaveri: Sir, just one more question in terms of land only. So we have another land bank also, right? What are our plans with that, sir?

Arvind Kapur: That -- see, we are talking to people, and there is an active discussion taking place, but we cannot say anything before things actually done. So maybe we'll give you the news sooner than later.

Darshil Jhaveri: Okay. Okay. That's really great to know, sir. And sir, just out of this, sir, our hedging policy, like because there's so much fluctuation in aluminum prices, do we plan to get like at least do some future hedge, at least the cash flow that we are giving in that, so at least some part can be saved. What are your thoughts on that, sir?

Naveen Sorot: Darshil, so commodity is not something that we are banking on. So our endeavor will be whatever price that we are paying to purchase our raw material should get passed on to the customer. So what we are working on not exactly hedging, but to cut down on any kind of lag that we currently have.

So as last time, we discussed that almost 75% of the customers are already converted to real-time settlements. I guess the 25% are still to be onboarded. So we are working on it. So once that is done, so we'll probably eliminate the lag impact that we are reporting every quarter.

Moderator: Darshil, have you done with the question? Darshil, can you hear us?

Darshil Jhaveri: Yes. I'm saying if the follow-up, I can ask for this question then..

Arvind Kapur: Yeah. Carry on.

Darshil Jhaveri: Yes. Just the 75% is the value of the revenue or the number of customers because we had like a significant aluminum. I just wanted to ask about that.

Naveen Sorot: So if you look at, Darshil, for a stand-alone number, the lag impact for the quarter is only INR3.3 crores. You will recall the last quarter, the number was quite big, INR12 crores. I guess that is because the 75% of the customer value has already converted. I guess we are working on the balance. So when that is done, I guess there's no separate hedging that will be required for us to do.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for the closing remarks. Thank you, and over to you, team.

Arvind Kapur: So this quarter has been tough mainly because of the air freight and the sorting costs that we had to incur. But we are very confident of what is happening. Like I mentioned about the month of July, the revenues have gone up and gone up much further than whatever we declared the last quarter. And by the end of the year, we will be clocking INR3,250 crores in any case. And the profitability also, you'll see the change there.

And whatever costs -- mainly the air freight costs, we are trying to recover maximum from our customers. Whatever we can, we will do that. Besides that, there are other costs which we've factored, which we've already filed a claim, and we are fairly confident that those will also start coming.

In fact, some of the costs -- some have just started coming in, and we are talking to each and every customer. And by next quarter, I think we'll be able to tell you as to how many have already agreed to whatever requests we have made. This is primarily on the oil and gas, all the imported materials like carbides, etcetera, etcetera, and also the general inflation that is segment and the labor cost, which went up with the government of Haryana, they jacked up by almost 40%. That is a major impact. And so those discussions are going on, and we are confident that in this -- in the quarter, we should be able to settle most of them.

The time -- there will be -- it will take us a little longer time with our overseas customers to convince them that because of the inflation, there is the manpower cost and the gas and the petrol cost or the oil costs have gone up. And we are on it, and we've already made requests to them, and hopefully that will also get settled.

Thank you so much and we assure you that we'll do better the next time. And this quarter is also going to be challenging primarily because of the air freight. But the next quarter onwards, we'll be -- you'll be very happy to see the results.

Moderator: Thank you so much, sir. Ladies and gentlemen, on behalf of Rico Auto Industries Limited, that concludes today's conference. Thank you for joining us, and you may now disconnect your lines.