



ROLEX RINGS LIMITED

[CIN: L28910GJ2003PLC041991]

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Ref. RolexRings/Reg30/AnalystMeeting/Aug2023/1

August 15, 2023

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
August 11, 2023	Investor/Analyst Call scheduled by Equirus Securities with the management of the company to discuss the company's results for 1QFY24	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No Unpublished Price Sensitive Information (UPSI) was shared/discussed in the meeting with the investors/analysts.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 1QFY24 Earnings Call Transcript

Ashutosh (00:34): Yeah, yeah, its visible. So yeah, hi, good afternoon, everyone and sorry for this delay due to some technical issue on behalf of Equirus, I welcome you all on this first Quarter FY24 conference call of Rolex rings from the management side we have MD. Mr. Manish Madhika and CFO. Mr. Hiren Doshi Without further ado, I hand over the call to management for opening remarks over to you, Hiren bhai.

Hiren Doshi, CFO (01:05): Thank you Ashutosh. Thank you, team Equirus, for arranging this quarterly earning call. Good afternoon, ladies and gentlemen. First of all, let me apologize because of certain technical glitches. We were just joined a bit late. Once again, thank you very much all of you to spending your time for our updates on earnings for the quarter one FY24. I would like to take you through the financial numbers. I would like to inform that in quarter one FY24 company has recorded revenue of 311 crore in terms of million 3,113 billion, which was 299 crores in last quarter, that is Q4 of FY23. And it was 285 crore previous year for the same corresponding quarter. Company has recorded almost 5% increase in gross revenue compared to Q4 of FY23, in Q1 FY24. In terms of margin, the company has recorded 23.1% EBITDA margin in terms of rupees 72 crores, which was 21.6% and almost 65 crores in the last quarter. In terms of PBT and PAT, company has recorded 650 million, 65 crore rupees PBT with 48 crore rupees PAT in this last quarter, that is June 24 quarter, which was 57 crore PBT and 46 crore PAT in Q4 of FY23, that is March 23 quarter. For the same corresponding quarter in previous year, in FY23, Q1 FY23, it was 61 crore PBT vis-a-vis PAT of 50 crores. In terms of business segments, I would like to update that the revenue contributed is 56% from the bearing ring business and 44% from automotive component business. In terms of territorial exports, overseas market is contributing 57% vis-a-vis domestic was 43% in June 2023 quarter. Couple of updates in terms of business in terms of new customer, we have faced or we have got slight recovery from the European market in the June 23 quarter. And we expect further to be strengthened on quarter on quarter and probably in the last quarter of this fiscal, it would be as what we have pre-COVID or almost 2020 level. In terms of new customer development company has obtained or rather gotten program from one of the very huge US-based auto component manufacturers, which in turn going to supply the auto components for the EV and hybrid vehicles. Company has got this program, this order from their Brazil and Mexico plant, which we are expecting to start by November or December 23. Company has already submitted the (inaudible 05:00) and the samples were already approved and the SOP would be started in November, December 23. For the first ramp up would be there in June 24. And the final ramp up by December 24 for both this plant and again, another US-based plant is also in progress. Company has also got an order from one of the Indian-based auto component manufacturing, what we call Tier 2. And they have already awarded the program again for the EV and hybrid components, which our customer is going to supply their customer in US and in turn it will go to the OEM of EV and hybrid vehicles. We expect this SOP from this India-based customer to be started from June 24 onwards. PPIPs are yet to be submitted in the by the end of September or in October 23. We are going to submit the PPIP. Apart from that in the existing business or with the existing customer, one of the main Indian customers has shifted for producing bearing rings or rather bearings from tube route to the forging route. Company has been awarded those programs, which is somewhere about 40 to 45 components, which our customer was producing till the time through tube route and now they have diverted or shifted to the forging route. The order has already been placed and SOP would be started somewhere in November, December 2023. Apart from that, another domestic OEM of four wheelers, they have also awarded a program to the company for the generation three bearing rings

or wheel hubs for their EV as well as their existing chain of sedan and SUV kind of vehicles. Would like to update that during this quarter, the company has almost become a debt free company. On the books as on June 23, the company has a net debt of less than 20 crore rupees. In terms of segment categorization of products, company would like to inform that company has decreased their dependency on the passenger vehicle segment, which was 42% in last fiscal and in this current fiscal, current quarter FY24, first quarter, it has reduced to 38.5% vis-a-vis the company has increased their contribution towards supply to industrial, heavy commercial and EV in terms of industrial company has touched 24.3% of their revenue contribution in commercial vehicle and heavy commercial, it has 28% and significant jump in EV and hybrid segment of the automobiles. In terms of overall operations, revenue from the, total revenue from the business for the quarter of Q1, company has recorded 311 crores, which was 299 crores in the last quarter that is March 23 quarter and 291 crores in June 22 quarter. In terms of overall revenue of March 23, company has recorded 1198 crore gross revenue, I'm talking for. And this year company has increased quarter on quarter comparison to the extent of four and a half percent and June 23 vis-a-vis June 24 gross revenue almost seven and a half percent and operational revenue has increased by nine and a half percent. In terms of EBITDA margin, company has recorded 72 crore rupees of EBITDA in this first quarter of FY24, which was 64.8 crore in March 23 quarter. And for the same quarter, previous year, it was 70 crores. In terms of annual EBITDA for the fiscal 23, it was 280 crores. At the same time company has recorded PAT of 650 crore as I mentioned earlier and sorry, PBT of 650 crore and 48 crore rupees of PAT. Again, as witnessed in earlier quarters also company has generated quite good operating cash flow, which has further strengthened the company's position. As I told you that company has reduced the debt drastically. As on debt companies, the net debt equity is 0.025%, which was 0.06 in March 23. Again, further has been reduced. Company has maintained this ROE in the range of 25 to 27% in this current quarter also. These are the detail numbers for the operating numbers as well as balance sheet numbers. Now, I request all the participants and would be happy to answer your queries and concerns.

Male Speaker1 (10:52): Thank you, Hiren sir for the detailed opening remark. We will now shift to the question-and-answer session. Anyone who wishes to ask a question can use the raise your hand option. Once you are done asking your question, please lower your hand. I request all the participants to limit your questions to two per participant. We'll wait for a moment for the question to assemble. We have a first question from Mr. Bhargav. Please unmute your line and ask your question.

Mr. Bhargav (11:25): Yeah, good afternoon team and congrats on a good performance in a difficult environment. Sir, my first question is, is it possible to share what is your order book? What is the growth in the order book? And what is the revenue guidance, which you're giving for FY 24 and 25?

Hiren Doshi, CFO (11:46): Yes, definitely, we would like to indicate the order book what we have. And these order book is generally for quarterly basis in terms of domestic and maybe four to six months for the overseas market. But let me tell you the monthly order book run rate is somewhere about 118 to 122 crore rupees on a monthly basis. And the company is expecting for the FY24, the growth momentum of somewhere about 12 to 14% comparing to the FY23 numbers.

Mr. Bhargav (12:35): Okay, and margin guidance, is it fair to say between 22 to 24%?

Hiren Doshi, CFO (12:40): Yes, it would be in the range of that.

Mr. Bhargav (12:45): Okay, understood. And sir, in terms of a number of customers, is it possible to share what has been the increase in the number of new customers both in the domestic and export market?

Hiren Doshi, CFO (12:57): You mean to say in terms of a number of customers?

Mr. Bhargav (13:02): Yes, yes.

Hiren Doshi, CFO (13:04): See, as I was mentioning that in domestic, we got in the program for two to three new customers in last six months period. Again, in the overseas market, we have rather we got the program from the auto segment couple of customers and one customer from the Bearing Ring site. And in our business, as you are aware that converting or rather getting the final program or order from customer, it's a bit long cycle.

Mr. Bhargav (13:41): Right, right. Okay, understood. And sir the update, which you mentioned on the electric vehicle side where you have signed up with the US based auto component company for supply to the Brazil and Mexico plant, is it possible to quantify what could be the opportunity here and in terms of till what period would you be supplying this?

Hiren Doshi, CFO (14:09): See, one of the US based customers what I was mentioning, this one for the Brazil, Mexico, and US plant, we expect this fully ramp up, maybe by first quarter or rather the last quarter of FY 24. I'm talking fiscal year FY 25. Sorry, that is March 25. And overall business value from this customer from these two to three plants, it is in the range of 60 to 80 crore rupees.

Mr. Bhargav (14:47): Was this earlier in the range of 150 odd crores?

Hiren Doshi, CFO (14:51): No, that is a different customer that we have already started. And that customer ramp up again, it is somewhere about 155 by FY 25-26. That is a different customer, another customer what we were talking for that customer is having plants in Europe.

Mr. Bhargav (15:12): Okay. Okay. Understood, okay sir. All the very best and I'll come back in the queue.

Hiren Doshi, CFO (15:18): Thank you.

Male Speaker1 (15:19): We have our next question from Mr. Mahesh. Please unmute your line and ask your question.

Mr. Mahesh (15:26): I'm audible.

Hiren Doshi, CFO (15:29): Yes.

Mr. Mahesh (15:30): Sir, thank you so much for opportunity. Sir, the last two quarters we have seen our growth rate has slowed down in single digits. So, do you think there could be recovery in next two quarters, next two, three quarters?

Hiren Doshi, CFO (15:45): Yes, definitely. We expect a double-digit recovery somewhere in the last quarter of this fiscal. And as you better know that for last two to three quarters, or even for last almost one year, the market situation, overall economical situation at Euro, particularly Euro, it has quite worsened. And we had a good amount of share in the European market. And because of reduction of demand from European market, it has gone down. But at the same time, as I was mentioning that the new customer will take its own time for the ramp up at their full level, but company has added four to five new customers in last 12 to 15 months period. And we expect further to be strengthened in FY24 and FY25.

Mr. Mahesh (16:41): So, we are talked about the I think 12 to 14% of growth in FY24 and given the customer addition we have done and plus the improving business outlook in Europe, do you think we will have a 20% plus kind of growth in FY25?

Hiren Doshi, CFO (17:00): In FY25, let me be conservative, we expect to the extent of 16 to 18% number.

Mr. Mahesh (17:09): Sure, sure. And sir, last question from my end is, what is the current capacity utilization? And what are the CAPEX plan for next two years?

Hiren Doshi, CFO (17:18): We are at somewhere about 65% of our existing production capacity. And for the FY24 and FY25, whatever the CAPEX, we have planned more than 75% almost it has been implemented or rather initiated. And further for this two fiscal that is FY24 and FY25 both put together we are expecting somewhere about 40 to 50 crore rupees to be added for the value added process equipment's and including maintenance CAPEX.

Mr. Mahesh (17:59): Sir, I mean, looking at the growth prospects, we are not adding any capacity.

Hiren Doshi, CFO (18:07): As we were mentioning in earlier call also that we have already ordered one forging line and that forging line is supposed to be dispatched from Japan by end of this month. And we would be having that equipment in the month of October 23 or so. And it would be what you say put to use or commercial production would be initiated from January 24 onward. So, that will add to my forging capabilities.

Mr. Mahesh (18:37): Sure, sir. So, thank you so much.

Hiren Doshi, CFO (18:40): Yeah.

Male Speaker1 (18:41): We have our next question from Garvit. Please unmute your line and ask a question.

Garvit (18:49): Hello, am I audible?

Male Speaker1 (18:50): Yes.

Garvit (18:52): Awesome. Congratulations for a good set of numbers. Firstly, on the demand outlook perspective, see our 40% revenues come from the domestic market, which is obviously doing well in the terms of auto as well as the industrial manufacturing, right? The focus is on the exports part like looking at the current scenario, how do you see the demand for our export part going ahead in next three to four quarters and in the 2025-26 as well? Are we getting new orders from the existing customers or the industry headwinds will continue there and we will grow like you mentioned 12 to 14% by this year and as well as next year also you are I think little bit down your guidance earlier guidance I think was 20% down. So, how do you look at this and how do you look towards the growth whether it is continuing to move from adding on the new customers or we will get start getting the orders from the existing customers as well?

Hiren Doshi, CFO (19:46): See, there would be, we are very much concentrated or rather initiated for the acquisition of new customers in domestic as well as overseas market both looking to the spare capacity what we do have, in last one year we have added two customers from the domestic market which are yet to be started fully ramp up. So, definitely there would be an incremental revenue from domestic as well as overseas as I was mentioning that in overseas also for last one year, we have added two new customers and couple of new customers which are in progress. Those will be started revenue by end of this fiscal or the third quarter of this fiscal. So, we are looking for

domestic as well as overseas growth in a couple of percentage here and there the ratio of say 60% of overseas and 40% of my domestic business would be ranging, a couple of percent here and there. In terms of my business, as I was mentioning, definitely we are expecting to have a growth of 12 odd percentage in this year. And again, on a conservatively, I would like to add that we would be crossing 17-18% somewhere in FY25.

Garvit (21:05): Okay, so considering this lower growth guidance, so meanwhile, during this period, are we spending on developing on the new products that will further enhance our growth and give us an opportunity to venture into the new areas going ahead, say after FY25?

Hiren Doshi, CFO (21:20): Yeah, definitely. See, so developing a new product, it has continuously improvement or other continuous process. And we are adding new components, as well as new customer, or you can say a new component to my existing customer, I was mentioning that one of my customers who were producing their bearings from the tube route facility, now they have shifted to the forging road. So, that is a very big opportunity for me, and we already unlocked that opportunity.

Garvit (22:01): Hello.

Male Speaker1 (22:03): Yeah. So, he seems to have fallen out. We have our next question from Disha, please unmute your line and ask your question.

Disha (22:14): Good afternoon, sir. I wanted to ask that in terms of growth margins, in your view, when can we get back to our original gross margins of around 52 to 54 range? Currently, we're at 47. And all our raw material prices have come down. So, if you can throw some light on the gross margins, please.

Hiren Doshi, CFO (22:39): Madam, let me tell you, my current gross margin is somewhere about 48%, touching to 48%. If you check my March 23, it was reduced to or rather it was down to 45 odd percentage. And if you compare this quarter for the previous year, it was 52%. And for the entire year of FY23, it was touching to 49%. Now, particularly 52% margin in June 22, it was there because, just steel price increase and everything, it has started there and it was not passed fully as we have some kind of, pass through mechanism on a quarterly basis and on a monthly basis. So, now, for the last four to six months, steel price is not having that fluctuation. It is almost stable now, or maybe let me tell you, incremental 2 to 3% of the price what we had prior to six months. But would like to tell you that we would be having gross margin in the range of 48 to 50%.

Disha (23:48): Okay, okay. And sir, if our contribution from India sales start increasing because India is doing better than other countries, any impact on the margin because exporters have better margins than domestic?

Hiren Doshi, CFO (24:05): No, madam. Even in domestic customers, particularly the new customers who are adding, we are trying and it is our, what you say, endeavour to get the, the optimum margin, what we do have on an average, and we are maintaining that margin in domestic market also.

Disha (24:26): Okay, okay. Thank you, sir. And all the best.

Hiren Doshi, CFO (24:29): Thank you.

Male Speaker1 (24:31): Yeah, I would like to remind the participant, anyone who has wishes to ask a question can use the raise your hand option. We have our next question from Shanti. Please unmute your line and ask your question.

Shanti (24:42): Okay, hello. My question, is the replacement order in bearing from tube route to forging route from existing customers. So, it is an additional business which is coming to us, which we were not doing earlier, right?

Male Speaker2 (24:48): Yes, earlier. See, because of the demand in other sector of tube, the tube producer has increased their price drastically more than 40%. That's what our customer is saying. And because of this reason, now they have decided to switch to forging route. And there we have a good opportunity. We have been already awarded business by the customer. And that sample process is going on. So, after two, three months, these items also will be now added in bulk supply to our customer.

Shanti (25:45): What will be the additional revenue?

Male Speaker2 (25:49): It will be in once all the range we cover means we submit the sample. And when the bulk will start, it will be more than 35 crore rupees annually.

Shanti (26:04): Okay, thank you. Best of luck for future.

Male Speaker1 (26:07): Thank you. We have a next question from Jason, please unmute your line and ask your question.

Jason (26:15): Hello, thanks for taking my question, sir. So, first question just wanted to ask you that you did say that once you receive an approval from the customer, converting that order or full ramp up is a long cycle. How much typically time does it take for the full ramp up to happen?

Hiren Doshi, CFO (26:32): From the date of SAP, it depends on the number of components as well as the kind of components. Generally, it takes 8 to 12 months for (inaudible 26:43) to get the peak level of supply.

Jason (26:47): Okay. Thanks for that. And (overlapping 26:51) you said, yeah. And just, I mean, this question has been asked, but I just wanted to know, I mean, you probably reducing your guidance over the last call as well, from around 16 to 18%. Now, around two to three percentage points in both the years FY 24 and 25. So, what do you think has materially changed on the ground? Europe weakness is there for sure. And but how do you look at the situation on the ground level, in terms of both the businesses bearing rings as well as automotive components?

Hiren Doshi, CFO (27:24): See, the way we were expecting turnaround from the European market, it was not happening in that pace. Gradually, it has, converted or rather, and still, the visibility at European market is not that clear. There is every day, there are some news or some factors, which is just creating some more hurdles, or rather, some more disturbances. And that's why we were just, revising our estimates. But on the other side, we are very much positive for the domestic market as well as the market of our other territory that is US also. Let me tell you, we are also starting business or we are going to start the supply SOP somewhere in mid of 24, 25 of in the territory where at present, we were not at all there till in the history of the company. I'm talking about what one of the Russian customers who has already given me an order, but still, they are facing some kind of issue over that. That's why they have not released certain, PPAP order, etc. But they have already awarded a program. On the same way, we are expecting new customer what we have added in the Europe as well as US. So, that would be added and compensating the loss of my business with the existing customer in Europe market. So, that is why we are just revising our number to some extent.

Jason (29:04): Sure, sir. And, sir, you had one, you on the last call, you had mentioned an EV order for eight parts with a peak revenue of 1.5 billion, which is, you had just received it. Any update on that? How is it ramping up and any progress on that front?

Male Speaker2 (29:24): Yes, there are three phases of submitting the sample. So, two phases are already over and all are approved. Now, for the final sample submission, the engineers are at our plant today. So, they are here for three days. And from October onward, we are expecting, because their program, their supply will start from first quarter of FY24. So, our supply from here will start from October, November. So, definitely in the last quarter, we can start getting the revenue from that customer.

Jason (30:08): So, in this last quarter of FY25, we'll be able to get revenue from that customer, right?

Male Speaker2 (30:12): Yes.

Jason (30:14): Okay, okay.

Male Speaker2 (30:15): They've already started getting the revenue, but very small volume. It is a sample state now.

Hiren Doshi, CFO (30:23): Just to correct, not in FY25, in FY24 last quarter, it will be starting.

Jason (30:28): FY24 last quarter. Okay, okay.

Hiren Doshi, CFO (30:32): Yeah.

Jason (30:33): So, just when I was, doing this analysis of the revenues. So, what I saw in FY23 that your bearing rings growth has actually kind of stayed flat, but while your auto components growth has actually registered a very strong growth when you look at the percentages. So, is there something better we are doing in the auto components business? We are garnering more orders from the auto components, or is it just the EV juggernaut which is going on? Could you just throw some light on it? Like, why are we, growing that auto components business growing much faster than the bearings ring segment?

Hiren Doshi, CFO (31:12): Yeah, definitely. See, it's not like that we are good at auto components or maybe not that at bearing rings. We have developed quite critical bearing rings for the industrial and even for the hybrid vehicles and for the commercial application, heavy commercial vehicles. So, that could be there. Even in the bearing rings, we are offering quite good value-added processes. But as you mentioned very correctly that particularly auto component growth and now the future of the EV and hybrid rather, we are more focused on the hybrid kind of vehicles where our customers are telling that demand would be on a higher side or something like that. So, that's why we are trying to add in new customers more in terms of auto component business also. But at the same time, we have added, the bearing ring customers in domestic as well as in US also.

Jason (32:12): Okay. Okay. And, sir, just one last question from my side. So, of course, the big three in the bearings are talking about a lot of capex on the ground in terms of localization of bearings. So, that will obviously be a very, very big positive for you. So, just I wanted your thoughts on how this is spanning out on the ground, the likes of Schaeffler, Timken, SKF also planning a lot of capacity and domestic manufacturing, especially which is bound to benefit you. So, just your thoughts on the ground, how are you feeling in terms of the demand?

Hiren Doshi, CFO (32:46): See, across these top customers of mine, we have a good amount of wallet share in their sourcing. And the company is a top bearing manufacturer, as you said, rightly,

they are in expansion mode, and they have already initiated a couple of customers there, as I was telling to you that they have diverted certain route of, the production also, which in turn be an opportunity for us. And definitely one of the another very big customer of domestic market who are going to start their new plant within the Gujarat. And for that our facility was the most suitable for their sourcing. And we are getting or rather we have already gotten some kind of inquiry and asking to spare some capacity for that supply that would be there in FY25.

Jason (33:42): Okay, sure, sir. Sir, and you just mentioned that, I mean, of course, Europe is weak at this point in time, but the US and domestic you are seeing strong growth and order pipeline also should be strong going ahead, right?

Hiren Doshi, CFO (33:55): Yes, we are expecting, some growth in both this segment, let me tell you, even in Europe, even in US, rather, the way we have expected, it's not at that far, it's a bit having a little bit slow pace, but we expect that it would be increased and in domestic, touchwood, we have a quite good set of orders as well as we expect good visibility.

Jason (34:20): Okay, thanks a lot. Thanks a lot for taking my questions.

Hiren Doshi, CFO (34:23): Thank you.

Male Speaker1 (34:25): We have a next question from Mr. Abhishek, please unmute your line and ask your question.

Mr. Abhishek (34:29): Hi, sir. Thanks for the opportunity. So, just a few questions. If I look at the current quarter, your revenue share from the passenger vehicle has come down drastically by almost about 500 bps, but from the EV, it has increased. Is there a classification change that you have made? Or is there some other thing associated?

Hiren Doshi, CFO (34:51): No, no, no, it's not a classification change. Definitely the supply for the EV and hybrid both, it's not only EV, it has started quite aggressively. One of the customer bases at Europe and the US, they have, it was not there at full level or rather at a bigger level in the, till the last quarter, it was very much there in this first quarter. That is why the percentage has gone up in hybrid segment.

Mr. Abhishek (35:19): But has the passenger vehicle contribution come down? Is it because of some customer or particular reason?

Hiren Doshi, CFO (35:26): No, it's not like that it has gone down, what I'm trying to tell you that in this particular quarter revenue, my dispatches are more compared to the traditional or rather the IC component vehicles in terms of bearings, as well as bearing rings, as well as auto component, both.

Mr. Abhishek (35:47): Okay. No, so I was more referring to the fact that in FY23, your PV was, PV.

Hiren Doshi, CFO (35:54): Yes, it was.

Mr. Abhishek (35:55): Passenger vehicle was 42.5%. In monthly FY24, it is 38.5%. So, I was just trying to understand on that bit, on passenger vehicle.

Hiren Doshi, CFO (36:04): That is because of my EV hybrid segment in Europe, one of the customers has started in there for US plant and one customer in domestic, they have given a good amount of PPAP order for the development of more than 12 to 14 components. That's why the EV percentage for this particular quarter is on higher side, which has what you say, the business of passenger vehicle segment is more or less on this, what you say, having a less growth comparative to EV and hybrid. That's why the percentage was on lower side.

Mr. Abhishek (36:38): It's money stagnating. Hello?

Hiren Doshi, CFO (36:39): It's not like that the business we have lose.

Mr. Abhishek (36:44): Got it. This is very helpful, sir. Sir, other thing in terms of railways, what is the kind of contribution that you get from railways as part of your overall business?

Hiren Doshi, CFO (36:52): Overall business contribution, railways, somewhere about 3 to 4% and we expect further, maybe increase by another 1% in this fiscal only.

Mr. Abhishek (37:10): But it is not a segment which can go up to something like 10% over the next couple of years.

Hiren Doshi, CFO (37:16): It's a bit difficult, but the demand and the overall consumption, the number of components, the kind of components are less compared to auto.

Mr. Abhishek (37:28): Okay. Got that. Sir, we have also seen good growth in the domestics overall top line. While part of it has got offset by Europe being weaker, but are you seeing market share gains for you in the domestic market?

Hiren Doshi, CFO (37:43): Yes, definitely. Our existing customers have increased their volume and as they are adding new products into the current product portfolio. Apart from that, we are gaining or rather the customer what we have started in FY23 and now they are at the full level or rather the ramp up in their auto component sourcing business. So, we are adding new customers as well as new components from the existing customer.

Mr. Abhishek (38:12): Got it. Got it. And Sir, in EV, is it largely to exports?

Hiren Doshi, CFO (38:20): Till now, it is largely to exports, but from the end of this fiscal, even in the domestic also, we would be starting.

Mr. Abhishek (38:28): Domestic will ramp up from end of FY24?

Hiren Doshi, CFO (38:33): Yes. Yes.

Mr. Abhishek (38:34): Okay. And Sir, just one last thing. Europe, what is the decline that we have seen from what you have done in peak in Europe? Is it down like 30-40% from that number? Just some sense.

Hiren Doshi, CFO (38:50): Yes, definitely. Let me tell you, maybe at one point of time of my overall revenue, somewhere about 20-23% something like that. And as of now, it is even less than 15%.

Mr. Abhishek (39:12): Okay.

Hiren Doshi, CFO (39:13): Yeah.

Mr. Abhishek (39:14): Okay. We have seen almost a 25-30% drawdown there.

Hiren Doshi, CFO (39:17): Yeah, 30% downfall is there.

Mr. Abhishek (39:19): Got it. Okay, Sir. Thank you so much for answering my question. Wish you all the best. Thank you so much.

Hiren Doshi, CFO (39:23): Thank you.

Male Speaker1 (39:25): The next question is from Ashutosh. Please unmute your line and ask your question.

Ashutosh (39:30): Yeah. Hi. So, firstly, on this Europe part, you mentioned it's now less than 15%. But you also mentioned that from the June, basically, you're seeing some pickup. So, can this number now start increasing from the second quarter?

Hiren Doshi, CFO (39:47): We expect improvement from the European market on quarter-on-quarter basis. So, definitely, expecting maybe a couple of percentage Q-on-Q basis, something like that. And maybe a couple of new projects, what we have been awarded. So, this percentage would definitely be touching to, again, maybe not to the level of 22-23%, but at least coming to 17-18% of our business by end of this fiscal.

Male Speaker2 (40:21): As we said in our earlier conference, that we have been able to get some business for hybrid car. And that cars are now ramping up.

Ashutosh (40:34): Okay. Okay. And that is

Male Speaker2 (40:38): (inaudible 40:38) for hybrid vehicle.

Ashutosh (40:41): So, what would be the, let's say, what is the current annual run rate of that hybrid order and what it can go up to its peak in the next one year, one, two year perspective?

Hiren Doshi, CFO (40:53): As of now, in the range of two and a half to three crore rupees on a monthly kind of thing, which started from May 23 onwards. And in this last quarter of this current fiscal, we expect to the extent of somewhere about touching to five odd crore per month.

Ashutosh (41:16): Okay. Very Q4.

Hiren Doshi, CFO (41:18): Yes.

Ashutosh (41:21): And we mentioned that, so at the current, let's say, last quarter sales of 311 crores, your current monthly run rate is around 100-203 crores on an average. And we expect to basically, 103 crores basically. And we expect, and we say that the current order book is around 118-120 crores. So, are we seeing the monthly run rate going up from, say, July-August basically? Is there any uptake?

Hiren Doshi, CFO (41:48): Yes, definitely. Definitely. In the month of July, it has quite increased. The average what we had in the last quarter, it has increased by almost, 4% of monthly run rate of what I'm talking for, 4% to 6%. And we recorded about 110 crore revenue in the month of July 23. Yes, in July 23.

Ashutosh (42:13): So, can we maintain this run rate in coming months as well?

Hiren Doshi, CFO (42:17): Yes, we do expect to, for the same in the month of August and September. No doubt, September is the, the month of festival in our region. There would be some kind of, holiday season, but we would try to compensate in the month of August. But we expect to have this kind of average in this current quarter.

Ashutosh (42:44): Okay. So, I think we kind of now started crossing, say, 330 crore kind of run rate basis. And maybe it may not reflect in the Q2 because of that lag in your shipment and-

Hiren Doshi, CFO (42:57): Yes, yes. So, broadly, what I can tell you that in the current quarter, that is September 23, we would be expecting somewhere about, what you say, 2% to 3% growth compared to my June 23 number.

Ashutosh (43:14): Okay, so 2Q should be 2-3% higher?

Hiren Doshi, CFO (43:17): Yes, yes.

Ashutosh (43:19): Okay. And what is the update on the solar plant now?

Male Speaker2 (43:29): Solar is ready for switch on, but because of one tower, we have some dispute with farmer. So, that we are resolving and by end of October, I think it will be ready.

Hiren Doshi, CFO (43:46): The 4 megawatts has already operationalized and we are getting power generation for last three months. And for this, Mr. Manesh, what he is talking for is for the 11.5 megawatt, which we are expecting to be started from probably by October 23. It's a completely ready and installed plant and having some glitches, as he has mentioned. We'll be able to resolve it and from October 23 onwards, we would be having power generation from that plant also.

Ashutosh (44:20): Okay. I think there are a lot of delays happened in this line, but are you confident October, say it will start?

Hiren Doshi, CFO (44:28): Sir, we expect and let me tell you the delay is just because of certain, the policy level changes, some kind of operational difficulties to get through. And as you better know, that solar plant is generally installed at a remote place and where the surrounding, the support or rather the help from the surrounding or the nuisance value from the surrounding area, we are trying to resolve it. But we expect it would be started by October 23. Now it's hardly what you say 95%, 97% of things have already been completed, even the legal documentation, everything.

Ashutosh (45:13): Okay. So, as we are ramping up the hybrid as well as EVs order, where should we look at this EV contribution to sales in say next year?

Hiren Doshi, CFO (45:27): You're talking for FY24?

Ashutosh (45:29): 25.

Hiren Doshi, CFO (45:30): FY25. Definitely we expect it would be somewhere about 12 to 14% of my total revenue.

Ashutosh (45:43): Okay. And this is both Europe and USA orders?

Hiren Doshi, CFO (45:50): Yes, yes, yes. Because, everything, mainly in Europe business, it would be started from the mid of or the last quarter of FY25 and we expect ramp up maybe down the line, nine months from there. That's why. And even from the domestic, it would be started from next year. So, broadly 12 to 14% on my, increased top line what we are expecting for FY25.

Ashutosh (46:19): And Capex I have missed, how much you said for 24 and 25?

Hiren Doshi, CFO (46:25): Sorry, can you please come again?

Ashutosh (46:26): How much would be Capex that we expect in 24 and 25?

Hiren Doshi, CFO (46:33): Broadly both here put together, it would be somewhere about 40 to 50 crores rupees.

Ashutosh (46:42): Per year you're saying, right?

Hiren Doshi, CFO (46:44): No, no, I'm talking because the major Capex, the significant Capex we have already did for this current fiscal. So, from now, say for next, almost 18 months, it would be to that, I'd say the 40 to 50 crores.

Ashutosh (47:01): No, no. But what we incurred in the, let's say till now and till July, that also should include. So, and put together for the year, I'm saying 24.

Hiren Doshi, CFO (47:10): Both put together, then it would be touching to 70 crores.

Ashutosh (47:15): And considering all these orders that we have won, where ramp up will happen from 25 onwards. So, are we also planning to order more machines in say 25 second half or whatever? Any plan in thought process over there?

Hiren Doshi, CFO (47:30): Definitely for the fiscal 25, 26, we need to think on that. And-

Male Speaker2 (47:36): Now whatever Capex we do, that depends on the type of order what we are getting. So, as we said, it takes a minimum one year to start the SOP. So, we have sufficient time to add the capital. So, that we decide depending on the new business what we are getting. So, at present, we cannot say in 25 what type of equipment we will purchase.

Hiren Doshi, CFO (48:07): And the program what we have already been awarded and SOP would be started in this fiscal, next fiscal. For that, we have sufficient capacity available. For that, we do not need to incur subject to certain value-added equipment, not amount significantly. But apart from that, we have already managed that.

Ashutosh (48:29): Okay. And all these orders that we have won on the auto and bearing side recent orders, that this is also a machining content.

Hiren Doshi, CFO (48:40): Yeah. Majority of the business is in machine one.

Ashutosh (48:45): Okay. Okay. That is all from my side.

Male Speaker1 (48:55): So, we have our next question from Abhishek. It is a follow-up question. Please unmute the line and ask your question.

Male Speaker3 (49:18): Abhishek, you are on mute.

Male Speaker1 (49:30): As there is no response, we have our next question from Ritwik. Please unmute your line and ask your question. Yeah. So, that was the last question for the day. I hand over the floor to the management for any closing remarks.

Hiren Doshi, CFO (50:01): Again, would like to thank all the participants for sparing their valuable time. And hope we have answered your queries and your concerns. Management is very much concentrated on increasing the capacity utilization and to have the same effect or same positive momentum in the top line as well as in bottom line. Thank you. Looking for your support. Thank you very much.