October 8, 2023

To,
National Stock Exchange of India Limited,
Exchange Plaza, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai – 400051
NSE Symbol: RISHABH

To,
BSE Limited,
Phiroze Jeejeebhoy Towers,
21st Floor, Dalal Street,
Mumbai – 400001
BSE Scrip Code: 543977

Dear Sir/ Ma'am,

Sub: Earnings Conference Call Transcript

Please find enclosed herewith the copy of transcript of the Earnings Conference Call held on October 5, 2023 in respect of Unaudited Standalone and Consolidated Financial Results for the Quarter ended June 30, 2023.

Kindly take the same on your records.

For Rishabh Instruments Limited

Ajinkya Joglekar
Digitally signed by Ajinkya Joglekar
Date: 2023.10.08 14:59:17 +05'30'

Ajinkya Joglekar
Company Secretary and Compliance Officer
ICSI Membership No.: A57272

"Rishabh Instruments Limited

Q1 FY '24 Earnings Conference Call"

October 05, 2023

MANAGEMENT: **MR. NARENDRA GOLIYA – CHAIRMAN AND MANAGING DIRECTOR – RISHABH INSTRUMENTS LIMITED**
MR. DINESH MUSALEKAR – CHIEF EXECUTIVE OFFICER – RISHABH INSTRUMENTS LIMITED
MR. VISHAL KULKARNI – CHIEF FINANCIAL OFFICER – RISHABH INSTRUMENTS LIMITED

MODERATOR: **MS. BHOOMIKA NAIR – DAM CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Rishabh Instruments Q1 FY24 Earnings Conference Call hosted by DAM Capital Advisors Limited. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited. Thank you and over to you, ma'am.

Bhoomika Nair: Thanks, Zico. Good afternoon, everyone. A warm welcome to the Q1 FY24 Earnings Call of Rishabh Instruments Limited. We have the management today being represented by Mr. Narendra Goliya, Chairman and Managing Director, Mr. Dinesh Musalekar, Chief Executive Officer, Mr. Vishal Kulkarni, CFO, and now I'll hand over the floor to Mr. Narendra Goliya for his initial remarks, post which we will open up the floor for Q&A. Over to you, sir.

Narendra Goliya: Thank you, Bhoomika. Welcome to this call. It has been a very good first quarter. Of course, this was before the listing. Listing happened on 11th of September. But as is mandatory, we are supposed to disclose all the figures of the first quarter. So Indian economy has been doing well. World economy as far as we are concerned has been doing well. Everybody has a question, when will Europe slow down? We don't see that slow down and I will support it with the numbers that I will talk to you.

So, what I propose to do is to talk about some numbers that we have achieved at console level, some numbers which we have achieved at Rishabh India level. Dinesh will talk about some of the numbers we have achieved at Lumel SA and Lumel Alucast level, some of the reasons we will try to disclose to you, why things are good when they are good and why things are not so good when they are not so good. And then, of course, feel free to ask as many questions as you want. We will try to answer them to the best of our ability. So, all, as I said, at the console level, the revenue has increased by about 38%.

So, last year we did 1,246 in the first quarter, INR1,246 million. And this time we have done INR1,724 million. So that is about 38%. Now there is EBITDA which has gone from INR205 million to INR207 million at the console level. This is EBITDA as reported. And there is an adjusted EBITDA which has gone from INR205 million to INR303 million, which is a growth of about 98 million and percentage is about 48%. So, this is at the group level and we will explain to you the difference between EBITDA and adjusted EBITDA when Dinesh takes this call.

So, this is at the group level and now I will give you some numbers about the Rishabh India stand-alone. Again, I will give you some numbers. I will give you some numbers later on the segment-wise report and then we will take it from there. So, revenue in India has grown 37%. As I said, console is 38%, India 37%. So, which means both Lumel and Rishabh, the Polish operations and the Indian operations are growing at more or less the same speed. Within India, the revenue in the last quarter was 413 million and this time it is 567 million. However, the export revenue has grown much faster than the domestic revenue.

The export revenue has gone from 205 million to 319 million, which is a growth of 55%. And the domestic revenue has gone from 208 to 248 million, which is a growth of about 19%. Within that also EBITDA has grown from 98 million to 141 million for the Indian operations. And the adjusted EBITDA has grown from 98 million to 149 million. Main thing is the ESOP. You know, ESOP is a hit which is taken as per Indian accounting standards. It is not a cash expense, but it is only a provision that is taken by the, when it comes from the exchange.

So now if I talk a little about the segmental revenue, aluminium high pressure die casting has grown 32% from 528 million to 683 million. So, you see even aluminium and electrical business again are growing at a similar numbers, you know, 32% versus 38%. The metering, control and protection devices has grown by 47% from 533 million to 760 million. Electrical automation has grown 10% from 115 million to 163 million and test and measurement has grown about 7% and solar string inverter has grown by 3%. So, all this is the growth segment wise. Dinesh, if you can talk a little about Lumel SA and Lumel Alucast, and then we will let, we shall answer something and then open to questions. Thank you.

Dinesh Musalekar: Yes. Good afternoon, ladies and gentlemen. This is Dinesh here from, right now I'm talking from Poland. So, some numbers on the other two big entities that we have in the group. Lumel SA, the electronic business which we manufacture and supply in Europe and the rest of the world. So, the growth has been significant even though we speak so much about a slowdown in Europe but you can see that we have grown 43% in the electronic segment, which we do from here. And this is also significantly grown in every segment within the electrical business.

So electrical automation, we have grown 32%, that is 107 million to 145 million. Then metering and control devices we have grown 58% from INR171 million to INR241 million. And portable test measurement instruments, Lumel is not a very strong participant in that. It is almost flat and negligible. So, it is from INR1.1 million to about INR1.9 million. Solar string inverter, we have started picking up the momentum. We have grown 9%. This is one of the you know, baby segment for in our industry with huge potential so and we have some orders coming through in the coming years also.

So overall as you can see the revenue has grown from INR280 million to INR400 million for Lumel SA. And EBITDA has grown from 37.7 million to 77.19 million, which is almost double. So there has been a substantial growth in top line and much higher growth in the bottom line also. This is also coming because of the reasons of you know the cost of raw material going down and the price increases which we had done, we are able to sustain that. So, Lumel SA Electronics business has been significantly better than what we were expecting and coming back to Lumel Alucast, the aluminium die casting business, the top line has been growing there as well. 30% we have grown in the top line.

So, from June 22 quarter of INR282 million to INR372 million which is 30% growth and that is for 32% growth for automotive segment and for non-automotive we have grown 28% that is 242 million to 311 million. So overall, aluminium die casting business has grown from 524 million to 683 million. So that's a 30% growth. So, we are finding growth both in automotive segment at 32% and the non-automotive segment at 28%. When it comes to profitability, we have two major expenses which are notional, which have gone into this one.

The ESOP cost which Mr. Narendra Goliya was talking about, out of that INR52 million is adjusted in Lumel Alucast because of a major chunk of ESOP is awarded to me and this has been adjusted in Lumel Alucast at the moment so that's one major impact and then we also have one contingency liability this is coming from This is coming from the audit of 2018. So, there was a dividend which was paid from Lumel Alucast through, which is a holding company in Cyprus. And there has been some amendments in 2019 about the withholding taxes. And this is before that.

So, the strong legal opinion from our lawyers is that this liability will not be, in all probability will not be holding. So, we don't have any order or anything passed, but there was some audit which was done by the tax authorities and this was a remark which they sent a notification, so which we have not accepted.

So, to have abundance precaution, we have made a contingency liability of this. So, this is also just a notional, it's not actually expense. So, we're talking about 36.44 million on account of that and ESOP we are talking about INR51.7 million Indian rupees. So, if we do these two adjustments, then we have adjusted EBITDA going from 66.49 million to 70.12 million, which is about 5% growth in adjusted EBITDA.

But the actual EBITDA after you account all these two is a loss. So, from 66.49 there has been a minus INR18 million Indian rupees. So, these are the two things which are non-operational, which have affected the profitability of Lumel Alucast. And also at the group level, it has affected the overall profitability.

So that's a few words about Lumel SA, the electronics business in Europe, and also aluminium die casting business in Europe. Thank you.

Management: So now if you have questions, Bhoomika, you can open it and people can ask questions or clarifications or comments, whatever.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. Our first question is from the line of Umang Parekh from Ashika India Alpha Mutual Fund. Please go ahead.

Umang Parekh: Hi, thank you for the opportunity. Sir my question is that we did revenues of INR172 crores in Q1 and you mentioned in an interview that Q2 numbers are similar to Q1. Roughly, we would do around INR340 crores of top line in first half. You also have been riding for a 25% growth in FY '24, which approx. comes to INR700 crores of top line for FY '24.

So, considering they have already near around INR340 crores of top line in H1, is it fair to assume that the company would grow by just 9% to 10% in H2 despite H2 being a stronger than H1?

Management: No, let me answer. I understand your question, gentlemen. And let me answer. See, this was the 22% forecast made at the beginning of the year. And you know, normally things are uncertain and we have a habit of being a little conservative. We have grown 38% in the first year, we also grown up similar numbers, maybe one or two percentage here or there in the second quarter, which means first half has been there.

Now, that doesn't mean we are going to slow down in the second half. We may do better, but our yearly commitment, we are not changing, in the sense that we have forecasted 22% growth. Going by the present rate, we will definitely do better.

How much better should we revise the forecast? At the moment, we are not doing that. We will discuss and when we announce the second quarter results, we will, if we want and if we can, we will tell you a little better estimates of the whole year numbers. But as of moment, what you said is right, second quarter also has been about the same as first quarter.

Umang Parekh: Okay understand.

Management: Did I answer your question?

Umang Parekh: Yes and my second question is respect to the ESOP cost of INR6 crores. Sir so for how many more quarters can we expect this cost to continue?

Vishal Kulkarni: So, this cost will remain there for till FY '27. The amortization period is four years, so the cost will be there till FY '27.

Management: Vishal, they're asking about addition.

Management: What are INR6 crores? Is there going to be an addition to this cost in the subsequent?

Vishal Kulkarni: For the current year, for '23, '24, the entire cost will be INR21 crores.

Umang Parekh: Okay. Next year?

Vishal Kulkarni: It will be INR11 crores, then for '25-'26 it is INR6 crores and for '27 it is only INR2 crores. So overall INR48 crores of the cost will be amortized during next four years.

Umang Parekh: Okay. And so, we have been writing for 18% EBITDA margins for FY '24. So, is this after considering the ESOP cost or this is after adjusting ESOP cost?

Management: This is after adjusting, after adjustment of the ESOP cost.

Moderator: Thank you. Our next question is from the line of CA Arun Maroti from Subh Labh Research. Please go ahead.

Arun Maroti: First of all, sir, congratulations for the good listing. And, sir, I have a couple of questions for you. Sir, we would like to know our medium to long-term ambition for the company. First of all.

Management: Dinesh, you want to answer?

Dinesh Musalekar: Yes. See, during the roadshows also, we have been talking about building the growth at the rate of about between 20% to 25% on the top line and about 18% to 20% EBITDA at the bottom line. That will continue. This is absolutely from the organic growth that we have planned.

And we as a strategy of the company, we also have been growing with the inorganic growth. That we have not added to this growth projection which we have spoken. And we have had this successful record of acquisition of smaller, bigger companies, and we have something on the horizon which we don't want to disclose or talk much about, but this will be one aspect of that.

Second aspect is expansion of our production capacity. So, our current production capacity is in Rishabh, the balanced production capacity is about 60%, but there are a couple of production areas which we are de-bottlenecking, and we will, they are at about 80%. So, once we do that, it will get back to a balanced number of about 50%.

So, there is some investment which is planned to increase the production capacity. And similar is the case in Poland at we build this electronic manufacturing just in 2020. So, we have enough capacity there. It's running at about 50% and other aluminium die casting. We have plans of expanding, one production hall there, four productions also we have so currently overall production capacity utilization is about 60%.

But again, there one production area is stressed to about 80%. So that will be de-bottlenecking. So, we will bring back to that. So, we have plans to increase our capacity, we have plans to, look at some inorganic growth opportunities, and also plans to find more synergies between the companies.

So, we have got all these companies in China, India, and Poland, particularly connecting the electronic manufacturing companies. So, these are the areas which we'll be working on to find synergies in R&D, synergies in sales and marketing, in purchase procurements. So, we have been doing something but there is a lot of scope to squeeze some cost out of that and to improve the bottom line.

So, these are generally broader things. Of course, people development is also a big challenge and we have been investing a lot in internal development of our existing people to take more leadership positions and also to have talent coming at the entry level continuously in all our locations. So, these are all broader midterm to long-term plans that we have. And Mr. Goliya, can add anything on top of that which I spoke.

Narendra Goliya: No, absolutely. See, organic, inorganic, these are the two main avenues. Organic, we just discussed what we have achieved in the first two quarters. Hopefully and we'll have our best to continue this thing. But as a reminder to the people, we said that we have committed 22%.

Inorganic, as it is, there is always a probability. We are working very hard, but until it has happened, it has not happened. In the sense that let us hope that by the end of this quarter, we should be able to announce something, but let us wait and watch. Other than that, the Greenfield expansion both at Lumel at Rishabh continue.

New construction is going on, new machinery is going on. Many of the road shows I informed you how the government is helping us with facilities called MSIP by supporting the investments we are doing. Maharashtra government is helping us with Maharashtra electronics policy which should help us.

So, all this is really helping us. India is growing and we are part of the Make in India story and shifting of basis from other parts of the world to India. Thanks.

Arun Maroti: Okay, sir. Yes, very good elaborative answer, sir. Sir, on the government support part, I would like to ask that do you have any registration for the PLI scheme or what export incentive you get, if you can throw some more light on that, that will be more helpful?

Narendra Goliya: Yes, so we don't have the PLI scheme, but we have an equivalent scheme called the MSIP scheme, Modified Special Industrial Package, under which Government of India gives 25% cash assistance for all the investments you make. We have already got the approval, the first sanction has come, the first disbursement is awaited, and then the second, third, fourth will come.

So, from that point of view, we are absolutely on track to get the Central government schemes. Maharashtra government also, we have the in-principle sanction. Now there is some detailed scrutiny to be done, which is in the process, and hopefully we should get that in the course of the next couple of months. So, these are the major Maharashtra government schemes this was the question.

Arun Maroti: In the export benefit?

Narendra Goliya: Export benefits see at the moment there are no real export benefits. All of you, I mean, people who are in the finance field know that we used to have what is called a Section 80 HHC, we have 10 A, we have 10 B, but one by one, today government has got lot of foreign exchange, they probably don't want to give any special benefits to the exporters.

And we have also reconciled to it. We are not expecting any benefits from the government, except sometimes some import duty exemption on capital goods. But that is very minor. I mean, it's not worth discussing in this call, how much benefit we get.

But other than that, there are no major export benefits. Of course, GST is not applicable on exports that everybody knows. GST is only applicable when we sell it within the country domestic sales.

Management: On top of that, I would like to add some more elements from Poland. So, there are European Union funds which are allocated for projects which you do on a innovation element or automation element. So, we have applied for such two schemes from both the companies for substantial amount and the grant if it if it if it is successful is in the range of 30%to 40% of the total investment they give cash to support that.

So, in a week's time we will know what is our result and we have been working on that for last one year almost. So, we will get to know what is whether we will get or not.

Arun Maroti: Yes, understood sir. And on the Make in India part sir that we are maybe the first company to make the 100% Make in India solar grid inverter. So, if you can throw some more light on the solar string inverter side that will be quite helpful.

Management: Yes solar string inverter first of all for the benefit of all the participants is a device which converts the voltage generated by the panels. You know you have panels, solar panels which collect the sun rays and the rays when they are connected the solar cell converts them into a DC signal, DC voltage.

However, depending on the time of the day and the sun shining, the intensity of the sun, the voltage differs and solar string inverter is a device which takes all this voltage, stabilizes it and converts it from a DC to the AC so that it can be used as it is or at the most it can be pumped back into the grid.

So, people have been importing this from China. Originally it was developed by German and let me say Italian people. We got a collaboration with an Italian company called Gefran. We developed it in India. We assimilated the technology then we started developing new products, extending the range.

So, today we have a range from 3 kilowatt to 50 kilowatt, which is in regular production, and 100 kilowatt, which is under R&D. We are also investing in this. This is a technology of the future. It's a product which is a very -- even today it has a high demand, but as of today we are not making huge profits on it.

People import from China for various reasons. We are, once we finish the development, we will also spend some time in cost reduction so that this becomes a profitable line, but the potential is very large. I don't want to give numbers, but believe me, growing 100% 200% every year on the solar inverter is not a big thing.

Even today as we are speaking now on this call, there is a very big exposition, a very big exhibition going on daily and there's a huge crowd of people want to use Make in India's service. This is a device which needs a lot of service, minimum, you need 7 years to 10 years of maintenance service.

So, all these are things by which you have to really make sure that you buy something which is Make in India and we have one company who is really working hard on it. Now we know two other companies are also trying to work on it. There will be competition, but the market is huge, believe me. There is no real competition.

The market will absorb all this production in India and, of course, there is potential. You just heard Dinesh say that they have grown in the solar space. We have inquiries from other countries also. But first we want to make sure we can fulfil the Indian demand, then we will go out into exports. Any further questions, let me know. Thank you.

Arun Maroti: Yes, quite helpful, sir. Only the last question from my side on the IPO proceeds, sir, that we are willing to invest around 63 crores on the product line in the market. So, will you please share with us that the current capacity utilization of that particular product line which we want to expand and the current margin profile for the product?

Management: No, it's not just one product, gentlemen. See, I think we told you, but I will repeat that what we are going to major do is to expand in three areas. One is the physical building; we are running short of buildings. So, we are making a building altogether at a very approximate cost. I don't have the final figures in front of me, but at a very approximate this thing we will about 30 crores will go in the building part.

And then there is debottlenecking machinery all over. We talked if you remember about SMT machines. Now SMT machine is a common resource for all our electronic products, it does the pick and place. So, there is a whole new electronic line planned in India and in Poland. There are moulding machines, again they are common to all the product lines.

These are moulding machines where plastic injection moulding is done and then there is some test and calibration equipment, we talk especially for the solar inverter. There is what we call it as a grid simulator, there is what we call it as a power line simulator and then there are power quality measurement equipment.

So, this is the major area that will go except the solar which is typical only to the solar line, the other equipment are all common to all the products and some of the numbers we told you we just mentioned that in the first 3 months and I think first 6 months are similar. Metering, control and protection devices have grown about 47%.

Aluminium pressure die casting has grown 32%, electrical automation has grown 10%. Now, I'm not saying these are going to be the exact numbers in the future, but this gives you an idea of which area is growing how much. So, your future numbers will be similar. Solar string inverter is one which hasn't grown so well, but I'm sure it will grow much faster once we finish the full development.

I told you we are developing the 100 kilowatt and also we are increasing the capacity and the testing equipment. Once that happens this will grow faster.

Arun Maroti: Okay, that’s quite helpful sir. Only a last question, if I can ask on the Marg software I would like to ask that if you can throw some light on the Marg software which we have?

Narendra Goliya: Yes Marg software is done by our subsidiary company called ESL. Energy Solution Lab is the company and what it does, it puts a sensor in many parts of your company, wherever there is consumption.

And then that online data is collected, let me say, every one minute and beautiful charts are displayed what your consumption is in each part of your factory. With that, then you can devise methods to do saving, you can do comparison if you have different factories or different locations, you can do comparison.

So, it is a device by which you can conserve energy, especially now that the energy costs are rising so much and there's an energy shortage in Europe, we are able to help people to do energy efficiency analysis. So, that is the Marg software.

Management: Just to add a few more words on what Mr. Goliya elaborated now. So, Marg is nothing, but a SCADA software. It's like a backbone and it's a software division of our company. So, we have all these electronic measurement devices, whether they're power quality analyzers or whether they are devices to measure, temperature, humidity, etcetera.

So, these devices when you want to connect them with the rest of the plan, which we call as the internet of things. So, this software we will be sitting in the form of through in these devices which will connect to the main system of the company which is main operating system of the company or some ERP system like say SAP or something.

So, what we're essentially doing is we are measuring these parameters, whether they're electrical parameters or process parameters from our devices or third-party devices also and connect them to the industry or people who are responsible to run the companies like plant supervisor, plant maintenance person.

He will get a lot of analytics and maybe some triggers, what he has to do, or some of these inputs can be taken and given back to the other systems or other machines to kind of do a closed loop analysis.

So, this increases efficiencies in plants, both in productivity in terms of energy efficiency, and also gives more repeatability and feasibility and stability to the processes, etcetera. So, this is where the whole industry is going. If you look at electrical automation business in Europe, which has grown 32%.

So, this is because most of the companies, which are most of the factories are going for more and more automation. When they are going for more and more automation, these products are going to go. So, this was also one of the things which was discussed many times during this thing.

So, energy crisis has in a way helped companies to invest in capex to reduce their opex through all these things and in these markets we are very much there with all the product basket.

Arun Maroti: Thank you. That's all from my side.

Moderator: Thank you. Our next question is from the line of Mahesh Attal from Atal and Associates. Please go ahead.

Mahesh Attal: Sir, congratulations on great set of numbers, I would say. My first question would be, sir, you have said earlier that there is some R&D tie-up that you have done with one of the IITs. And what is that relating to, which segment that is relating to and just wanted to know that what is our average R&D spend of last 3 years and how much do you anticipate that would be in next three years?

Also, my second question would be, sir, what are those products that where we enjoy a kind of monopoly and what percentage of revenues come from that business?

Management: No, sir, last question again, just so that we answer to the point, just ask you last question again.

Mahesh Attal: Yes, sir, the question is that are there any products where we enjoy a kind of monopoly in the market and what percentage of revenues do they come from that product because I believe that because I was attending one of expos in Delhi in February.

So, I think there was some product lines in your company which enjoy kind of monopoly, which are I think buttons kind of thing. So, just wanted to know what percentage of revenues are coming from this particular line.

Management: Can I take that question, sir?

Management: Yes, please.

Management: Okay, so I will answer, let's try to answer part of your first question. First question you asked about the R&D spend. So, the R&D spend is 2.5% to 3% of our total revenues from the last 3 years and we will continue to have a similar spending in future so that innovation is part of our DNA and we will continue to do that.

And coming back to the IIT collaboration, which Mr. Goliya is doing as his philanthropic work because of his connection with IIT and this one. So, this is, it's a three-party arrangement which is there with Yuan Trust, which is a philanthropic and it's absolutely Mr. Narendra Goliya personal money which he is putting into that.

And IIT Jodhpur, where there is some commitment for building and sponsorship of professors scholarship, sponsorship for development in the field of green energy anything which is connected with the fundamental research in the green energy for generation, storage of green energy. As a lot of green energy is generated, the storage is going to be a challenge.

So, there's going to be a lot of projects which will be running. In fact, I would like to take opportunity for at this point of time, where while this is just started and we are trying to run some projects there, get the research students, etcetera. We also are interested in getting some of the companies who want to partner with those research teams and do that.

So, Rishabh as a company will be not financially committing to this thing but will be cooperating on the technology side because we are also in the field of green energy. So, this is more on the green energy side.

Coming back to your second question, which is about the monopoly. There is – unfortunately, there is no one single product where I would not use the word monopoly. I would use the word that we are very strong in some of the product segments. One is current transformers.

When it comes to medium not low voltage current transformers, we probably are the largest producer of number of current transformers and we do about in last year's numbers, I vaguely remember, out of 590 crores of turnover, we did about 50 crores to 60 crores coming only from this product segment, where we are one of the large two customers we can, two suppliers, we can say.

There is one company in Germany. They make lesser number of products than us, but their revenues are a little higher because per unit price is a little higher. So, that's one product where we can say we really have a very strong market position, but I don't think that in our product segment anybody has a kind of a monopoly.

Second product line which we have is analog panel meters. So, we are the largest producer of analog panel meters around the world. It involves a lot of mechanical movements and mechanical elements into that and entire Europe it is not feasible to manufacture those things. So, they are banking on manufacturing either from China or India and China also is going down on this manufacturing.

So, here we have an absolute number one position globally on the analog panel meters. We do about, I think about 40 crores, sorry Vishal can just confirm these numbers. We did about 40 crores, 45 crores of analog panel meters.

So, these two are really strong things and futuristically, power quality analyzers is another product group where we have really a strong position. We manufacture and design them both in India and Poland and we have a real strong position with this product segment also and Mr. Goliya can add more on this, whatever, if I missed something.

Narendra Goliya: So, this Rishabh Centre for innovation in Green Energy, this is an absolutely noble concept. IIT is going to do research in association with the industries to see that we prepare entrepreneurs for the next generation. In the sense, green energy may whatever new technology, India is becoming the capital of solar energy, all of you know the kind of developments which are happening.

So, not only that we have to do production, but we have to also do R&D and develop more efficient systems, as Dinesh was saying more efficient generation systems and more efficient storage systems. World is working, IIT Jodhpur is also working.

We are supporting them in terms of making, for example, just to give you an example, the rock as the source of energy, as a storage battery, a huge battery where you heat the whole rock to 700 degrees and keep it heated until you need the energy.

For such research, we are supporting both with manpower, with ideas, and also, as Dinesh said with funding from our CSR, which is the Iwan Foundation and hope that IIT Jodhpur, this is one of the new IITs.

I'm from IIT Bombay, Bombay also is doing well, but I'm hoping that these IITs will really come with some path-breaking research, which will create a dent in the world, and I really look forward to doing original research at these institutions, thank you.

Mahesh Attal: I applaud you for that, sir, and I hope for the same thing, like giving back thing also you make a thing in the company also giving back to shareholders also. So, that thing you just keep on. I can sense that it will be continuing.

Also, sir, just to add to one question, that is, how strong can you just say that East, West, North, South, let's divide India into four phases. How strong are you in the, I mean, where exactly do we see our strong points and where do you see that you entering?

Management: First of all, depends how do you divide India. See Western India you take MP or not, Rajasthan you keep it Western or Northern, but anyway we have divided India. Our strength is really number one is Western India. Number two is South and North, they are neck-to-neck. And East, for all companies, not only for us, but all electrical companies, East happens to be the weakest.

No new projects are coming, political systems are not the best. So, for us, the strongest is Western. Actually, Western and Northern I can say. But as I said Northern and Southern are going neck-to-neck and Eastern is the weakest.

Mahesh Attal: Also, sir analog panel meters, I was just reading somewhere that, I mean, there is large usage of digitized panel meters that are going to come into market that is going to be manufactured by one of the listed companies.

I was reading to their concall also, so just I mean trying to get an idea that do you see foresee the orders coming in to that analog panel because you are leaders there, you have a great market share, you would be more I mean efficient in terms of answering this question whether this technology as such would be having a 10 year or 20 year timeframe or not. Is it going to be there or is it going to phase out slowly is that kind of thing?

Dinesh Musalekar: Maybe I will try to attempt to answer your question. So, analog panel meter by technology itself, of course, it's a it's a older technology compared to digital meters and this phasing out of analog meters we have been hearing for last 20 years and it's not that it is not happening, but at the same time it is not going to be phased out totally. This is our strong feeling. I'll give you an analog which is exactly similar to what is happening.

So, the Casio first digital watches were invented maybe 20 years, 25 years ago, but still if there are 50 people on this call, if you look at your watches, we still use analog watches because we don't want to know the exact time, how many hours, how many minutes and how many seconds we just want to know approximately where it is.

So, exactly the same psychology works on the panels also when the panels are there electrical panels the operators they just want to see if it is in that range between you know 210 volt to 230 volt or it is almost 0 if it is working or not, so that thing still continues. So, that will always have a need of having this.

So, even on the cars also if the digital things came they went for a digital with the analog phase on that so we try to have that, but people who have been using the panels industry they still love them and you will not see any panels without some of these things still today. So, we do not know how long it will go away. That is one part of it.

Second part of it is also which I tried to answer earlier, that there has been a consolidation of suppliers is happening, because they were, suppose, they were -- so there is a small drop in say the volume of consumption of overall consumption of say analog panel meters, but the drop in manufacturers is much faster than that.

So, all those other supplier consolidation is happening with us. So, today we are the largest supplier of this and this is one part of it. Now, coming back to digital meters which you said digital meters is a very generic and a broad this thing.

So, a lot of people confuse meters with energy meters or there are also mid meters which we call as which are authorized meters to do the energy measurement within the buildings by and of course, it is approved and it is certified.

So, that is another thing. Then, you have got just meters to monitor simple parameters. Then, you have got meters which will be for analyzing power quality and more complex things like frequency, deep swells, and harmonics, etcetera. Then, you have meters to monitor something which is related to energy efficiency etcetera.

So, on the digital side we are growing and on the analog side this what example you are giving I'm not really able to get are you talking about this energy meters, some listed companies going with the energy meters I do not know, but we don't see absolutely any threat for either our digital meter segment which is growing continuously on the analog panel meters at least for next 10 years I would say I would say that we will be within this range of plus minus 5% of what we are having.

So, in fact, we have been growing few percentage every year in this analog panel meters it is not dropping for us.

Management: See what is happening is just to add to what Dinesh said there are many companies in the world who are closing down the analog panel either the production is not large enough or their quality is not competitive enough. People want one product and then they want for last 5 years, 7 years, 10 years.

So, from that point of view although I can agree with the premise that the market is not growing that is completely a correct statement. But whether we can grow, whether we can eat into the market share of our competitors is our competence, both in terms of quality of the product and competitiveness of the product and availability of the product.

So, we try to be better than the competition. Lot of European people are buying, so we white label many of our products. For them, there is one large customer we are eyeing, again in Europe, for whom we will become the supplier, but let us wait and watch until it happens. Thank you.

Moderator: Thank you. Sorry to interrupt. Mr. Mahesh Attal, may we request that you return to the question queue for follow-up questions, as there are several participants waiting for their turn. Thank you. Our next question is from the line of Kirthi Jain from Bandhan AMC. Please go ahead.

Kirthi Jain: Thanks a lot for the opportunity, sir. First of all, my best wishes on the successful listing of the company. My question is with regard to European profitability, what will be the path to improve the profitability there and can we achieve the overall profitability to increase to 20% plus level, sir, given that on a standalone basis, already we are doing more than 20% margin?

Management: Yes, so there are two businesses in Europe which you are talking about. One is the electrical business, Lumel SA, electronic business, which we call it as. So, there the profitability is the maximum in the group I would say. So, there is no problem with that and we'll continue to have that.

On the aluminium die casting side, the profitability I mean if we look at the adjusted EBITDA also taking out the high sub cost and high this contingency liability cost which we made for withholding tax, if we take that out also. So, we are at EBITDA level of around 13%. So, we have plans to get it to 18% as quickly as possible.

So, there are a few things which are challenging which we are working on them. So, one is that the energy cost has been a big challenge and we are trying to get the price corrections on account of energy with our customer. So, it is relatively easy to do it with the non-automotive customers which are more flexible.

When it comes to automotive customers, it's not that they are not flexible. They need more time because it's a whole supply chain where they have to have all these approvals coming from them. So, this is a work in progress which we'll be improving. So, energy cost is one part of it which we'll be addressing to do that.

And the second important thing is that we have recently launched about four, five very challenging and very futuristic projects which are into absolutely electrical cars. So, we have projects like with Mallian, with Valeo, we have engaged into some contracts which will be running for 5 years to 8 years, but these are like on-boarding, on-board charging etcetera.

These are so innovative that in the entire supply chain everybody is struggling. It is I'll give you an example it is like launching a rocket. So, these are all first-time products which nobody has experienced. We are doing them. So, there is a learning curve which is going on. There is some cost connected with that which is going on that's temporary.

Maybe it will last for one or two quarters maximum. And then once we start stabilizing these productions, which are a little stressful now, everything will be, okay. So short term we may have something, but in the long term, absolutely, we will be getting back to 18% to 20% EBITDA, which we have kind of committed.

Kirthi Jain: Sorry, sir, last time what you told, sir, 20% EBITDA, which you had...

Management: So, we will get back to around 18% EBITDA level in a longer midterm, I would say, in a year or one and a half year's time. So, one or two quarters may be stressed, we may be around 13%-15%, we will slowly develop it and bring it to that level. Normally third and fourth quarters are better for us in the aluminium die casting business.

Kirthi Jain: What is the utilization currently?

Management: Current utilization of capacity which I in the earlier part also addressed. So, we the overall utilization capacity for aluminium die casting currently is around 60% but one process, which is aluminium die casting itself because it has got aluminium die casting machining and surface treatment processes etcetera. So aluminium die casting area is utilized to about 80%. So, we are building a new production hall to extend it and once we do that, that's our 18 months project which we have and once we do that, then that also will fall back to around 50% utilization.

So, we will have scope to grow. So, this is the work in progress. On the electronic side in Poland, we have about 50% utilization of the plant. So, there is still, because we built it in 2020, the new plant. From the old location, we shifted to a new location. So, this has got enough capacity for the growth. No problems. On the electronic side, we have no problem with the growth or profits or capacity. On the die casting side, we are building more capacity and margins are a little bit stressed and we are working on that.

Kirthi Jain: So, sir, there will be customer additions also right, sir, in the Alucast division?

Management: Alucast division, what we do is, our portfolio is like this. We have about, I would say largely about 20 customer groups. So out of which about 10 are large customer groups. So, we want to limit not to have too many customers. There are reasons for that. One is economies of scale, then the kind of alloy you use. We use about five alloys in our plant and we don't want to add more alloys. And then for example, if I count one as a customer, for example, ABB has one customer for me, but we supply to their 12 plants in about eight countries. Then Endress Hauser is one customer for me. I supply to four plants in three countries and these entities can make independent decisions.

We can grow or de-grow with these separate entities. Likewise, same is the case with value and money. So, we supply to multiple. So, what we do is, we try to have about 10 big customers and about 10 moderate customers. For example, Siemens is a big customer, but our turnover with them is about INR10 crores compared to our turnover with say, ABB, which is almost about close to INR40 crores. So, Siemens I can improve and increase any time, if ABB goes down. So, we try to manage this portfolio from so many perspective and we want to grow at a rate of about 20% to 25%.

So, one is not just what is available in the market, also our capacity, how much we can grow, because manpower, management bandwidth and so many other things are also very critical. And around the world, there is a challenge of finding talent and adding more people. So is the case. It's more in Europe, actually. So, we moderate our growth to what we can really deliver with good quality and on time and also at a profitable business. So that's the kind of a philosophy with which we run.

We are not chasing everything and anything that is coming across our way. In fact, we are responding to only about 15%, 20% of the RFQs that we get here. So, customers find us. In Europe, we are one of the very well-known die casting company. It also may be very interesting to know during COVID year, we are the only company in Poland who was profitable. Two of them are up for sale and the rest of them made losses. So, that's how we try to manage our companies here.

Kirthi Jain: Okay. Sir, just one last question. Then with regard to inorganic opportunity, how close are we?

Management: Can you say the last part?

Kirthi Jain: Sir, you had highlighted during the opening remarks that we are closer for the inorganic opportunity. So how close are we?

Management: We don't want to speculate on that as Mr. Narendra Goliya said that on some, aluminium die casting, as well as electronics, we are engaged with some companies. So, there are some work which is going on. We don't want to really speculate because until they happen, they don't happen. So, we, you may hear something in one or two quarters time, but we are working on them and we really don't want to speculate on this and you will be the first one to know if it happens.

Kirthi Jain: Definitely. My best wishes for a great year ahead. Thank you very much.

Moderator: Thank you. Our next question is from the line of Shivnil Giri from Centrum PMS. Please go ahead.

Shivnil Giri: Hi. So, my question was related to the acquisition that you were talking about. So, is that in the aluminium die casting itself or some other segment?

Management: We are looking at both, aluminium as well as electrical side also. See, generally aluminium die casting people want to have a supplier base. If you want to be a global supplier, you want to have a supplier base in Europe, Asia and America. So, we are an Indian company, so obviously we'll be looking at India as a base for die casting next one.

And then later we can look at America as a either establish a supply chain or look at some Greenfield or brownfield there. So that's subsequent. So, it will be more looking into Asia, particularly in India for die casting side. And the electronic side, we are looking at both India as well as in Europe. And USA also we are looking at actually.

Shivnil Giri: All right, and in North America, US you are looking for aluminium die casting?

Management: It's not in our…

Shivnil Giri: [inaudible 0:57:33] acquisition that you will condition this?

Management: Yes. Maybe we will put them in a five years strategy. In the current five years strategy, we are looking at Asia, particularly India now. And that may come in the strategy which may develop post 2025. So, we have a strategy for 2025, what we want to achieve. And that will be subsequent to that, not before. America, we are not looking at now.

Shivnil Giri: Okay.

Management: America, what he said is we may have a supply chain. We manufacture in India and Poland and but these are all strategies, let us form up and we'll really share with you, once we are close to deciding something.

Shivnil Giri: Okay, all right, thank you.

Moderator: Thank you. Our next question is from the line of Deepa Agarwal from Niveshaay Investment Advisors. Please go ahead.

Deepa Agarwal: Hello. My question is, are the production lines fungible? Like any of our production lines fungible?

Management: Yes, absolutely. So, Mr. Goliya tried to address this in one of the questions earlier. So, if you look at, let me talk about electronic business. Electronics business we have SMT line, Surface Mount Technology. So, this is a line where all these green-colored PCBs which we call as on which the components are put and manufactured. So, these are absolutely fungible. Any product that we have in our basket are going through the same one.

So, we have got two SMT lines in India, two SMT lines in Poland, third one is going to be available in October, by end of October in Poland and we have got plans to put one or two more in this one. So, these are absolutely fungible. We can make all our product range into that. That's one. Second one is plastic injection moulding, which we have. So, the housings which are made for all these electronic devices, we manufacture them ourselves. All of them can be manufactured on all those machines, so that is absolutely fungible.

When it comes to aluminium die casting also, we have got machines ranging from 400 tons to 1,050 tons closing capacity. We manufacture our own moulds. The whole mould design is fungible. We can manufacture whatever mould we want and then we can manufacture whatever products we want on that. CNC machines, again the same story goes with all of that.

Maybe 1% of some test devices or some leak test or something can be dedicated for some project for which we normally sell those assets. We build those assets and they are part of the project cost. So, all our resources we want to keep it that way, so that we have a lot of flexibility and no too much dependence on our customers. I hope I answered your question.

Management: Yes, only there is some calibration equipment in the electronics which is not as fungible, but even that can be, you know, as Dinesh said, spending a little money, even that can be made fungible. Other than that, SMT, moulding, punching, everything is fungible. Thanks.

Deepa Agarwal: Okay. I have one more question. What is our ideal ratio of export versus domestic like What do we look at our ideal ratio to be?

Management: I mean there is nothing like ideal. Normally 50-50 is a good number. But I think I mentioned that exports gives us a little better margin. So, we would always want the exports to be larger. But other way around, we are an Indian company. you know, this is your home base, you have a market here, you have a brand name, you have a recognition. So, 50-50 is the ideal number. Last quarter it was 55-45. It keeps on varying, but it's always around the 50-50 mark, you know.

Deepa Agarwal: Okay. And one more question, like how is the die casting the market of India? So, we manufacture in Poland. So, like, how do you address the Indian market?

Management: That's what we said, we are looking at acquiring aluminium die casting plants in India. Indian market is also, you see, this is all related to automobiles, one side and one side to automation. Both these markets are growing in India. India, we already produce about 3.6, 3.8 million cars a year. Europe produces about 9 million cars. So compared to that, our market is smaller. But we have one unified market. In India, if you make it in Nasik, you can sell it all over. Europe you still have France, Italy, Germany and Poland.

So, to that extent, I would say Indian market is large. It is growing very well. The rate of growth of automobile industry in India is far higher than the rate of growth of the automobile industry in Europe. So, from that point of view, and we mentioned in one of our this thing, we make a lot of compressor parts, which are both for EV and non-EV vehicles. And that is another specialty of Lumel or let's say of our group. And when we come in India, we will also build that strength from where it is presently.

Deepa Agarwal: All right. Thank you.

Management: Thanks.

Management: Okay. Just a second. Just a second.

Moderator: Thank you.

Management: Mr. Dinesh is not able to hear the call. Can you please reconnect him?

Moderator: Yes, I'll do that, certainly. Our next question is from the line of Alisha Mahawla from Envision Capital. Please go ahead.

Alisha Mahawla: Hi, sir. Good afternoon. A couple of questions. One, we are targeting for 20%, 25% growth. Just wanted to understand, you know, will it be equal between India and the Lumel business and like it was in Q1 or are we expecting some segment in the near term or in the medium term to grow at a faster pace based on the demand that we are currently seeing?

Management: As we see today, both are growing very well. I said in one of my earlier discussions with some of you that it's a very healthy competition who grows more. But even the first quarter and the second quarter, both growths have been very, very similar. So, we don't see any much difference happening. Console level, Rishabh level and LSA, for example, we console level we grew 38, Rishabh, this is the first six months I am talking now, the first three months. So first three months, where is the first six months. So first six months also we have.

Management: We will grow around 28%.

Management: Yes. So first six months also LSA and Lumel Alucast, both the aluminium businesses have grown at 28%, Rishabh has grown at about 31%, 32%. So, they are similar growth numbers and I don't think we want to moderate it. These are natural numbers which come out. You know, all salespeople, all R&D people do their best and the numbers are what comes as a consequence rather than something which we want or we don't want.

Alisha Mahawla: No, I just wanted to understand that based on the demand, the addressable market, the efforts that we're making, not for the very next quarter, but say in two to three years, because we're talking this 20% 25% growth to continue for the next couple of years. How will the mix between India and Lumel be, or between India, S.A. Lumel and Alucast be?

Management: I don't think it will be much different, even two to three years, even if you see the projections which you had given at the time of DRHP filing they are similar projections. One minute I will tell you the exact numbers by looking at the charts. So similar the answer is that both Lumel and the India business will grow at similar rates.

Management: 20 to 21

Alisha Mahawla: Okay, sure. And this new capacity that you are adding, like you were mentioning, the new building and some de-bottlenecking, is that all for the India business? The capex that we are talking of doing?

Management: Yes, it will be for the India location, but as I said, 50% is export, 50% is domestic. So, when we add capacity, similar capacity is added for export and domestic, but the location of the facility is not secure.

Management: I was disconnected for some time, so I'm back now. Thank you.

Alisha Mahawla: Okay, great. Just one last clarification. We were mentioning to an earlier participant the 18% EBITDA margin. This is the adjusted EBITDA margin that we're talking of, right?

Management: Yes, that's correct.

Alisha Mahawla: And then we were saying that next one, two quarter margins will be 13% to 15%. Is this for Alucast or we're saying for the business as a whole?

Management: Only for Alucast. Only for Alucast.

Management: This was only for Alucast. Overall EBITDAs should remain at this level or improve at the consolidated level.

Alisha Mahawla: Okay. And then over the next couple of years we're expecting Alucast margins also to come up to company level. And what will drive that?

Management: Yes, that's right.

Alisha Mahawla: What will drive this expansion in margins for Alucast?

Management: Yes, yes, we spoke about that. Currently, you know, the aluminium die casting margins also historically were between the range of 15% to 20%. Quarter or year by year they would have been a little different. So, the margin hit came on account of two factors. One major factor is energy cost. So, the energy cost went up and we are going back to the customers to do the energy indexation and correcting the prices according to rising energy costs. So that we have been able to do with the non-automotive customers to some extent. With automotive customers we are still trying to do that and it's going to take some time. We are all very positively engaged with that. This is going to change. This is one factor.

Second factor is also the product mix. So, we have launched some automotive segment, electrical vehicle projects, which are absolutely new and industry doesn't have experience on them. So, in the whole supply chain, whether it is us or our Tier 2 manufacturers or the Tier 1, all of us are going through this process of learning. So, the efficiencies are not very high, there are higher strike ratios on these projects. So, this is going on and this is typical for a new project and particularly if the project is so new that it is almost innovative new thing so it is some learning cost which is going on there. So, this will eventually disappear in few quarters. That's the second factor which will change that.

And also, there is been a higher inflation rate and higher cost of employees in Europe, which is true for both aluminium die casting as well as electrical business. Electrical business, this is our product, our design, and we are able to drive the selling price on our own, which is much easier. When it comes to aluminium die casting, it's a, you know, like we are OEM manufacturer for our supplier. So, it is a longer stressed process and we are going through that and we'll be successful but it's going to take some time. So that's these are the reasons why we said that we'll get back to those level of EBITDAs.

Alisha Mahawla: Okay, answer great. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question of our question-and-answer session. I would now like to hand the conference over to Ms. Bhoomika Nair from DAM Capital Advisors Limited for closing comments. Over to you, ma'am.

Bhoomika Nair: Yes. Thank you everyone and particularly the management for giving us an opportunity to host the call. Sir, any closing comments from your side? Anything you would like to conclude with?

Management: Yes, a few words that first of all, I would like to, this is, see for us, this is the first quarterly review, first time we went to the market, first time we are doing the quarterly review. We don't know how we did, we did good, or we did average, or we did bad. We don't know. We'll be happy to hear some feedback so that we can be making these interactions more meaningful. That's one.

Second thing is obviously we are thankful for the trust that the investors have shown in our company and we will try to live up to the expectations and we are a kind of company which want to be transparent, commit what is good as well as tell you what is good and tell what is not so good very honestly as transparently as possible because we believe in our investors having a mid-term to long-term relation with us. So, and -- we can say thank you to everybody and I would like Mr. Goliya to say the final words on behalf of us.

Narendra Goliya: Yes, sure. So, as he said, thank you very much for trusting us. We are a company which has grown in the last 35 years. We hope to keep the growth rate. We try our best to increase our growth rate. But I also tell all of us honestly and to ourselves that growth is not something only in numbers. We have to make sure everything else, your people, your systems, your physical infrastructure, all of them grow. So, we try to manage everything nicely so that we are a good, stable organization. Keep growing your numbers.

We have the resource to invest when it comes not only in the physical infrastructure, but also in R&D. R&D has been our strength. That is how we can keep our growth rate and we will continue to do our best, our whole team is there. Vishal is with me, he is also happy to commit to these numbers and of course, you have to be patient to see the numbers to believe in us. Thank you very much everybody.

Vishal Kulkarni: Thank you.

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