



ROLEX RINGS LIMITED

[CIN: L28910GJ2003PLC041991]

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Ref. RolexRings/Reg30/AnalystMeeting/Feb2024/1

February 07, 2024

To,
Corporate Relationship Department,
BSE Limited,
Phiroze JeeJeebhoy Towers, Dalal Street,
Mumbai-400001

To
National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Script Code: 543325

Script Symbol: ROLEXRINGS

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, we wish to inform you that the company participated in Investor/Analyst Call as given below:

Date	Type of Meeting/Event	Location
February 05, 2024	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for 3QFY24	Zoom Meeting (Virtual)

No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.

However, as a matter of better compliance & investors' services, the Transcripts of the said Analyst Call is attached herewith, for reference & record please.

Please take the same on your records

Thanking You,

Yours faithfully
For Rolex Rings Limited

Hardik Dhimantbhai Gandhi
Company Secretary and Compliance Officer
{Membership No. A39931}

Rolex Rings Q3FY24 Results Call Transcript

Moderator (00:34): Hi, good afternoon, everyone. On behalf of Equirus Securities, I welcome you all to the 3QFY24 Earnings Conference Call of Rolex Rings Limited. From the management side, we have today with us Mr. Manesh Madeka, Chairman and Managing Director, Mr. Mihir Madeka, Full-time Director, and Mr. Hiren Doshi, Chief Financial Officer. We'll first have a brief opening remark from the management, post which we'll have a Q&A session. Over to you, Hiren sir, for your opening remarks.

Mr. Hiren Doshi, Chief Financial Officer (01:03): Thank you, team Equirus. On behalf of Rolex Rings, I welcome all of you. We are very much thankful for your sparing your valuable time, for getting updates on the quarterly call of Q3, as well as nine months for this current fiscal. Before taking you through to the numbers and operations, I would like to highlight, I would like to broad certain things into your notice that this particular quarter 3 in FY24, it was a bit soft quarter for us. And what we can say, it's kind of more a blip in our growth journey. We face certain challenges in context to the bearing ring business, particularly in the domestic area. I would like to tell you that overall, the decline on the top line in terms of revenue from operations is almost 15% compared to Q2 of FY24. Wherein, please note that 12% reduction out of that 15% is mainly or rather it is from the domestic ring business only. Again, I would like to inform you that out of this 12%, even 11% is due to the one large domestic customers who had lifted or rather who took deliveries in Q2 on a very high level. And because of inventory pileup and their slower execution at their customer end, etc., they have lifted a very lower amount or very lower quantum in this particular quarter. Apart from that, because of as you all are aware that this Red Sea crisis, Red Sea impact has a bit in revenue recognition as far as our quarterly numbers are concerned. But if this will continue, then it may result in some kind of higher freight cost and incremental inventory level in terms of transit, in terms of warehousing, and so on. But we expect that it may not, while talking to the shipping lines and this thing, they are a bit having some positive note that there would not be much of the disturbance. And maybe in a month or so, this can be regularized or this can come back to the previous level. Another good news, what I would like to inform that in our export business, that is mainly in US and Europe, we particularly from the new customer, the new program, what has been awarded to us, they have started quite positively and they have started lifting components. And again, they have given some indications that it will ramp up further in the coming quarters. So, that is a good sign in terms of auto components business, as well as one of the main customers who is based at USA, what they have indicated before a couple of quarters. Now, they have already started lifting, they have already, what you say, reach at the annualized sales run rate, which is almost double compared to previous year. And again, that customer, US customer who has already offered certain programs for their European plants, those have also been started in this particular Q3 of FY24. So, quarter 3 of FY24, we had a good turnaround or we were there at the pre-level of this auto component business. No doubt, there are some kinds of bearing ring, again, reduction or decline at US level, but we expect that also to be normalized within a couple of quarters. With these remarks, I would like to take you through the numbers. Quarter 3 of FY24, we have recorded 273 crores as the revenue from operations, which was 321 crores in Q2, and which was 307 crore corresponding quarter of FY23. In terms of EBITDA, we were able to achieve 20.6% compared to 20% in Q2. Here, again, apart from this reduction and certain revenue recognition, because of lower utilization operation, here the impact is the absorption of my fixed cost. The rest of the things are very much normal. So, once we will be having these kinds of numbers, what we had in the range of Q1, Q2, we will definitely come back or we will reach to our EBITDA average, which was more than 22.5%, 22% and 23%. In terms of PBT, we had 500 million, 50 crores in Q3, which was 63 crore in Q2. Again, the same impact is there in PAT, which was 370 in Q3 and 470 in Q2. In terms of segment business, again, bearing ring

business is 56%, auto components 44%, which majorly contributes from the overseas market. From overseas and domestic perspective, we had exports of 55% vis a vis 45% in domestic. As I was mentioning that we had certain headwinds in Indian bearing ring markets, and it is again, we expect maybe from the first quarter of next fiscal, it may reach or it may regain the level that we had. Further, we would like to inform that the solar plant, what we were in the process of installation, it has already been installed, which was of 11.5 megawatt. Earlier, end of last fiscal, we installed 4 megawatts. All put together, today, we have a solar megawatt capacity of 17.08 megawatt, including rooftop solar at our plants. We will be getting this benefit, significantly benefit of this 11.5 megawatt in the next fiscal, or from the start of April 24 onwards. In terms of business or operations bifurcation, in looking into the application of the products and the industries, 40% of our revenue comes from the passenger vehicle segment, 21%, it was there in industrial, commercial and heavy vehicle, it was 29%. And again, in EV, as I was mentioning that we are getting good response in US and the European customers have also started. So, EV volume has also been increased in this current year, which is reaching to somewhere about 10% of my overall revenue. Total revenue from the operations for this nine month, it was 905 crore, which was 1179 crore for the FY23. In this 905 crore of this nine months numbers, 470 crores that is from export business and 435 crore is from domestic business. In terms of EBITDA, as I was mentioning, in terms of rupees, it was 201 crore almost, which is 22% for this nine months number, which was 23.4% in last fiscal. Again, PBT-PAT, it is 132 crore, PAT in this nine months number, 178 crore PBT is there in nine months of fiscal 24. It was 243 crore, that is mainly because of certain reversal of deferred tax credit and 198 crore PAT, which was 132 crore in this nine months. As I mentioned that because of the lower utilization of capacity or the scale of economy, particularly in this quarter has impacted our margin because of the fixed cost absorption. Operating cash flow, again, companies having good operating cash flow for this first half, it was somewhere about 90 odd crore, out of which company incurs CAPEX to the extent of 40 crore, that includes certain equipments, a couple of small forging lines, as well as solar CAPEX, which was pending or which was there in the FY24. Net debt, as already informed earlier, that company is a negative net debt company. Company do not have single rupee liability in terms of working capital, as well as long term. Company is maintaining or having cash surpluses as on date. The return on equity, it is 27% in last fiscal. In this fiscal, it is somewhere about, we expect to be in the range of 25 to 27%. These are the detailed numbers of operations, which we have communicated, which we have uploaded, and certain balance sheet numbers for this nine months, as well as for the previous fiscals. Thank you very much for your patience hearing. Now, I request team Equirus to open the session for Q&A.

Moderator (12:00): We'll have a question-and-answer session now. Anyone who wishes to ask a question, can use the raise your hand option. Once you're done asking your question, please use the lower your hand option. We'll wait for a couple of minutes for the question queue to assemble. We have our first question from Garvit, please unmute your line and ask.

Mr. Garvit (12:25): Hello, am I audible?

Mr. Hiren Doshi, Chief Financial Officer (12:28): Yes.

Mr. Garvit (12:29): Good afternoon, sir. My first question is on your India business, like you mentioned, India business is facing headwinds. So, can you elaborate the same like, what is the exact issue which your customers are facing? Because if I look at the India's manufacturing sector numbers, those numbers are telling a different story. Plus, you said, domestic business is facing headwinds. But if I look at the export number also for this quarter, so those are equally down in the absolute terms vis-a-vis domestic numbers. So, can you put some colour on that?

Mr. Hiren Doshi, Chief Financial Officer (13:00): Yeah, sure. See, I already informed you that in Q3, definitely the numbers for the overseas as well as domestic, it has gone down. I already informed you that in a domestic market, particularly one customer out of my total drop, it was 75% drop is there in the domestic market. And out of that 75%, you can say 90%, that is 11% of my 15% drop, it is only from one customer, which had an inventory pileup issue. And as I was mentioning that, particularly in the second quarter, they have gone to or rather they have lifted almost two and a half times on a monthly average what they were there in Q1 also. So, now, that has been reduced or that got impacted in our domestic bearing ring business. No doubt, the other players or rather my customers, down the line, their customers are having good numbers are coming out with the good results. But my customers, again, this inventory pileup issue and lower production level has impacted me. In exports also, I told that in the particularly bearing ring business, I had some headwinds from the US. But apart from that, in auto component business, it is stagnant. And in the Europe side, which was very negligible, it has started ramping as far as auto component business is concerned.

Mr. Garvit (14:45): You mentioned there are some headwinds in the export side also for the bearing segment. So, can you put some color like some more details, what kind of headwinds are there and for how much time do we expect them to continue?

Mr. Hiren Doshi, Chief Financial Officer (15:00): See, one of the customer in US, they are shifting their facilities to Mexico. So, in this quarter, what we had in Q2, it was almost 60% what they have lifted in this quarter, because they are into migration, they are into shifting their facility of Mexico. Even I would like to tell you that out of this drop, maybe 10 odd percentage from already started in this current quarter from in the month of January from Mexico plant also. So, it was a temporary dip over there. Apart from that, there is another very big customer who procures bearing rings for the automotive business. They have some slowdown from their overseas or rather from their OEM and the, what you say, passenger vehicle segment in US market that has impacted in Q3 also. So, couple of these developments has impacted bearing ring business in US for this quarter.

Mr. Garvit (16:12): Understood. So, considering all these headwinds, like earlier you were quite hopeful of achieving 12% growth in FY24. But if I look at the nine months number plus coupled with those headwinds that are expected to continue for next at least two quarters. So, are you still looking for the same guidance or will you slightly consider a downward estimate?

Mr. Hiren Doshi, Chief Financial Officer (16:31): See, I'm not looking the same headwinds for the coming two quarters. But I am expecting no doubt, we were stated certain numbers in the initial quarter. It was not any kind of what you say, wrongly passed on numbers or something. It is the market something what we didn't expect to reduce in this way. And even the guidance what we are getting from our customer as of now, they are still indicated that this quarter is bit slow compared to other quarters. But from the very, first quarter from FY25, it will go up and you will be regaining the level in the first half of FY25. In terms of my guidance for the Q4 or FY25, Q4 definitely we would be in the average of H1 of this fiscal or maybe an average of Q1 and Q2. In terms of FY25, we are very much hopeful this end of FY24 numbers will be having growth in the range of 15% to 18%. But again, any kind of further disturbances as I was mentioning in Red Sea crisis or maybe at the customer level, that may impact. But this is the message what we are conveying on the guidance, on the expectation, on the envisagement of our customers. But we are very much hopeful for the new customer who have started and who have promised or rather who have indicated to increase their level in the coming quarters and it would be ramp up. And that is at multiple plant of that customer.

Mr. Garvit (18:29): What is the monthly order?

Mr. Hiren Doshi, Chief Financial Officer (18:33): As of now, it is in the range of 110 to 115 crore.

Mr. Garvit (18:41): I think it is falling for the last two quarters, right? I think earlier it was 120, then 110, then in the range of 110 to 115. So, is there any specific reason for it?

Mr. Hiren Doshi, Chief Financial Officer (18:49): Oh no, there is no specific reason. This is some kind of deviation even in the forecasting of my customers.

Mr. Garvit (18:59): So, is it likely to increase in the upcoming quarters?

Mr. Hiren Doshi, Chief Financial Officer (19:03): Definitely, it would be increasing in the next fiscal.

Mr. Garvit (19:07): And sir, you mentioned Red Sea impact. So, are you people witnessing any kind of difficulties in passing on the extra freed coast?

Mr. Hiren Doshi, Chief Financial Officer (19:14): Till date, it is not that significant. And again, Red Sea impact will more give me some adverse impact in terms of warehousing, in terms of inventory transit. Because 50% of my overseas business is there in the CIF or DDP business. Rest of them are on FOB business. But as far as transit and the revenue recognition, what we have. So, there we may have, as of now, till date, it's not significant.

Mr. Garvit (19:54): 50% is CIF, so that means it is a significant percentage, no?

Mr. Hiren Doshi, Chief Financial Officer (19:57): Yes, yes.

Mr. Garvit (20:00): That means it is going to impact our margins.

Mr. Hiren Doshi, Chief Financial Officer (20:04): But definitely, as in past also, we had a quite severe situation like this, wherein my customer has supported, whosoever is having CIF terms. And same, we have started with our customer, interacting with our customers, and they are positively reverting. Because it is, this is something which is abnormal, and it is for their old sources, or rather old sourcing from the Asian market.

Mr. Garvit (20:29): And sir, one last question.

Moderator (20:30): Could you please join back to the queue?

Mr. Garvit (20:33): Okay, okay.

Moderator (20:35): We have our next question from Sonal Singh. Please unmute the line and ask your question. Hello?

Mr. Sonal (20:48): Hi, can you hear me now?

Moderator (20:50): Yeah.

Mr. Sonal (20:51): So, thanks for taking my question. Good afternoon. Sir, could you give us the details of the scrap sales and other operating income for the quarter?

Mr. Hiren Doshi, Chief Financial Officer (21:01): Okay. Let me bifurcate this 273-crore operations revenue. In that 249 crore is from my rings and components. Almost 20 crores, it is there from the scraps. 4 odd crore is from my export incentives. And other income, which is mainly consisting my interest income from the fixed deposits and certain short-term investment, which is somewhere about, apart from forex gain, it is somewhere about 1.5 crore, 15 million. And forex gain is to the extent of 2.5 million. 2.5, 25 million, sorry.

Mr. Sonal (21:52): But that is included in the other income line item, right?

Mr. Hiren Doshi, Chief Financial Officer (21:56): Yeah, yeah. Other income. I have given you even the bifurcation of other income. All put together, my quarterly other income is somewhere about 45 million. There the breakup is this.

Mr. Sonal (22:09): Got it. Thanks for that. The other thing I just wanted to understand was around this, I mean, how much is Europe of your revenues now? Because I mean, like, it's been declining for a long time. And I think we still (overlapping 22:23).

Moderator (22:24): Yes, yes. It was declining till, this one, till Q1, Q2. And it has been improved in from the Q2 also. And today at the end of this nine months, let me tell you, for this nine-month period, it is crossing 15.5% of my overall component revenue.

Mr. Sonal (22:49): So,

Mr. Hiren Doshi, Chief Financial Officer (22:51): Which was lower on the earlier quarters.

Mr. Sonal (22:54): Got it. So, we are seeing that for Europe, things are bottoming out now or you will still wait and watch?

Mr. Hiren Doshi, Chief Financial Officer (23:03): No, it's not bottoming out, but we are getting some positive results. See, it is definitely my existing business is on the same level what we had. There is no much improvement or rather not this thing. But mainly the growth what we have seen is from the new customers, even in the Europe market. I was mentioning that one of the main customer in USA, they have given us certain programs for the European plants and that those have started and further it will be ramped up in the coming quarters.

Mr. Sonal (23:36): Okay. Okay. So, and I mean, like, so overall, what is I mean, like, on a full year basis, how do we see things? Because Q2, right, like you would Q2, you would indicate there was this exceptional business from one customer. Now, obviously, in Q3, that exceptional business has gone out. And that is sort of why we have seen a sharp drop in Q3. So, I'm just wondering, like on a normalized run rate basis, how do we look at this?

Mr. Hiren Doshi, Chief Financial Officer (24:09): For the Q4, it would be in the average of Q1 and Q2.

Mr. Sonal (24:14): So, even if that customer doesn't come back, or you expect them to come back?

Mr. Hiren Doshi, Chief Financial Officer (24:20): We expect them to come back maybe in the February onwards. But again, the business from the overseas, we are expecting something ramp up.

Mr. Sonal (24:33): So, exports from here should see some improvement is what you're saying?

Mr. Hiren Doshi, Chief Financial Officer (24:37): In the auto component segment business, definitely, it has improved. In US, we had, as I was mentioning that dip at the couple of customer level, one customer who is mainly there into automotive segments, and another customer who has or rather who is in the process of shifting, migrating their plant to Mexico, or certain facilities to Mexico. So, they have hold or rather they have just deferred their supply. And maybe next quarter onwards, we would be full-fledged supplying to their Mexico plants.

Mr. Sonal (25:12): Okay. And this last thing, I mean, like this FY25 expectation of 15 to 18% growth, is that driven by the new products or this there's some recovery you're factoring in for existing?

Mr. Hiren Doshi, Chief Financial Officer (25:31): No, definitely, mainly from the new product, new customers. And even we expect some kind of recovery from my existing business also.

Mr. Sonal (25:44): Good. Great.

Mr. Hiren Doshi, Chief Financial Officer (25:45): But anything beyond our expectation in the domestic regaining, if it is quick, then definitely this number may go up. Vis a vis, as well as, even some kind of disturbances in geopolitical or in certain scenario, maybe we are not expecting any kind of turnaround in the existing business.

Mr. Sonal (26:10): Got it. Great. Thank you so much.

Moderator (26:15): We have a next question from Jason. Please unmute your line, ask your question.

Mr. Jason (26:24): I'm audible.

Mr. Hiren Doshi, Chief Financial Officer (26:27): Yeah.

Mr. Jason (26:28): Yes, yes. Thanks for taking my question, sir. So, just wanted to understand, of course, a lot of questions. Also, auto component business is more exposed to the export side, and bearing rings equally distributed between domestic and exports. Just wanted to know what is your outlook for both these segments? If you could give us, in terms of exports and domestic?

Mr. Hiren Doshi, Chief Financial Officer (26:55): Definitely, whosoever the players or peers are there in this business, they are looking better auto component market. And for us, Rolex, we have some very good potential or rather the market which are yet to be addressed in the European segment, particularly for auto component business. So, but at the same time, we are expecting, the bearing ring business also, which is temporarily been affected. Again, it will be coming or rather getting back to their level in the overseas as well as domestic both. Because in domestic, as I was mentioning, majorly the issue is of inventory pileup and these things, which I think because of the OEM and the last OEM production numbers are increasing, and they are hopeful or expecting better, again, increased number in the Q4. So, obviously, the inventory at my customer end will be consumed and we'll be getting the, repeating this thing.

Mr. Jason (28:00): Yeah, sure, sir. And so, I just wanted to know, I mean, you have faced some domestic slowdown in the bearing sector, but, especially in terms... (Network issue)

Mr. Hiren Doshi, Chief Financial Officer (28:14): Hello?

Mr. Jason (28:16): Hello?

Mr. Hiren Doshi, Chief Financial Officer (28:17): Yeah, you were not audible. Can you please come again?

Mr. Jason (28:19): Yes, yes, sir. So, am I audible now?

Mr. Hiren Doshi, Chief Financial Officer (28:22): Yes.

Mr. Jason (28:24): So, sir, I was saying that, in terms of the domestic market, whenever your customers are the biggies of the bearing segment, they have big plans for the bearing side, in terms of localization and other big capexes, expected from them. So, in that perspective also, I believe, from a medium-term perspective, your demand should be good, right?

Mr. Hiren Doshi, Chief Financial Officer (28:50): We expect it to be good. See, as far as one of my customers who are going to start a new plant and, but they have indicated that it would be operationalized or maybe in 26 or so, or we can say still in this, after almost a year of their acquisition, they are into a very primary stage. They are about to decide the range they are going to produce at that particular plant. That is one. In terms of the industrial segment or maybe import substitute kind of thing, one of our customers are actively increasing their level, but the pace what we have expected, even the customer what they have expected, it is bit reduced or rather having a lower growth in that particular level. But again, in the, maybe down the line three, four months or in the next fiscal, they are expecting to have this growth in industrial numbers, as well as some kind of alternative manufacturing of, and divert into the forging route or forging route.

Mr. Jason (30:06): Okay. So, you're saying medium-term growth is good, but the pace of reduction or execution has reduced to some extent.

Mr. Hiren Doshi, Chief Financial Officer (30:13): Yes.

Mr. Jason (30:14): From the varying customers. Sure. And sir, in terms of auto components, you have spoken about that it's, you've seen a good healthy outlook and your customers being Allison, GM, Jetpack, I mean, we make precision, high precision components for them. So, in that, in terms of your customers, what is the response and how is the customer inquiry pipeline working on that front?

Mr. Hiren Doshi, Chief Financial Officer (30:36): See, let me tell you, even in the domestic market, a couple of customers, what we have started in this fiscal aggressively and in the auto component segment, and whatever they have indicated or rather they are at the somewhere about 70% of their peak level and it is being continued. So, as far as domestic market is concerned, we are not bit worried for the auto components. And again, we are in dialogues with a couple of other domestic customers who are into auto component business, but that may take six to nine months down the line. As far as overseas business is concerned, particularly in Europe, we are getting or rather the lifting has been started as far as auto component business is concerned, ramp up would be down the line six months and we will be expecting overall numbers. What I have indicated in the range of 15 to 18% in overall business, where the maximum chunk or maybe the auto component business might be increasing in overseas market more than 20%.

Mr. Jason (31:48): Okay sir. (Overlapping 31:50)

Moderator (31:51): Jason could you join back in the queue.

Mr. Jason (31:53): Yeah sure.

Moderator (31:54): We have our next question from Saif, please unmute your line and ask your question.

Mr. Saif (31:59): Yeah, thanks for the opportunity. So, first question is on the revenue recognition, I wanted to understand how is the revenue recognition policy, so we have in terms of exports. So, exports would be into two parts, right, CIF and FOB. So, when do we book revenues in each of these two cases? And given the Red Sea impact started towards the end of December, so is there some revenue recognition which got postponed to January?

Mr. Hiren Doshi, Chief Financial Officer (32:26): Yeah, see the revenue recognition as we have to follow the Indian accounting standards, and as per the standards, as far as CIF is concerned, once the goods received at the customer end or at the warehouse, depending on our terms with the

customer, with the few customers, I do have terms whenever they are going to lift from the warehouse, it is the exit point of my revenue recognition. But as far as our financial numbers are concerned, as we have already export, so it has been booked in the revenue, but it would be considered as a sales in transit. Particularly in Q3, there is an impact of somewhere about 14 crores compared to previous quarter. Previous quarter it has said, I'll give you a ballpark number, somewhere about 104 crore was my sales in transit. And in this end of December or other Q3, it was 118 crores. So, 118 crore revenue of this quarter is being postponed to Q4, that is in January, whereas 104 crore revenue added of September quarter into this quarter. So, net-net I had an impact of 14 crore rupees of my dispatches, which is being considered or postponed to the Q4 of FY24.

Mr. Saif (33:53): Okay. So, just in terms of Q4 guidance, when we talked about the guidance given for Q4, which would be Q1, Q2 average, so we should look this impact of 14 crores of postponement over and above that or you're considering that also?

Mr. Hiren Doshi, Chief Financial Officer (34:07): See, as of now, I am assuming that whatever the level of sales in transit as on 31st December, it would be there in 31st of March. That is what I'm expecting. Now, as you know, that 14 crore revenue would be added in Q4 of FY24. Now, if I have quite better numbers in FY24, say, for example, I'm again giving a ballpark number, say, if I dispatch is somewhere about 330 crore rupees of revenue, then maybe the last 45 days revenue, which might be say, 125 crores, then so 125 crore would be reduced from my Q4 revenue and 114 crore to be added. So, maybe 9-10 crore impact again, it would be there. But what I am giving you on my, you know, this one, declared numbers, it would be in the range of Q1, Q2, or averaging of first half, something like that. A reporting number would be expecting. Yes.

Mr. Saif (35:10): That's it. Just the second question from my end is on the inventory pileup issue, we talked about one particular customer. In the previous question, you just talked about you expect in 3Q it to come back. So, are we expecting it to come back to 2Q levels or 2Q was very high level, which is not achievable again?

Mr. Hiren Doshi, Chief Financial Officer (35:27): No, definitely not 2Q, 2 levels, it would be in the range of Q1.

Mr. Saif (35:34): Okay. Done. Thanks Hiren.

Mr. Hiren Doshi, Chief Financial Officer (35:36): Okay, thank you.

Moderator (35:38): We have our next question. So, Mr. Khush, please unmute your line and ask your question.

Mr. Khush (35:51): Hello, am I audible?

Mr. Hiren Doshi, Chief Financial Officer (35:53): Yes.

Mr. Khush (35:54): Yeah, thank you for the opportunity, sir. So, I just had two questions. So, one was what is our capex plan for the next two years? And what would be our utilization levels for the quarter gone by?

Mr. Hiren Doshi, Chief Financial Officer (36:08): You mean to say Q1 of calendar year 25? 24?

Mr. Khush (36:18): Sir, Q3, FY4 utilization levels.

Mr. Hiren Doshi, Chief Financial Officer (36:21): Okay, Q3 utilization was somewhere about 59 to 60 percentage of what we had. As far as the capex for the next two years that is there in FY25 and FY26,

it would be in the range of somewhere about 40 crores annually. And that will be for the new forging facility as well as certain value-added processes and in machining lines. Again, we are also exploring another investment in the solar for the additional benefit because to compensate our power consumption. So, that is also in pipeline. So, that would be there in half in FY25 and majorly in FY26.

Mr. Khush (37:15): Okay, sir. And one last question for the EBITDA margins, do we see it increasing further more than 23% because of the power savings that we're doing once the demand is on a normal level?

Mr. Hiren Doshi, Chief Financial Officer (37:26): Yes. See, if I go back to my normal level of operations and the FY25 where I will be having 100% credit of solar generation, there definitely we are expecting margin of crossing 23%.

Mr. Khush (37:47): Okay, sir. Thank you.

Moderator (37:51): We have our next question from Lakshmi Narayan, please unmute your line and ask your question. Lakshmi Narayan, please unmute your line and ask your question.

Mr. Lakshmi Narayan (38:09): So, my question is that, what is your top five customers contribute to and whether the large customer is actually part of the top five customers who actually, there is a reduction in the offtake, which you mentioned. Is it among the top five customers?

Mr. Hiren Doshi, Chief Financial Officer (38:29): The reduction what I was mentioning for the domestic bearing ring, yes, the customer is among top five to seven. And when I say top five, it's not a customer, individual customer, it's a customer group. But that particular group is of what you can say number fifth of top five number.

Mr. Lakshmi Narayan (38:52): How our market share has actually moved in the last nine months in terms of the domestic market, which we cater to the bearings?

Mr. Hiren Doshi, Chief Financial Officer (39:04): Domestic market, we didn't have much of the, incremental market share, but definitely in auto component business, we have increased or rather we have added new couple of customers in domestic business. And those customers have also added another components, which are on the development stage as of now. So, down the line, three to four months that also to be added in our domestic auto component business. But as far as the market share in these auto components for domestic, it would be difficult for me to tell you because auto component business, again, it's a wide business and we are into the range of particular, the transmission parts, few of the chassis' part and certain silencer assembly parts like that.

Mr. Lakshmi Narayan (39:59): And this thing, is it a reflection of Indian bearing markets in general that there is a kind of a slowdown which you are seeing, or is it just, it is only a particular customer?

Mr. Hiren Doshi, Chief Financial Officer (40:10): Majority it is there in a particular customer, but apart from that, the Indian, the big players say top five who are contributing almost 80% of bearing's market, there the top three are also having some kind of dip in the particular segment. So, it's not that they are telling aggressive numbers, but they are also facing some kind of, that is why, the customers have deferred their expansion or not expansion, but the one customer who is supposed to start their new plant, maybe by June 24 or so, it has been deferred because yet they are not able to decide or they are in the process of deciding what kind of components to be manufactured at that particular plant.

Mr. Lakshmi Narayan (41:05): Got it. One last question from my side. If you look at your business growth or the business per se, right, how much is actually contributed by existing customer and

existing products and how much is contributed by existing customer new products? And then last is like how much is new customers. So, if you look at, if you draw a pie chart, how does it break up?

Mr. Hiren Doshi, Chief Financial Officer (41:29): In this nine-month numbers, I would like to say somewhere about 25% of this business is from the new customers and remaining from my existing one. Again, this new business, new customer business, it is on a initial stage or rather at the initial SOP, we expect some better ramp up by Q1 of next fiscal.

Mr. Lakshmi Narayan (41:55): Got it. I mean, just one more question. How do you ensure that, what is your order book right now? And over the next two years, what's the kind of order book we are sitting?

Mr. Hiren Doshi, Chief Financial Officer (42:09): See, our customers are not giving a confirmed order book for the two years or that kind of span. We have a short-term forecast, what my customers are giving. As I already stated that somewhere about in between 105 to 115 crores, something like that on a monthly average. And from next quarter, rather the first quarter of FY25, we are expecting maybe 3 to 5% growth, at least from the new business or rather from the new customer, quarter on quarter basis.

Mr. Lakshmi Narayan (42:46): Got it. Thank you, sir.

Moderator (42:50): We have our next question from Hardik. Please unmute your line and ask your question.

Mr. Hardik (42:55): Yeah. Hi, can you hear me?

Mr. Hiren Doshi, Chief Financial Officer (42:58): Yes.

Mr. Hardik (42:59): So, just continuing on the previous comment, if I look at your nine-month numbers, then they're largely about almost flat-ish year on year overall revenues. And you said that over 20% or 25% of your business from new customers. So, that would then imply that your existing customers saw de-growth of 25%. So, I'm just wondering, A, how sticky is the revenue? I mean, the relationship with the customers, can they swing away from us to other competitors fairly easily? And second is, how do we really track our market share and ensure that we're not losing market share?

Mr. Hiren Doshi, Chief Financial Officer (43:42): See, it is not the case like that my customer is moving or changing the supplier or something like that. It is the drastic reduction at their production plant, at their demand. The major reduction in my existing business was from the Europe market, in particularly bearing ring. Let me tell you, till FY23, our maximum or rather more than 80% of my Europe revenue that comes from the bearing ring only. Now, we have started in auto components business over there. So, the bearing ring customers and in domestic as well as overseas, they are at their down level or they are at their reduced level. It's not like that they have diverted certain things or rather some orders to the other customers. Because whatever they are going to source, it is a single source and exclusive supply what we have. And let me tell you, in one of our customers who was not there or rather who was a bit silent in the two to three months period, now they again started some kind of revival at their level. They have started giving me orders.

Mr. Hardik (44:55): That's in Europe, I understand that. But I'm just talking like, I mean, (overlapping 45:00)

Mr. Hiren Doshi, Chief Financial Officer (45:02): Even in the US, I was mentioning that one of very big customers for the bearing ring who is there into automobile bearing, that particular plant is

manufacturing automobile bearing only. There also, they are facing downfall of more than 25%, something like that. So, obviously, my supply has been reduced at that level.

Mr. Hardik (45:25): Okay. I mean, how are we ensuring that, export US and Europe is very, I mean, it's a very large market and we have probably small players, but domestically, how are we ensuring we're not losing market share to our competitors? Or, I mean, how do we track that?

Mr. Hiren Doshi, Chief Financial Officer (45:47): See, domestic, let me tell you the top five bearing manufacturers, which are contributing almost 80% of bearing business in domestic. So, they are my main customers and it's, they have not, what you say, stopped or they have not denied to source the components or other zero components. And now they are sourcing from others. It's not the case, but what they were sourcing, say 100 components or 100 bearing Rings in particular, maybe before a couple of quarters today, they are procuring 50, 60, 70 numbers only. So, they are not procuring this remaining 30, 40 numbers from other suppliers. It is their, what you say, production level reduced and their demand got reduced. So, in domestic, whosoever our customers are there, none of the components have been diverted to somewhere else. So, we are having that kind of market share, market share, what we have in domestic bearing ring business, which was somewhere about say 30 in the range of 35% or something like that.

Mr. Hardik (47:00): Okay.

Moderator (47:03): Hardik, could you please join back the queue and we have other participants waiting.

Mr. Hardik (47:07): Sure.

Moderator (47:08): We have our next question from Karan. Please unmute your line and ask your question.

Mr. Karan (47:14): Yeah. Hello. I'm audible.

Mr. Hiren Doshi, Chief Financial Officer (47:17): Yes.

Mr. Karan (47:18): Yeah. So, I just tried to ask the question, previous question in a different way. In this temporary downturn, how can we improve our efficiency and try to get the market share from, let's say other players are also manufacturing the bearing rings, unorganized players. So, how can we get the market share from them in this temporary downturn? How we can improve our efficiency in this downturn? Because we have time as of now to effectively churn or maybe improve our efficiency. That's one thing.

Mr. Hiren Doshi, Chief Financial Officer (47:57): Let me answer this first part. Let me answer this. See,

Male Speaker1 (48:02): They do not have the facility of high-volume manufacturing. And we have a full-fledged facility to produce high-volume parts. So, small players do not have some type of equipment where they can produce their high-volume requirement. So, mainly to our domestic customers, we supply high-volume parts in bearing. These are very costly equipments.

Mr. Hiren Doshi, Chief Financial Officer (48:31): And, in our kind of business, the supply switchover is not that immediate or may not be possible in one quarter, two quarters, something like that. It is having a detailed validation activity, validation processes, etc. So, it would be difficult that some, my customer or rather some players who are sourcing from other players and in the very next quarter,

they are to stop supplying over there and that source from me. It is not possible in our kind of business.

Male Speaker1 (49:00): And the order (inaudible 49:02), that also after hard negotiation. So, that is where we are competitive, that also, that only we get.

Mr. Karan (49:14): Okay.

Mr. Hiren Doshi, Chief Financial Officer (49:18): So, the small players also got certain commitment from their the buyers. It is not like that overnight they can switch over.

Mr. Karan (49:25): Okay. So, any kind of value addition we can do in our products?

Mr. Hiren Doshi, Chief Financial Officer (49:29): That is continuous process. Particularly in, last couple of years we have added or rather we have started producing rings which are to be used for EV and hybrid vehicles. So, that is a value addition with compared to the traditional bearing ring for the autos. In auto components also, we are giving maybe one or two additional processes on rough gears, gear blanks, on shafts. So, that is a continuous process.

Mr. Karan (50:01): Okay. And what is our cost in the full bearing? I mean, what is our contribution in the full bearing? I think the previous cost 15 to 20 percent, you said?

Mr. Hiren Doshi, Chief Financial Officer (50:17): See, generally, it is 15 to 20 percent of, this bearing, the ring price is of overall bearing. But again, depends on the size and specs of types of bearings. If it is a bigger size of bearing industrial application is where the ring component or ring portion is on the higher side.

Male Speaker1 (50:41): That all depends on the application of the bearing.

Mr. Karan (50:47): Okay. Okay. And over the quarters, you see the margin will improve, right? Again, on the back.

Mr. Hiren Doshi, Chief Financial Officer (50:55): Yes, yes. By gaining the pre-level of production, operating numbers, and with certain cost reduction measures, definitely, we will be getting that our EBITDA, which is a benchmark of 23 percent or even more than that.

Mr. Karan (51:11): Next, Capex plan will be increased capacity, right?

Mr. Hiren Doshi, Chief Financial Officer (51:17): Yes.

Mr. Karan (51:18): Capacity expansion. And volume, share the volume data in your presentation, if you can do this thing, so that will be easy.

Mr. Hiren Doshi, Chief Financial Officer (51:28): We will check for that. Yeah.

Moderator (51:31): Karan, I request you to join back the queue.

Mr. Karan (51:33): Sure, sure. Thank you.

Moderator (31:35): We have a last question from, yeah, so we have no further questions. Over to you, Hiren sir, for your closing remarks.

Mr. Hiren Doshi, Chief Financial Officer (51:47): So, again, thank you very much to all the participants who are present. And as I was giving confidence or rather assurance to our stakeholders and even the owners, stakeholders, and the business partners, you can say, we are in the best efforts to get the maximum production efficiency, which will increase my margin and which will

increase my overall utilization. And management is very much committed to that. And we hope we, we will be getting or rather we will be overcoming all these hurdles and expecting touchwood not to have any other geopolitical issue in the next fiscal. But we do have a quite aggressive or rather the good envisaging and forecasting from our customers existing, but mainly from the new business, what we have gained in the fiscal FY25 and FY26. Thank you. Thank you very much to all of you.

Moderator (52:57): Thank you.