



“OBSC Perfection Limited Q4 & FY25 Earnings Conference Call”

May 19, 2025



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MODERATOR: MR. VIJAY PANDEY – NUVAMA WEALTH AND INVESTMENT LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the OBSC Perfection Limited Q4 & FY25 Conference Call hosted by Nuvama Wealth and Investment 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference to Mr. Vijay Pandey from Nuvama Wealth and Investment Limited. Thank you and over to you, sir.

Vijay Pandey: Hi, all. Good evening. Welcome to the FY25 Conference Call of OBSC Perfection. We will like to thank the Management of OBSC Perfection for giving us this opportunity.

Today, we have Mr. Saksham Leekha and Mr. Sanjeev Verma. Saksham Leekha is the Managing Director and Mr. Sanjeev Verma is the CFO of the Company.

Before we begin, I would like to remind you about the safe harbor. The management will be making some forward-looking statements in today's presentation, and this must be understood along with the uncertainty and the risks associated with the Company.

I will now hand over the conference to “Mr. Mr. Saksham for his Opening Remarks.” Over to you, Mr. Saksham. Thanks.

Saksham Leekha: Good evening, everyone. Thank you, Nuvama, thank you Vijay ji for hosting us today for this con call. I would like to extend a very warm welcome to you all for OBSC Perfection's First Ever Earnings Conference Call for the Year-ended 31st March 2025.

Year '25 has been monumental for OBSC Perfection with the Multiple Positive Milestones -- Successful IPO, Highest Ever Revenue, Commencement of New Facility, Foray into Hot and Cold Forging Capabilities, Revenue Flow started from Defense.

During this year, we have worked on strengthening our business for future growth by way of four key identified areas of expansion. Team expansion, industry expansion, geographical expansion and process expansion.

For financial year '25, we have clocked the highest ever total revenue of Rs.145 crores with approximately 19% EBITDA margins.

We now have a very strong order book of Rs.700 plus crores which provides us revenue visibility over and above our existing revenue and customers. Of this, our Automotive order book is approximately Rs.460 crores, while Non-Auto order book stands at approximately Rs.250 crores, both of which is to be served in over a period of six to seven years.

Within Non-Automotive, our defense order book of Rs.130 crores is for a period of 10 years, translating to approximately Rs.13 crores every year and our current monthly revenue run rate of defense also stands at Rs.1 crore.

In Another Update, we opened our Fifth facility in Pune during the month of April '25. This facility will focus largely on forging capability, which we plan to introduce in-house over the next three months. Machine lines for the same have been ordered and booked.

From our IPO proceeds, we have Rs.20 crores of unutilized funds as of now lying with us in our bank accounts currently. This will be used as per utilization plan. Close to Rs.15 crores will be used for CAPEX in our third facility in Chennai and balance Rs.5 crores for fourth facility in Pune.

Advances for machines purchase in the facility have been paid, which is 5% to 10% and balance will be paid on delivery of these machines.

We expect to use majority of these unutilized funds within the first half and some remaining portion in the second half of this financial year.

We remain optimistic in terms of our growth, order wins, key focus industry expansion and process improvement to deliver even better results during financial year '26. We expect growth of over 40% in the current financial year '26.

Over to you, Mr. Vijay.

Vijay Pandey: Thank you, Mr. Saksham for your opening remarks. I will now open the floor for the Q&A session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Charisha from Vendor Growth Partner LLP. Please go ahead.

Charisha: Congratulations, management for a good set of numbers during this year. My first question is the tax percentage and this year is less. So how is it going to be going forward -- is it going to be less or will it remain the same? And second question is can you throw some light on the additional product segments in the fifth facility which you have told like hot and cold forging, so how complex are these products and how critical is it for the end user?

Saksham Leekha: So we expect the tax percentage to remain constant and it would be approximately 25% this year as well. We don't see an increase or drop in that. So that answers your first question. And with respect to new products, there is multiple new products that OBSC Perfection is engaged in developing right now. On an average within our own Company, we develop more than one new product almost every day...one new part number is developed almost every day. Right now, the Company is focused in key areas like Marine, EV as well as Defense. So, over the last two months, we have developed

multiple products that are to be used in electric vehicles, that are to be used in defense systems, some of these are of Israeli origins, some are manufactured for PSUs in India. So there is a lot of developments happening right now and some also belong to the ammunition sector. So there is a lot of focus there. And within EVs, we are making parts for cold plates. And now those are deeply technical things and a little difficult to understand, but these are the plates that keep an electric vehicle system cool. So, we develop a lot of parts for that over the last six months. So all in all, a lot of very safety critical components are being developed at OBSCP. We are continuing to focus on further getting into the precision realm of engineering where our products are controlled within microns of tolerances.

Charisha: One last question is like you have mentioned that the contract is for long duration, right, for four years, five years or something like that. So what's the process of onboarding new customers like in terms of the tenure, how does the working capital work there from manufacturing to payment? And apart from this, like because we set up the plant which is approximately 80 lakhs-plus, so what is the payback period like?

Saksham Leekha: So how do we acquire new customers? That was your first question. I believe there is multiple parts of your questions. Of course we understand the industry very well now. We have been a manufacturing Company, a precision engineering Company for a while and we come from a strong foundation. So we understand where the customers are and we understand where value is. So, there is an audit process, there is exchange of requests for quotes which we quote, once our price is approved, the audits happen, which usually lasts six to eight months and then we develop a product, that product goes under validation, which takes another four to five months usually in an automotive scenario, after that we are placed mass production orders for a certain part number. So that answers your first question. And getting to the second part of it, we usually invest into a certain line or a certain machine expecting a return on investment within three to four years. That is our usual target of setting up a dedicated line for a certain customer. We want the ROI to come within three to four years. Was there another part of your question that I've missed?

Charisha: Yes. From the time of manufacturing till the payment, what is the cycle mix -- do we get advance payment or after entire manufacturing is done and everything is signed, from the client we get the payment?

Saksham Leekha: So most of this is already answered in all the documents we have shared, but it depends from segment-to-segment. In automotive Indian business, the payment terms usually remain around 60-days and when we talk about export, it goes up to 120-days, in defense if you are working with PSUs in India, the standard payment terms are 45-days. So that's -

Sanjeev Verma: Yes. Hi, this is Sanjeev Verma. So, besides that, we are also working with some of our export customers for sort of credit lines, which fast-tracks our receivables by at least 20-30 days. So those

are the future activities which we are now working on with some of our customers like ZF, Tenneco, these names are out there.

Saksham Leekha: So we are currently working on a bill discounting scheme with our global customers. This will enable us to reduce the payables of exports drastically at very low rate of interest at par with the European banks. So this is something under discussion and the proposal is being discussed as well.

Charisha: Fine. Thank you.

Moderator: Thank you. The next question is from the line of Tej Patel from Niveshaay. Please go ahead.

Tej Patel: Thank you so much for the opportunity and first of all, congratulations for your IPO and a wonderful set of numbers. Sir, my first question is if you could help us clarify there are almost about 26 SKUs that we provide and there are also few sub-assemblies among those SKUs. I just wanted to understand if you could help us break your revenue among let's say what are your top SKUs maybe and what percentage of revenue those SKUs form? This is one part of a broader question. My second question is I see we have multiple clients from ZF, Tata to Defense and BEL. So if you could just break up in terms of who is our top two or top three customers and if you could just break it in terms of revenues? And lastly, if you could just help us understand in terms of where our components are going in the end vehicle, I mean, if you could just help us break your revenue in terms of how much is it coming from two wheelers let's say or a CV or a three-wheeler, that would be quite helpful. That's the first question.

Saksham Leekha: Thank you for your questions. So as per our DRHP, we work on 26 SKUs... when we say 26 SKUs we mean 26 categories of SKUs. So our independent SKUs is way more than 500 right now. So we manufacture 500 different part numbers, but they can be categorized in 26 different broad categories. The two of the largest would be, one is what we call a Sensor Boss and a Sensor Boss is a precision turned part that finds application in exhaust systems of vehicles. So that is one of our components that we manufacture and export for truck manufacturers across and passenger vehicle manufacturers across India and we also export these ones to Europe and the US. Then we manufacture one of our large components segment is also the shock absorber rod. So a shock absorber rod is essentially supplied to our large-scale shocker manufacturers, and we are one of the largest shocker rod manufacturer in the country right now and we have agreements and orders from the largest OEMs procuring these parts. So those are our top two. And the third category would be right now could also be our defense parts, which is one of our larger categories. And just from a category point of view, these are ammunition, Artillery Fuze parts, and as of today, this would be our third largest broad category of parts that we are manufacturing.

Tej Patel: Got it. Can I consider the top two, the Shock Absorber and Sensor Boss to form about let's say more than 50%, 60% of our auto revenue?

Saksham Leekha: The top 2 would be about 40% of our auto revenue. That is correct.

Tej Patel: Thank you. Got it.

Saksham Leekha: And our top three customers right now are the ZF Group, which is a German €50 billion top line MNC with presence across the world, then we have Tenneco Inc., is an American OEM manufacturing exhaust systems suspension products for passenger vehicles, commercial vehicles, etc., The third largest customer as of today is JTKT or also called JTEKT. So JTEKT is again a sparing system manufacturer.

Tej Patel: Got it. So the end consumer what I understand is mostly passenger vehicles and the commercial vehicles, right?

Saksham Leekha: For the end users for us is mostly passenger vehicles, commercial vehicles, now, of course, there is a lot of push towards EV, a lot of our new parts are going to be used in EV, then, like I said, ammunitions, Artillery Fuzes, now we are developing parts for renewable sector, telecom infra as well.

Tej Patel: Perfect. We have a sizable portion of orders coming from, right, and that's what Tata is what I understand. So main product there would be shock absorbers is what I understand, right?

Saksham Leekha: No, no, when I say EVs, we have business, not just for shock absorbers, also for what I said is a cooling system, there is a thing called a cooling plate which if you Google you understand what it is, it's made of very complex aluminum parts very, very close tolerance which we are developing and then application for that is the highest valued EV Company in the world. So that's where the parts are going to go. So we make those parts. We also make some heat sinks, which are used in similar electric vehicles.

Tej Patel: Got it. And I assume to let's say the direct supply to the OEM where we are making, are we the sole supplier? I assume we would be the second or third, I mean among the top-two or top-three suppliers, right?

Saksham Leekha: So there is a lot of projects for which we are a single source supplier and there might be some projects where we are one of the two suppliers supplying for a certain product.

Tej Patel: Any major project where we possibly are a single sole supplier maybe?

Saksham Leekha: This particular Tata project that you are talking about is, we are single source from India right now. We are only one manufacturing these parts. These are being developed in India for the first time.

- Tej Patel:** Great, great, great to hear. My second question was when you say Rs.2,750-odd crores of order book, I mean is it a confirmed order book, I mean do you have to supply those parts in three, four years, just an indicative of more sort of budgeted order book where the offtake might or might not happen based on how the end OEM customer is doing, right. Is my understanding correct or is it a confirmed order book that the OEM will have to dig the offtake?
- Saksham Leekha:** So in our line of work, nobody is placing orders for five years, so we don't get purchase orders for five years in our line of work, we get nomination letters and these nominations are binding documents and these binding documents are taken very seriously by both the buyer as well as the supplier. So based on this binding document, we have set up lines, we make investments and if the parts are not picked, if there is a serious deviation from that nomination, we are liable to charge the customer the losses that we incur because of that. So it's taken very seriously. I mean that these are confirmed orders for us. That's how we look at it as confirmed orders and so Rs.750 crores is the confirmed nominated order to us.
- Tej Patel:** Perfect. Interesting. And sir since major CAPEX is towards machining, I assume almost 90%, 95% of our capacity would be fungible, right, across various parts or do we have dedicated line for specific parts, just broader understanding I wanted is are those capacities fungible across different categories of products and across customers.
- Saksham Leekha:** Yes, that exactly is the beauty of our business. All our machines are fungible. So we are buying CNC, VMCs and we can pivot whenever we want. Essentially one, the parts we are developing on these machines, whatever line comes to us, would use the same machine. So we are not putting up a dedicated very high gross block line for a certain customer because we are only essentially buying the same machines and so that helps us grow these businesses with very less risk.
- Tej Patel:** Got it.
- Moderator:** The next question is from the line of Deepak Pandey from Sagun Capital. Please go ahead.
- Deepak Pandey:** Hi, Saksham. Sir, just on the aerospace side, wanted to understand the technology that we are using. Is it going to be casting, forging, machining, anything along those lines?
- Saksham Leekha:** Hi, Deepak. So Deepak, we are investing in casting, forging and machining. You are absolutely right. We also plan to get into stamping and sub-assemblies very soon. So essentially, the idea is to become a Company that owns multiple processes and can make any metal part in the long-term.
- Deepak Pandey:** Got it. And for the forging line that you are putting up, is this what that defense and aerospace wants from you, or this is also going to cater to the auto lines as well?

- Saksham Leekha:** So, we have been buying a lot of forgings from our suppliers so far and coincidentally, these parts are used in defense. So currently we are what we call in-housing those products, we are going to make them in-house and that will help us improve our supply chain, improve our margins for those products. So essentially the machines being put would be immediately used for defense lines, but we will see traction from our existing customers who buy a lot of hot forgings, whether they're automotive or other defense customers and we will set up lines with them as well once the process approval in-house for us.
- Deepak Pandey:** Got it, Sir. The defense part is more or less clear to the participants, but the aerospace part is somewhat missing. So, what sort of products are you targeting there?
- Saksham Leekha:** So when it comes to aerospace we have very recently started the certification for AS9100D, which is the specialized certificate required to get into the aerospace sector and we have been visited by several... when I say several, at least seven aerospace companies in the last three months, five are from India, including PSUs or even companies that buy defense and aerospace products and also there are two other international companies that are taking and one of them is Israeli origin, that is seriously interested in us we are making parts of them for their defense and aerospace wing. Now, RFQs have been floating and some of the parts are currently developed and under validation. This is where we are right now. We don't have confirmed orders, but you would see a lot of these expressions of interest convert into orders when we have an update for you next quarter.
- Deepak Pandey:** Got it, sir. This is on the margins front. By virtue of new segments like defense, aerospace renewables, do you expect margin to go above 20%, 25% in the next two, three years?
- Sanjeev Verma:** So yes, in terms of gross margin, we do see an expansion of around couple of percentage points immediately during this financial year if not more and this will of course flow down to EBITDA margin expansion as well. But given the processes which we are now bringing in in-house like the forging capability moving up the value chain and then of course parts like defense and aerospace, marine, these are very high margin exports business opportunity, marine, defense has significantly higher margin for our domestic operations. So all this will lead to good margin expansion going forward. Of course, this will happen step-by-step. But our immediate target is to improve the margins by at least two percentage points for this financial year, and then as we firm up more orders from this segment as Saksham just mentioned aerospace is something we just started working on, defense, we already have some traction, some of the customers are visiting us, so we do expect some orders maybe in the next three to six months. And as and when they start flowing into our revenue, there will be a good margin expansion because of all this.
- Deepak Pandey:** Got it. Thank you. Thank you.
- Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

- Deepak Poddar:** Yes. Okay. Thank you very much sir for this opportunity. Sir, just first up, wanted to understand was the execution timeline of this current order book was Rs.723 crores. You mentioned something about the defense order of Rs.130 crores, which will need to execute over 10-years, right, out of this order book, but what about the execution timeline for the other order book?
- Saksham Leekha:** So the rest of the order book will be executed over the next five years. It's important to tell you by the medium of this question I have to address that this order book is above and over our current revenue. So, this is all new projects, new orders coming from the same customer or new customers that we were in for over the last few months. So our revenue continues to stay where it is and might even grow organically a bit. So this is important to mention right now. Now that I have a chance.
- Deepak Poddar:** Okay, fair enough. I got it. My second question is on your margins. I mean you mentioned this year we are looking to increase margins by 2%, right? I mean from 17.8% without other income to maybe what 2% higher, right?
- Saksham Leekha:** That is right.
- Deepak Poddar:** So what would be our medium-term aspiration in margins because as the share of defense and aerospace increases, which would be margin-accretive, right, so some understanding on your aspirational EBITDA margin that we may look or maybe what next three, four years?
- Sanjeev Verma:** I mean, so three, four years of course is a longer period term to sort of give guidance on margins. But probably you would see from our activities which we are undertaking, these are all focused on improving the bottom line, strengthening our businesses in terms of revenue mix, product mix. This of course as a result will flow down into margin expansion. I think over a period of three, four years, we might see a 4%, 5% sort of margin expansion, but again these are ballpark high level numbers we are just putting out there, but we need to figure out as we move forward, there will be a lot of investments in product development, in R&D there will be a lot of ground level activities which we have to also undertake to make this segment a sizeable segment as we move forward, which of course will have its own cost into it, but that will result into revenue flow, order flow and hence we see there will be some margin expansion, but I guess we will park it away for now, we will come with more updates as we get more orders, more revenue visibility on this segment, but there is an internal target, our target of at least expanding our EBITDA margin by 4%, 5% over the next three, four years.
- Deepak Poddar:** What is the revenue mix we are seeing from these two segments over the next three, four years?
- Sanjeev Verma:** So automotive will of course come down to below 70% is what we see, defense, marine will of course remain a significant portion on the non-automotive side at least I guess 25% sort of will be in from defense/aerospace and marine within the non-automotive and then balance 5% from the other segment, new industries which you are continuously adding. Now you need to also acknowledge the fact that entire segment, all the industries are growing significantly together and hence I guess the

right way to put our growth in these sectors are more on CAGR form, our defense, marine will grow probably at least 45%, 50% CAGR is what we foresee, but at the same time automotive is also growing by a good percentage point. So the revenue mix probably could vary here and there, but the growth within the segment we are optimistic within these new segments which we have added over the last one and a half, two years.

Deepak Poddar: Understood. And sir, that's very clear. I mean, marine, defense and aerospace will grow at 40%, 50% CAGR, that's what we are saying, right?

Sanjeev Verma: That's what we see. Defense marine could actually jump much faster going forward, but with current order book which we have, some of the pipeline discussion which we are having, as and when they convert into real orders, I think we might have to change the numbers.

Deepak Poddar: Okay, okay, I got it. That's it from my side. All the best to you. Thank you so much.

Moderator: Thank you. The next question is from the line of Agastya Dave from CAO. Please go ahead.

Agastya Dave: Thank you very much for the opportunity. To both of you I first of all would like to thank you for the initiative that you have announced that you'd be disclosing quarterly updates. It's something that we have been requesting a lot of SME companies and the newly listed companies to do this voluntarily without anyone actually asking you. That's a great initiative. I really appreciate it. Thank you very much. Saksham, I wanted to understand a little bit how should I look at your Company, is it purely a machining Company which is now getting into forging? Is that what the production processes look at your shop floor? You do have a casting unit as far as I know. But are you procuring a lot of so-called raw materials from other ancillary units and then just purely machining, is that what the business is?

Saksham Leekha: Well, I would like to call ourselves a precision engineering Company, not a CNC machining Company. So our job is to develop a very precise product, whether it's application, defense, automotive, aerospace or wherever and supplied by the customer consistently for years that the customer demands. Now within that broad spectrum of precision engineering, we have different processes. We started with CNC machining. That is right for which we buy steel bars from one of our ancillaries, that make a bright steel which is a steel supplier and the finest steel supplier in India. And then from there we got into investment casting three years back. So basically we diversified into a new process. Within CNC machining itself, we have different processes, some are ultra precise parts which are used in Germany to make very, very complex oil pumps, not just automotive parts. So within CNC machining, we have different processes called Swiss machining grinding. So we have all those capabilities. Then we got into investment casting, this year we are getting into cold and hot forging. Now, with those broad spectrum of processes in-house and backward integrated by our own steel supplying, I don't think there is many companies out there that have that kind of capabilities within one banner. So our goal is to be a precision in metal engineering part supplier to global OEMs

and that's where I see ourselves getting and we also would be getting into assemblies, we will move up the chain over the years, you'll see us getting into more and more complex parts where there would be a lot more R&D. So that's where we are going to get over the next few years.

Agastya Dave:

Saksham, this sub-assembly initiative that you will be doing, this will be restricted only to the defense and aerospace business, or would you be doing it in auto also your traditional industries?

Saksham Leekha:

It could very well be in defense as much as in auto. So depending upon the opportunities where we get from and the value those opportunities bring, we will be making a decision according to that. And so it's not necessary whether it will be defense or automotive or it could also be non-auto, currently we are talking with a lot of marine component companies based out of the US who are willing to outsource a lot of their patented processes to countries in India, and we are at a very serious relationship and decision-making level with them as well. So there is a lot happening there and these companies want to outsource their patented processes and get the production run in India with a trustworthy Company, and we have proven to be one of those companies. So we have seen very strong traction from our American customers over the last two, three months since the whole tariff situations spun out of control between US and China. So we have seen some of the largest orders inflow for us and there is many more being negotiated right now which we would update you about very soon. So we are seeing the largest ever order growth that we have ever seen in the history of our Company.

Agastya Dave:

Excellent. One final question. You mentioned how the switch in industry profile will lead to margin accretion, but this sub-assembly process is also very profitable, right? In terms of process mix shift, how do you see subassemblies growing over a period of time?

Saksham Leekha:

The sub-assemblies of course is higher margins, higher profits that we recognize that, and we are quoting for a lot of sub-assemblies right now from our existing automotive customers, also, some defense customers. So there is serious focus on sub-assemblies and while I cannot disclose a definitive number of our growth in terms of sub-assemblies, a lot of sub-assemblies are being developed this year and over the next H1, H2, we will be separately disclosing our sub-assembly revenue if needed.

Agastya Dave:

Do you have an in-house design team as well?

Saksham Leekha:

So we have an in-house. I wouldn't really call it a design team, we have an R&D team that works on how to build a product and these products are analyzed with great meticulousness whenever a design is received. So there is a cross-functional team that analyzes the process of how to manufacture a certain part, which machines to order. So that is essentially the part that we do in-house for the drawings that we receive.

Agastya Dave:

Thank you very much. Your answers have been very, very helpful. All the best sir. Thank you.

Saksham Leekha: Thanks.

Moderator: Thank you. The next question is from the line of Deepak Kumar from Kalyani Office. Please go ahead.

Deepak Kumar: Hi. First of all congrats on very fantastic results. I would like to understand a bit more on the value proposition of our Company like what makes a customer stick to OBSC, I mean, what is the value proposition which you bring for the customers on the table, is it the best cost structure, is it something like you have very quick delivery TAT or the product complexities as such that only you can take care of that, so what is that customers look for in OBSC?

Saksham Leekha: So of course it's not just one thing that matters to any customer. It's a combination of all of the things that you said. We believe we are an efficient organization. We have very little TAT in our Company. So our processes are very lean, which keeps our costs low, and which also makes us very agile. So that is one part of it. We are quick to respond, we are quick to change, we are quick to pivot. So that is one part of it. Second, our organization, while it's just seven years old, it comes from a pedigree of more than 50-year-old manufacturing excellence, and that helps us negotiate better with our customers, that helps opens a lot of doors to the elite club of automotive component manufacturing like the likes of ZF, Tenneco. It's not easy to get these vendor quotes if you are a new Company and only a five year in the industry. Because one, you don't have the kind of market intelligence as to where the products are used if you are just that young in the industry. And second, to know the people at the level where you can sit on those tables you need financial strength, you need years of experience, that is provided by our group. So those are the two things I feel have been working for us. Plus, we have been very focused on finding new domains of businesses, like I said, there is a lot of business flowing in from the US and one of the reasons is that at the right time when all this geopolitical shift was happening, we hired a dedicated team on the ground in the US. So, we were quick to respond to that window of opportunity where we have a senior business consultant who's an American guy, sitting in the US, talking to the Americans and negotiating orders for us. So that's the way we work and that's how we have always worked to get these orders.

Deepak Kumar: Okay. Thank you. Thanks.

Moderator: Thank you. The next question is from the line of Anuj Jain from Globe Capital. Please go ahead.

Anuj Jain: Hi. Congratulations on the good set of numbers. Two, three things which I want to understand. I mean, first of all, in terms of our five plants, almost three of them are working probably 80%, 90% capacity and the fourth one is 75%-odd and the fifth one we are going to start in a few months. So, I just want to understand on the future course of action like future growth will be totally dependent on the new plant commissioning, is it right?

- Saksham Leekha:** So our plant in Chennai, which is our third plant as well as the plant in Pune, that's our fourth plant in Pune, not talking about the new plant that we have set up for hot forging, are yet to come to full capacity. When I say capacity, there is space, there is the teams are created, in terms of revenue, you'll see massive growth coming from those two plants over the years. The new forging plant being set up will convert into revenue from the end of the second half of this year. So you'll see the lines are being set up and we are right now validating products, or the machines have been ordered, some from India, some from abroad, and they land, and we will be setting up those lines as well. So that's how we plan to bring new capacity to our organization. In the short term, our vision is to consolidate these plants. Now a lot of these plants have additional overheads. We do see ourselves moving into one single integrated plant in five to six acres of land, which we would call as the sort of a giga factory for components having different processes in-house. And with all those processes in-house, we will be able to significantly improve our PAT margins as well because efficiencies naturally grow up when all these processes are in-house. So you'll see that happens very soon. We will be making those announcements as well.
- Anuj Jain:** Okay. Because I was just wondering because Chennai plant is already doing 84% capacity utilization, so I was just wondering that how much growth we can expect from this new plant?
- Saksham Leekha:** So let me clarify, when you say 84% capacity utilization, it means 84% of the machines that are installed there, or machines are running to 84% capacity, but then what you need to understand in machining business is that there is a lot more space to add new machines. So the teams are ready. So that's how we increase the capacity. We have to obviously do the CAPEX there, but the land is there, the teams are ready and that's how we grow the capacity.
- Anuj Jain:** Right. You just need to install some machines and that is ready to go for production?
- Saksham Leekha:** That is correct. That is correct.
- Anuj Jain:** And second thing is I just want to understand one more thing on the ROE part. I mean definitely we raise money in October '24. So for March it's been only five months. So our ROE has come down from 40%odd to 18%-odd. So what kind of ROE with which we are comfortable if I talk about the next financial year and going forward also?
- Sanjeev Verma:** So of course, you rightly pointed out, this is because of the IPO-led increase in networth. But before IPO we have been maintaining a high ROE of around 40% but on average it has been upwards of 30%. And I guess now as we move forward maybe not just immediate year, but in a couple of years or two to three years, I think we will again reach back to the same ROE percentage and that's the range we would like to operate at in, given again all these activities which we have undertaken will lead to PAT margin expansion, growing from gross margin to EBITDA. Defense as a segment is growing almost three times this year. What we did last year was hardly Rs.28, 30 lakhs, this year we close at Rs.5.5 crores. We are already on a run rate of Rs.1, Rs.1.2 crores as of now. So in this

financial year we will close almost three times the growth in defense. This will of course lead to margin expansion. So, eventually we will probably reach the same ROE percentage in the range of 40%. Of course, now since the base is much -

Anuj Jain: In next two to three years?

Sanjeev Verma: Somewhere, yes, I mean, of course, this will vary of course by six, nine months, but then now since the base is much larger, so two, three, four percentage points here and there is easily possible, but then we will operate in the same range again very soon.

Anuj Jain: Got it. And one last question, I mean for the FY25, so order book stands out Rs.722, Rs.725-odd crores which you have mentioned. What was in the FY24 this order book, how much new orders?

Sanjeev Verma: This was disclosed in DRHP. I think we were around Rs.290-odd crores by FY24 March end.

Anuj Jain: Wonderful. Okay. All the very best. That's it from my side. Thank you.

Saksham Leekha: Thank you.

Moderator: Thank you. The next question is from the line of Aryan Jain from Ritesh Roswell Family Office. Please go ahead.

Aryan Jain: Thanks for the opportunity. I would just like to say that the Company has been doing like very good work on the growth side and like kudos to the Company and the management has answered all my questions. So I will just like to congratulate the Company and like more growth ahead. Thank you.

Saksham Leekha: Thank you so much. Thank you for your wishes. We hope we continue to make our investors proud by offering better growth over the years.

Moderator: Thank you. The next question is from the line of Charisha from Vendor Growth Partner. Please go ahead.

Charisha: Yes. I have one question. There was a document where you were talking about the Gujarat expansion. So, could you talk a little more on that like machines, the product building?

Saksham Leekha: So we have been asked by one of our longstanding customer to set up a plant dedicated facility for them in Sanand and this facility will be producing shock absorber rods for commercial vehicles as well as electric vehicles. A confirmed letter of intent has been received from our customer now and we will be working on the project over the next six months and by the next update you will have confirmed answers from us as to when the plant will start and what the location would be and what capacity we would be putting in that.

- Charisha:** So this is not included in the order book, right, the Rs.720 crores?
- Saksham Leekha:** This is not included in the order book.
- Charisha:** My second question is on the R&D parts -
- Moderator:** I am sorry to interrupt. We are unable to hear you clearly. Can you speak a bit louder?
- Charisha:** The second question is the R&D setup which we have done in-house, how is it helping us because previously we weren't having it, right?
- Saksham Leekha:** So companies like us need in-house technically scaled R&D people as we are growing at a very high speed. A lot of the processes which were previously outsourced, we are now able to get answers in-house with much less cost and effort because of our R&D wing that makes tools for us in-house, that does design work for us in-house. A lot of these processes were outsourced for the longest time, but with these new set of skills in-house, we hope it will help us in our machining casting and hot forging business as well. So that's all I can say for now.
- Charisha:** So does this also help us bring more customers or something like that, bring more margins?
- Saksham Leekha:** Yes, a lot of customers want in-house R&D segments, in-house tool rooms. Essentially if you have in-house tool rooms, your turnaround time is much faster in terms of any breakage, any shortages. Now, we have software which we never had. Our R&D wing is now equipped with software that can simulate any part being machined or cast or forged. So, all those developments have happened in the last three to four months when we have made significant investment in those things as well.
- Charisha:** Got it. And if I may ask, we have done a lot of CAPEX. What's the current workforce?
- Saksham Leekha:** So we engage a total of around 90, 95 people on our payroll, which is our permanent staff and we have around 700 people working for us right now in terms of the blue-collar workers, yes.
- Charisha:** Okay. Got it. Thank you.
- Moderator:** Thank you. The next question is a follow up question from the line of Tej Patel from Investec. Please go ahead.
- Tej Patel:** Yes. Thank you so much for the opportunity again, In terms of revenue potential, in terms of capacity, I just wanted to understand, is my understanding correct? We added in total about let's say 69 lakh to 70 lakh PCs of machining capacity from the time of IPO up till now, right?
- Saksham Leekha:** In terms of numbers?

Tej Patel: In terms of units.

Saksham Leekha: Yes, perhaps around that.

Tej Patel: So on those capacities, after the 69 lakh units and we already had about 230 lakh unit capacity, what's the maximum revenue that we could achieve out of this current capacity?

Saksham Leekha: Are you talking about the capacity after IPO, right?

Tej Patel: Yes.

Saksham Leekha: With the current installed capacity, we will see our revenue to grow around Rs.200-plus crores with the infrastructure that's already in there. And there is some CAPEX that's already ordered and in process, there is machines being built, and once that is installed, that would be used for the next financial year growth as well.

Tej Patel: Got it. For the current financial year, that's FY26, apart from that forging unit, in terms of machining, what's the CAPEX are we planning?

Sanjeev Verma: So the balance unutilized funds of Rs.20-odd crores allocated for CAPEX will be put in and of course there will be some more CAPEX then in forging. Now one thing also there is to highlight forging doesn't require much machineries in place to generate revenue. So the asset turn from the machine will be much higher compared to the machining business. So eventually the CAPEX requirement will go down and that's of course will lead to better return ratios as well and hence the revenue growth when compared to the CAPEX growth will be much faster.

Saksham Leekha: And that's also true for a casting business where we have almost doubled up a line at a very low cost, our investment casting business will more than double up this year in terms of revenue.

Tej Patel: Got it, got it. Interesting. So up till now I think for shock absorbers, we were probably procuring the forged part and then doing machining on it. Is my understanding correct?

Saksham Leekha: It is incorrect. So for shock absorbers we were buying rods, steel bars and then machining those steel bars to make piston rods.

Tej Patel: Got it. For the defense business, after this recent event, are we seeing any increase in RFQs or maybe increase in order enquiries for our defence business from BEL or something, just wanted to get an idea on that?

Saksham Leekha: We are seeing major traction from defense right now, like I said, we have been in touch with more than with around 7 different defense companies, these are very large players, whether they are PSU's

or countries overseas located in Israel, and so there is major traction coming for us and there is a lot of RFQs, there is many parts which have been developed and many of these are under validation and these orders could turn out to be really big for us in the coming times and that's where we are right now. That's all we can say.

Tej Patel: Got it. Thank you. Thanks a lot. That's all from my side.

Moderator: Thank you. The next question is from the line of Deepak Pandey from Sagun Capital. Please go ahead.

Deepak Pandey: I just have a question on the revenue split. So can you provide a segment wise revenue split for FY26 and FY27? And how does the auto segment look like in the next three to five years as a percentage of total revenue?

Sanjeev Verma: So I will just provide probably for FY26 first and I guess what we were saying is I think we will still have close to 80%, 85% of revenue flowing from automotive, which will of course have a split between EVs and non-EVs. So, of this 85%-odd, we will have probably close to 25% of EV business within automotive and balance 60% coming from non-EV vertical and then we will have defense and marine taking up close to 13%, 14% and we will have balance 3%, 4% from other sectors as well. So that's pretty much about the sort of revenue split. So we are moving more towards non-automotive in terms of at least absolute numbers. So I guess a couple of years back we were entirely automotive. Now, non-automotive forms almost 15%, 20% of a larger pie when compared to the two years back when we were at less than Rs.100 crores revenue mark. Automotive revenue was almost 98%, 99%. So the split is moving more towards non-automotive. Defense, marine are growing at multifold as of now at least maybe because of a smaller base, but we do foresee a very strong inflow of orders in defense, aerospace which will eventually flow down into revenue. This is the first year of defense revenue which we have clocked. So of course now that quality consciousness has been there with the customers. They have appreciated. We have already received the BEL Zero Defective Award for last quarter of FY25. So they have recognized our work and which of course this recognition, while the certifications might look just small part of the overall business, but then the certifications lead down to more order flow, more revenue flow. So, I think eventually we will have as you know mentioned in previous questions, we will have close to 65%-odd sort of numbers from automotive and balance 35% will come from non-automotive in maybe next two to three years, of which, of course, needless to say, defense will remain major pie and then we will have balance split between marine and other sectors.

Deepak Pandey: And sir, can you also comment on the Tata AutoComp business, what is the scale of it right now and how do you see it progressing in the next few years?

Saksham Leekha: So Tata AutoComp is going to be one of our largest customers very soon and within Tata AutoComp, there is different legal entities. We are working with the companies in Tata AutoComp right now.

The largest order is from Tata Toyo Radiator and this Company would be buying aluminium precision milled parts from us and the total order is around Rs.250 crores. So this is all electric vehicle parts and it's a very big business for us. The new plant that is plant-IV that we set up about a year back was sort of dedicated for that one particular line. So we expect Rs.50 crores per year revenue which is already nominated to us. Now since Tata is so aggressively growing with Tesla as well...this is public information, this Tata is getting a lot of new RFQs, new businesses nominated from EV manufacturers and all those RFQs are being floated to us. We have converted one more business. The scope of that business will be shared very soon with you because the volumes are still being discussed. But we wanted to develop those samples as well and that would be a very large business for us as well. So we are growing very fast with Tata as Tata is growing with their customers. So the trickledown effect is working very well.

Deepak Pandey: Got it, got it. Good luck for the future. Thank you.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Saksham Leekha: Hi. So thank you, Nuvama once again for hosting, allowing us to do this con call with you guys and to our investors, to our families investors, you have invested in a fast growing high growth precision engineering Company that you'll see pivot from auto to defense to marine sectors with higher gross margins and we will continue to surprise you with ever increasing order books from the US, from the defense sectors in the quarterly updates that we are going to post out. So watch out for us and do let us know if you have any more feedback, we will be happy to answer our e-mails as well. Thank you.

Moderator: Thank you. Ladies and gentlemen, in case if you have any queries you can please connect to Mr. Vijay Pandey from Nuvama Wealth and Investment Limited. Thank you. Ladies and gentlemen, on behalf of Nuvama Wealth and Investment Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.