Management Discussion

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Thank you. Good afternoon, everybody. A very warm welcome to all of you, and my best wishes to our investors, call participants, and their families for the new Samvat year which has just begun after Diwali. I am sure this festive season has brought happiness and some optimism In this unpredictable global geopolitics and market sentiments, but resilient Indian economy. All of us have seen how at least the Indian economy is amongst one of the best performing in the large economies of the world. Also, we thank you for joining us on the Rishabh Instruments Q2 and H1 earnings call.

Today on this call, I have Dinesh Muslika who will talk a little about our company and what we have done and what we plan to do. He's our also managing director and group CEO. We also have Vishal Kulkarni, our CFO, Nishant Dadoria, our GM Strategy. The financial results and investor presentations are uploaded on the stock exchange and on the company's website this Friday. I hope you all had an opportunity to review them. The first half of financial year '27 has been encouraging for the Vishakh Group, with consolidated revenue growing 6.3% year on year.

Standalone India business delivered very strong growth of approximately 30%, and the consolidated EEI segment- we call it electrical electronic instrument segment- continued to be the group's core growth and profitability profitability driver, maintaining a top-line growth of 25%. This performance reflects the resilience of our business and provides a strong foundation for the next phase of growth. The moderation in overall growth only to only 6.3% is due to the negative growth of approximately 37% in the aluminum business.

Just to clarify, overall we have been only 6.3%. EEI has grown more than 30%. But aluminium has actually shrunk, and I- Dinesh will talk to you a little about why it is by design shrinking, you know. So as we look ahead, I would like to place our performance in the context of the larger economic and technological shifts taking place globally and outline how we are positioning Rishabh to participate in the opportunities these changes will create over the coming decade. India remains one of the most compelling growth markets globally.

It continues to demonstrate strong economic momentum with GDP growth of over 7% in recent quarters, supported by sustained investments from both the government and the private sector. This growth is broadening the country's economic landscape, with Tier 2 and Tier 3 cities increasingly emerging as important centers of economic activity and opportunity. Investments in urban infrastructure, particularly metro rail and public transportation, reflect a more forward-looking approach to urbanization aimed at improving connectivity, reducing congestion, and addressing environmental challenges.

As a nation, we are increasingly recognizing the importance of balanced and sustainable urban development, drawing on past experiences to build cities that offer a better quality of life and support long-term economic prosperity. The country is benefiting from strong domestic demand, infrastructure investment, manufacturing expansion, and increasing digitalization. Sustained investments in power generation, transmission and distribution, renewable energy, and industrial infrastructure are creating a favorable environment for business such as ours.

We believe Rishabh is well positioned to benefit from this structural growth, supported by its established presence in electrical measurement, energy monitoring, and power quality. At the same time, the global business environment is undergoing a fundamental shift. Geopolitical tensions, protectionism, evolving trade policies, and disruptions to established supply chains have reinforced

the importance of supply chain resilience. Regional manufacturing capabilities, and diversified markets. Energy security and infrastructure reliability have become strategic priorities for government- for governments and industries alike.

For Rishabh, this reinforces the importance of building a geographically diversified business, strengthening local market presence, and developing a resilient operating and sourcing model. Our international businesses provide an important platform for this ambition, enabling us to serve customers closer to their markets and capture opportunities across the Americas, Europe, Asia, and Africa. One of the most significant developments shaping the next decade is the rapid expansion of AI and digital infrastructure.

The growth of AI, cloud computing, and high-performance data centers is driving unprecedented demand for electricity and placing greater demands power infrastructure. Data centers require highly reliable power distribution, continuous monitoring, power quality management, protection, and energy optimization. India's data center industry is also expanding rapidly, creating a significant opportunity across the electrical infrastructure value chain. We see this as an important strategic opportunity for Rishabh.

Our capabilities on electrical measurement, low voltage current transformers, power quality, energy monitoring, and automation provide a strong foundation to participate in this evolving market. We are focused on advancing our product portfolio, developing application-oriented solutions, and strengthening, strengthening our capabilities to address the requirement of data centers and other critical infrastructure. Our ambition is to move beyond individual products towards more integrated solutions that help customers measure, monitor, control, and optimize their electrical systems.

We believe this transition will be an important contributor to our future growth. The energy transition presents another long-term opportunity. The increasing penetration of renewable energy, distributed generation, and battery storage is changing, changing the way electricity is generated, distributed and consumed. This is creating a greater need for grid stability, intelligent monitoring, energy efficiency, and integrated power management solutions. Our investment in solar inverters, power quality measurement and control, energy management, and related technologies aligned in this direction.

We intend to build on our established electrical measurement business and selectively expand into adjacent areas where our engineering capabilities, customer relationships, and market knowledge provide a competitive advantage. Our long-term strategy is therefore centered on strengthening our core, expanding selectively into high-growth adjacencies, adjacencies, and building a more connected application-led business. We will continue to invest in product innovation, technology, manufacturing capabilities, and talent.

While deepening our presence in international markets. We also recognize that sustainable growth must be accompanied by strong execution, operational discipline, capital efficiency, and an uncompromising focus on quality and customer trust. As we move into the second half of financial year '27 and beyond, our priority is not simply to grow the scale of the group but to improve the quality, resilience, and long-term competitiveness of our businesses. We will remain disciplined in our investment choices, focused on profitable growth, and committed to building capabilities that position Rishabh for the opportunities lying ahead.

We are confident that the combination of our engineering heritage, global presence, and continued investment in future-ready technologies will enable, will enable us to build a stronger and more relevant Rishabh Group for the next phase of growth. I thank our employees for their commitment,

our customers, suppliers, channel partners, and shareholders for their continued confidence in the group. The progress we have made is a result of the collective efforts of our teams and the confidence of our stakeholders.

Thank you very much for listening patiently. I will now invite Dinesh to take you through the operating performance and business priorities in details. Over to you, Dinesh. Thank you.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited

Good evening, uh, everyone. Thank you, sir, for elaborating, uh, a lot of points on Indian scenario, geopolitics, and a bit on our company's, uh, broader numbers. Uh, I would first like to wish all participants and their families a very prosperous new year, and thank you for your continued interest and confidence in Rishabh. The first half of FY27 was encouraging for Rishabh Group with steady performance in Q2 and H1. The improved profitability year on year and continued progress in strengthening our business is a result of a focused investment in manufacturing capacity, product development, and market expansion.

These initiatives are aimed to further improve operational efficiency, enhancing the quality of earnings and building a stronger platform for sustainable long-term growth. In Q2 FY27, the consolidated revenue was, uh, Rs 2,128 million, an increase of, uh, 8.4% year on year from Rs 1,963 million. And for H1 FY27, revenue was Rs 4,111 million, up by 6.3% from Rs 3,867 million. EBITDA margins were, uh, 15.2% for the quarter and 16% for the half year. This performance demonstrates the resilience of our core electrical electronics instrumentation business and the continued work underway to improve the overall group's earnings.

EEI remains the group's core growth and profitability platform. During H1 FY27, EAI contributed 79.2%, that's almost 80% of consolidated revenue. This is also our focused effort to improve more, uh, sales on EAI, and this is achieving Rs 3,255 million, up by almost 30%, to be precise 29.3% year on year. So the EI growth is 29.3% year on year, and the adjusted EBITDA was Rs 750 million, up by 29.9%. That's almost 3% or 30%, while PAT increased from 32.2% to Rs 497 million. So in Q2 FY27, EI revenues grew by 24.9% year on year Adjusted EBITDA margin was approximately 21.1%, with adjusted EBITDA increasing 4.1%.

We continue to prioritize a healthy balance between growth, product mix, procurement efficiencies, and profitability. This performance reinforces EI's role as our group's principal growth and earning engine. Further, our international EI business continued to provide an important platform for growth and geographical, uh, diversification. Lumel SA in Poland delivered- which is an EI business- delivered a strong performance in H1 FY27 and achieved a revenue growth of 24.8% year on year, reaching Rs 1,338 million.

It delivered adjusted EBITDA margin of 21.9%, almost 22%, Despite a relatively subdued European industrial environment and contributed Rs 293, almost Rs 300 million, that is 31- 39.1% of overall EAI-adjusted EBITDA, almost 40% of EAI-adjusted EBITDA, you can say, of Rs 750 million INR in H1 FY27. The business has benefited from new customer wins product diversification, and high-value electronic manufacturing. During the second half, the focus will be on improving utilization of these capabilities, converting the opportunities pipeline, and expanding the- expanding our presence in selected European international markets.

Our US business has doubled revenue in revenue in H1, while the UK and China businesses also grew by 38% and 25% respectively. We are seeing encouraging demand in US market month over

month, and our priority is to build on these positions through focused customer acquisitions, cross-selling across the group's portfolio, and stronger local market execution. Although this business operates on a smaller basis, they offer meaningful scope to broaden our group's international contribution. Geographically, we continue to see attractive opportunities in North America, Southeast Asia, Africa, and selected Latin American markets.

In Europe, while industrial demand remains uneven, investments in energy efficiency, automation, grid modernization, and renewable integration continues to create opportunities for specialized instrumentation and electronics manufacturers. Our approach is to deepen our presence in chosen markets rather than pursue geographical expansion without a clear route to scale and profitability. In India, our adjusted- in India, our standalone business recorded H1 revenue growth of 29.6% to Rs 1,656 million, and adjusted EBITDA margin was 23.3%, with adjusted EBITDA growing 16% We are focused on deepening penetration across measurement, power quality testing, energy monitoring, and automation while expanding through distributors, OEMs, and direct engagements with large industrial and infrastructure customers.

Our commercial priority is to increase share of wallet with existing customers and convert opportunities in targeted applications. We will remain selective, focusing on segments and accounts where our product capability, application knowledge, and service propositions provide a clear basis to compete. Product development is central to broadening our addressable market and improving the value mix. Over the last 2 years, we have launched approximately 15 new products, and we have a further pipeline of more than 10 products planned for FY27 and FY28.

The emphasis is on the products that address defined customer needs and strengthen our position in higher-value applications. The Nashik capacity expansion is an important enabler for this next phase. With the new facilities commissioned in part and capacity substantially enhanced, our near-term focus is on disciplined ramp-up, higher utilization, improved throughput, and consistent quality and delivery. Further investments in automation, testing, and process improvements are intended to strengthen productivity and support larger domestic and export programs.

Our solar inverter business is gaining traction and is deliver- developing into additional growth platform. It represents a promising trajectory to our established electrical measurement and energy management capabilities. The single-phase I1O range, which is from 1 to 5 kilowatts, has received encouraging market acceptance and enabled to enable the business to achieve operational profitability. Our television advertisement campaign has generated a strong pipeline of inquiries. The priorities to convert this interest through focused channel execution and customer follow-up.

We have commissioned a new product production line with a capacity of 400 inverter units per day. That translates into about, um, 12,000 a month, providing a manufacturing base to support growth and as our demand develops. Further, the 3-phase iNEO range with the models up to 12 kilowatt have broadened our offering. Development of products up to 50 kilowatt and hybrid inverter solution is underway, positioning us to address wider range of residential and commercial applications including integrated solar and battery systems.

Our focus is now on converting market interest into sustainable growth. By strengthening our distributor and OEM network, deepening EPC engagements, and building a robust service ecosystem. Product reliability, uh, responsive after-sales support, and channel confidence will remain critical, enable us to scale and long-term competitiveness in this business. At Lumel Alucas, we continue to execute the transformation plan with discipline As communicated earlier, our strategy is to prioritize profitable business rather than pursue volume and do not provide sustainable

returns.

The revenue declined by 36.6%. That's why at a consolidated level you find only 6.5%, uh, growth, but this was deliberate and reached, uh, Rs 855 million in H1 FY27. On track to our annual guidance. The adjusted EBITDA remained negative at Rs 32 million in H1 FY27. Though profitability remains an area requiring close attention, we remain at operating level breakeven in H1 FY27. The recovery plan is focused on pricing discipline, cost control, improved utilization, and broader mix of non-automotive opportunities.

Several RFQs and customer programs are, uh, are at commercial negotiation, qualification, and approval stages. Converting these opportunities into production programs will be important for restoring the sustainable profitability, which we are very close to with some of the projects that we are deeply engaged in finalizing. Geopolitical developments and changes in trade policy continue to affect energy markets and supply chains. The operating environment remains volatile and complex. Geopolitical tensions, particularly around West Asia, have increased volatility in energy, freight, and insurance costs and affected the availability of- availability and pricing of certain input materials.

These pressures weighed on our gross margins during the quarter and half year. However, disciplined cost management helped us to contain the impact on EBITDA margins. Such involving risks are being managed well through supplier diversification, disciplined procurement, closer inventory planning and action, active coordination with customer and logistics partners. Our focus is to protect delivery commitments while preserving margins, working capital requirements, and cash discipline. We are also closely monitoring freight insurance transit times and input costs while maintaining flexibility in sourcing and logistic planning.

These factors remain important operating variables, but our, our response is centered on customer delivery, cost control, and working capital discipline. The long-term demand outlook remains constructive. The global AFCET demand is expected to grow substantially, driven by industrial electrification, electric mobility, cooling requirements, and rapid, rapid expansion of data centers. Renewable energy generation is also increasing its share in the global power mix, creating a parallel need for stronger transmission networks, grid flexibility, power quality management, and energy storage.

Further, AI-enabled data centers are a relevant emerging opportunity for our portfolio. Their requirements for reliable power, continuous monitoring, and power quality align with our measurements and instrumentation capabilities. Our focus is to translate this alignment into specific custom programs and product opportunities. In India, investment in renewable- renewables, transmission and distribution, smart infrastructure, and domestic manufacturing support demand. In the US, data center investment is driving electrical instrument infrastructure requirements.

Southeast Asia and Africa offer opportunities linked to electrification and grid expansion. In Europe, we will focus on selected higher-value opportunities in instrumentation automation and energy efficiency. Our strategic response is to continue to invest in new product development, new technology, enhancing manufacturing capability, and remain reliable partners to our customer needs. For the second half, the priorities are to sustain EAI growth with margin discipline, ramp up the expanded manufacturing base, accelerate relevant product launches, convert international opportunities, and strengthen the solar channel and service ecosystem.

At Lumel Alucas, the focus remains to converting the pipeline into profitable production programs. We remain committed to our earlier guidelines of targeting 20 to 25% growth in the EAI segment, which we have already delivered or overperformed on that segment in FY27, subject to evolving

market environment. Our emphasis will be on achieving this growth while maintaining healthy profitability and cash generation. In number terms, the EAI business remains on track to achieve its full-year guidance of Rs 140 to Rs 150 crore adjusted EBITDA and about Rs 95 to Rs 100 crore PAT, which we, we, we announced at the beginning of the year.

As indicated We expected HPDC, that is high-pressure die casting business, Lumel Alucast, to remain a drag to bottom line while maintaining a breakeven EBITDA. This is also our commitment to get it close to plus minus 1% of the EBITDA, 1 to 2% of the EBITDA. The business is likely to report a PAT-level loss between 10 to 15 crores. By year-end, which would be primarily attributable to depreciation and withholding tax provisions. So it's not coming from the operating losses. So with this, I thank our team across the group for their commitment and our- for their commitments, and our customers, suppliers, and partners for their continued support.

The progress we have achieved is is a result of the collective efforts of our teams and the confidence of our, of our stakeholders. With this, I now hand over to Vishal to highlight the financial numbers. Over to you, Vishal.

Vishal Kulkarni - Chief Financial Officer, Rishabh Instruments Limited
Thank you, sir. Good evening all. Please note that all numbers are in INR in my commentary. For Q2 FY27, the consolidated adjusted EBITDA is stated before an ESOP/SAR provision of Rs 16 million and a withholding tax provision of Rs 25 million. Consolidated PAT for Q2 FY27 stood at Rs 181 million, decreased by 18% year-on-year. The year-on-year movement was primarily attributable to increase in depreciation by Rs 13 million, mainly because of capitalization of a new building in Nashik, some reduction in other income, and also the provision of withholding tax at Lumal Alucast for Rs 25 million.

For Lumal SA and Lumal Alucast, the numbers- please refer to the Q2 and H1 FY27 investor presentation. On the consolidated level, we remain net debt-free with a strong balance sheet. The net cash and cash equivalents as on 30th September 2026 stands at Rs 1,698 million. Thank you. We will now open for the call for questions. Thank you.

Questions & Answers

Operator
Thank you very much, sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may enter star followed by 1 on the telephones. If you wish to remove yourself from the question queue, you may enter star followed by 2. Participants are requested to please use only handsets while asking a question. We will wait for a moment while the question queue assembles. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain - Analyst, Credence Wealth
Thanks for the opportunity and wish you all, entire team at Rishabh, a very happy new year. So coming to my question, my first question is with regards to EEI segment. Uh, so we have done exceptionally well on that segment, uh, delivering much higher growth, everything of almost 29-30% for the first half. And you have been guiding, and this is well above the guidance of 20-25%. And in your initial remarks, you have continued to maintain that guidance. Uh, are we trying to be more conservative on this as far as FY27 is concerned?

Uh, or are we seeing that this growth to taper down in the second half? Is that something where you feel- I understand the geopolitical situation scenario, but still, given the scenario which has existed in last 6 months, in spite of that, we have done so well. So, uh, is there any chance to raise the guidance of this 20-25% on the EI segment in the current FY27? And how do you see the growth in FY28? For this segment? That is my first question.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah, um, uh, Rahul, thanks for that. And, uh, uh, you know, last, uh, several quarters we have, uh, tried to deliver more than what we have, uh, promised, and we want to maintain that. That's one part of it. And, um, at the moment, uh, our, uh, all EII, uh, EI segments, whether it is in India or Lumel in Poland or USA, UK, China, we are having healthy order book and, uh, um, uh, and we are, we are doing good. So there is no particular, uh, dip we can see. Of course there will be some seasonality, uh, for example in, um, uh, in December and Jan, uh, there will be half month in December, half month in Jan, not so much activities happen in, uh, in Europe.

So Lumel SA can have shorter months during that, and our export from Rishabh to those markets can be a little bit- these are all seasonal kind of dips which we normally have. And also this Chinese one break will be there, so some of the supplies will be disrupted during that period. Apart from that, with whatever is going on, the uncertainties, the turbulence which we see now with those kind of things, we don't see any reason. There is no particular reason to, uh, uh, go down. But, uh, we want to maintain that guideline which we have given between 20 to 25% for the top line.

We are around 30% now. I know that, uh, you, you want us to raise the expectation bar, but we want to maintain that 20 to 25 because of a lot of uncertainties which are happening. But particularly from our side, there are no reasons of any, anything, uh, specifically happening, uh, that we are scared of so that we want to be bringing it down. There's nothing of that sort.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Yeah, as Dinesh said, there is no reason to forecast. But at the same time, people who are not in this business, I must tell you that the geopolitics has really decreased the availability of electronic components. So it's a, it's a small problem we are fighting. Delivery times have gone up Availability itself is a problem. I hope it will clear off, but if you all remember, in the days of COVID also there was a big electronic shortage, and electronics consumption is increasing so much. India, of course, is doing a lot to be able to make the chips and all that, but going forward, that could be a small aberration, which of course our teams are working hard to make sure that we overcommit.

But other than that, there are no headwinds, you know.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah. So the other- I mean, just to add a few more, uh, angles to that, the, uh, it is not only increasing the lead times because of the so-called choke points and all this is happening. Also, the cost of commodities are- I mean, you guys are in the market, you must be tracking all the cost of commodities like polycarbonate material, which is used for housing of all our products. Then you have got Uh, copper, which is used in all the current transformers and a lot of those things, then PCB material, silver, all those- a lot of those commodity materials have been steadily going on.

And we also try to pass on as much as we could on to our customers, but it's always a challenge. So

cost, lead time on the supply side are a bit of an issue. But from our perspective, production is not a problem. Demand from the market is also not, not so much of a problem.

Rahul Jain - Analyst, Credence Wealth
Yeah. And FY28 growth, sir, in this segment?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
So that's again, we will, we will, we will, we will announce those, uh, after end of maybe in the last quarter, but the more or less the guidelines will be similar. So 20 to 25% on the top line is what we will, uh, we will commit. Okay.

Rahul Jain - Analyst, Credence Wealth
That's right. So my understanding is, as on today, we continue to have a decent growth which is well above our stated guidance, but you're just trying to be cautioning that given the external environment and also the lead times in some of those components, maybe some disruption happens,

Ambar Shah - Analyst, Choice
Then

Rahul Jain - Analyst, Credence Wealth
It- this could come down. But else, at this point of time, maybe the current growth will continue unless there is some disturbance. Is that assumption right? Sure. And so, uh,

Zaki Nasir - Analyst, Nasser Investments
Yeah,

Rahul Jain - Analyst, Credence Wealth
Yeah. And so with regards to the margins on this segment, uh, of course I don't want to go into the quarterly part, I do understand that. But specifically, like from 25% we have come down to almost 21.5% in September, in one quarter. And last year also we had almost 26% margin in this segment. I'm talking about adjusted EBITDA margins. In EI segment. So, uh, is this a quarterly blip or something more to read on? How do we look at sustainable EBITDA margins in this segment in the second half and again FY28?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Okay, so that's very, very, um, uh, very smart question, I would, I would say. Um, so there are 2-3 factors, uh, to that, um, and, uh, they are also good that we are so diversified and different countries, different industries, and different product segments we we have. So if you look at, um, uh, breaking it down in, uh, India, uh, business, uh, the EEI business from Rishabh, uh, standalone, so there is a bit of a dip in the, uh, um, EBITDA margin there, and we are not surprised. It's part of the plan because we are increasing our sales in, uh, solar business where the contribution level margins are much lower compared to our other, uh, um, you know, electronics that we sell.

So that's one part. We can say it's a product mix. Second one is, uh, the EMS services business also has increased. So that also wouldn't fetch the kind of gross margins that we talk about for the other products. So there are- we are increasing those volumes there, but, uh, I mean, some part of it. So those are not going to- are not fetching those kind of margins. At the same time, the sales in Lummel

SA from Poland, there the gross margins have improved substantially compared to last year. So because of again the product mix, so there are more richer, more complicated products which are sold in richer markets.

So in a way it is all adjusting. So that's why when last year also in some, some, sometime when we had 25-26% EBITDA, I always was saying that once we are growing, uh, so we will be- we- our commitment is for the margins, EBITDA margins, it was always 18 to 20. I kept on saying that. So 20 is where we are looking at. So it may, it may be there, but again, this will have some of the advantages, uh, by increasing those sales numbers our, um, uh, ROCs will be better because we use part of the same, uh, infrastructure that we have to expand this product, um, line.

Like for example, EMS, we don't have- we have the setup of infrastructure which we use. So it's kind of a bit of a mix of these, um, products. That's why we, when we were having 26 also, when people were asking, I said it, it will be between 18 to 20, and around 20 is what we can Uh, have it- I would say 22-22 is where we should be closing the, uh, year for EEI.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
And not to forget the commodity prices, which are, you know, very volatile at the moment. If you see where copper has gone, where aluminum has gone, of course you can say, why don't you pass that on to our customers? But it doesn't happen so fast. It does happen eventually, but then in between time you have to sort of take the burden. And we do take it because we also have medium-term contracts, long-term contracts, customers who are your regular customers. So we can't just pass it on as soon as it happens in the market.

You know, they don't even commit for 3 days. You know, if you say- we use a lot of copper wire, we use it in tons, you know, per month. So they say, if you pay today, I can commit today's price. If you pay tomorrow, then I will probably keep the price, but I'll probably revise the price. These are the real issues we face in the market. But in spite of that, we have to, you know, survive.

Rahul Jain - Analyst, Credence Wealth
Okay, uh, so one question on HPDC segment. Of course, we are alluded to lower top line for the current year, and at the same time, in one of the previous calls, you had mentioned that, uh, the top line for FY28 will see some 10-15% increase. So maybe from the current year, about 170 to 180, FY28 we were looking somewhere around 210 to 215 crores of top line. So that is one key, whether this will happen. And secondly, on the margins in HPDC, uh, so what drives the confidence that, uh, in the current first half we have had about 3.2 crores of negative EBITDA?

You are maintaining that for the full year we should be at practically zero EBITDA, which basically means it will have a positive 3.5 crores of EBITDA. What drives that confidence and how do we look at margins for FY28 in HPDC segment?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
See, HPDC in aluminum die casting business, so see, our guidelines were like we will be plus minus, you know, 1 to 2%, plus or minus 1 to 2% with the EBITDA at the end of the year, and there was no kind of a growth projected because what happened was, if you recollect last financial year, first half of the last financial year, that was H1 in last financial year, we still had this legacy contract with price adjustments being there, and they were still- we were supplying, they were all phasing out.

And then the 3rd and 4th quarter, we didn't have much, and that is continuing for the first 2 quarters.

Now we are trying to build, uh, based on that. So we, uh, again, as, as, as, uh, in the last, uh, uh, calls also we have said, uh, in the last 2 years, uh, uh, 1.5 years I would say, a lot of offers have been floated and RFQs are given in the market and many, many, uh, discussions have happened. Few of them have come closer to, um, signing up now. So that is like adding you know, annual turnover of €2 to €3 million, which will, uh, which will take away our headache of, you know, bothering about, uh, making losses, um, from next year onwards.

So that's where we are. Um, uh, and, um, uh, you know, the gestation periods are so long, and also most of the competition that is happening is not happening by the other die casting companies in, uh, in Poland or in Europe. Many of the die casting companies in Poland and Europe have folded, uh, and, uh, the competition is happening with China or Southeast Asia or Indian suppliers. So that's where the competition is. So we have to be, uh, you know, there is also has to be a compelling reason for the supplier, for the customer to have this portfolio coming from here, who value quality, who value shorter lead time, who value quick quality response, etc.

So there is a kind of a niche market for that. So with many players going out of the market, uh, the ones which are surviving like us will have this, and we are rebuilding that. So, um, I don't want to speculate unless we sign these contracts, which are supposed to happen in this- in 1 month or 2. After that, we will be having secured for the next year. Again, once we sign this contract, so to have them coming up for production also will take 3 to 6 months because you have to build the molds, you have to launch this project, and then there's a ramp-up phase, and then they will start coming into.

So what we are trying to currently do is just whatever non-automotive portfolio is there, that we are trying to increase by adding few, uh, you know, volume or trying to get more, uh, wallet share from the suppliers. And, um, you know, any- anywhere where the customers have- where the die casting companies have closed down, there is an opportunity to transfer the tool and do something, uh, if it's not gone to China. So those kind of things we are doing. So it- as we said, it will take, uh, um, another complete year to get to, you know, kind of robust, uh, business, uh, position.

It's still work in the progress.

Rahul Jain - Analyst, Credence Wealth
Um, I have more questions. I'll come back in the queue. Thank you so much and wish you all the

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Best. Thank

Operator
You. Thank you. The next question is from the line of Ambre Shah from Choice. Please go ahead. Ambre Shah, your line is unmuted. Yes, please go ahead.

Ambar Shah - Analyst, Choice
Congratulations, Dineshji, and entire team on such a good set of numbers. So my first question is on COGS. So it, it basically increased at a faster pace than revenue. So could you just help us understand what were the key factors behind this increase?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited

So again, uh, product mix, uh, as we said, uh, there are 2 product lines where, uh, um, uh, the contribution level margins are lower. Uh, one is, uh, solar, uh, products, and the other one is EMS business. So those are the only 2 factors. Otherwise, uh, that is one. And as Mr. Goliath also referred earlier, um, the commodity prices have gone up almost, uh, you know, all the commodity prices, commodities we use, like we use polycarbonate, we use copper, we use, uh, um, you know, this steel, COGR steel, electrical steel, which you call as all those commodity prices, they are when the suppliers are supplying they are linked with, um, you know, uh, LME indexation as it goes, and the prices are based on whenever we are buying it.

So, uh, we will not be able to transfer those, uh, one-to-one to our customers, and part of it we absorb. We try to increase those prices. So that's where it is coming. But still, in spite of all those challenges which we have, um, in the electrical side of the business, we have been able to maintain, uh, uh, you know, healthy EBITDA of, uh, around 22%.

Ambar Shah - Analyst, Choice
Got it. So how should we- uh, yeah,

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Yes, sorry, go ahead.

Ambar Shah - Analyst, Choice
Sorry. So how should we expect the cost structure going forward and gross margins over the next maybe couple of quarters?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
So, um, uh, you know, on the, the the- some of the cost we will try to transfer to our customers because it doesn't happen quickly. So when we do transfer this once or twice in a year, normally once in a year we transfer, and some products where the cost is going up like commodities, like current transfers, etc., we do an interim one or two in the year for some product groups to do that. That's one way we manage that. Second one is our other cost of Manufacturing, we reduce by improving efficiency, producing more per person employed, or more turnover per person.

There are a lot of KPIs which we monitor internally. So those are the things which we do. But some part which is going to be there as a business strategy and plan, for example, contribution-level margins for some products may be you know, 50-60% which we sell traditionally. And some products could be like the solar inverters will be 10-15% because that's the market, that's the prices at which these, these products are being sold. And EMS will be around the same. So there are- and then once we start doing more and more of that, so we will see this number, uh, going.

So I think what we should also be looking at is the absolute EBITDA number, which is growing or not growing. And then ROC, these are the numbers which you should also start looking at, as, as, uh, and they all should, uh, you know, trickle down to PAT numbers. So yeah, it's challenging, but we manage it. I want

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
To add to what Dinesh said, is the US market, now it's growing very well, but in between they put very heavy duties. Even now they have not removed, although they removed the 100% duty which they imposed on India. But we didn't want to lose the market, so there was a very conscious

decision to support that business and to support those customers. Some part the customers paid, some part we absorbed, and somehow we kept that business. That's how you see, in spite of all these, let me say, Trump, whatever he has done, the business has grown 100%, and we are sure that the potential is very good.

So we are going to support that even in the coming times. So we, we, we will be careful at what we do. It should not hurt our bottom line, but for some temporary phase, we do allow it to, to, to hurt us.

Ambar Shah - Analyst, Choice
Got it. And my second question is on capital allocation. So how should we think about it, uh, capital allocation priorities, since we have significant or healthy cash position? So the next 2 years or so?

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah, one is, uh, the big capital allocation of, uh, building those 2 buildings is almost done, and there will be, uh, some incremental capital allocation in terms of, uh, as we start, uh, using more and more space, they're adding new SMT lines, etc. Maybe about 10 crores a year, 10 to 20 crores a year, we can do year after year. But that doesn't resolve that. But we are also potentially looking at some inorganic growth opportunities also. So they could be there, but we will not want to just add numbers to our sales.

It has to have a strategic significance for our business. So we want to be in something which will substantially add, you know, value proposition for our business strategically. So we are on a lookout for those kind of inorganic opportunities also. Uh, if we find some good, we are always engaged on, on that part. So if we find something which is really meaningful, we will do that, and at appropriate time we'll announce it also.

Ambar Shah - Analyst, Choice
Got it, got it. Thank you so much and all the best. I'll maybe fall back in queue. Thanks.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah, thank you, thank you.

Operator
The next question is from the line of Zaki Nasser from Nasser Investments. Please go ahead.

Zaki Nasir - Analyst, Nasser Investments
Sir congratulations on a good set of numbers for the quarter sir we are building a world class EEI company what are what are your thoughts on the long term implication of holding on to the aluminium diecast division in Rishabh itself

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Sir so I think we have addressed this qu focusing on is to revamp that and get it to a kind of a profitable business. So today, if you see, it is 20% of our business. It used to be 40% 2 years ago. So it is smaller business, but, you know, struggling to be breakeven. So we want to get it to a kind of a double-digit number with small growth on that. So it may still remain less than around 20% in our group. That's the first step which we want to do. After that, we may consider, uh, the next decisions.

Uh, first we want to get it into a profitable phase, and then the next decision, we, um, we may look at whether we want to keep it in the group or not to do that. That, that is whenever it, uh, we, we think about it. At the moment, we are focusing on getting it into a profitable business. And I would like Mr. Goyal to add if he wants to add anything more on that.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Forget that this was a very- I mean, the profitability of the aluminum business was nearly equal to the profitability of the electrical business, let's say, 3 years ago. It has gone into some problems. There are logical reasons. I don't want to get into that in this call, but I don't think it is impossible to bring it back to that situation, even if you want to dispose it. Not that we want to dispose it, but even if you wanted to dispose it, I think the best way would be to bring it to its original profitability, which was around 20%, at least 18, 19, 20 percent somewhere EBITDA, so that you will get value.

Today, if we go in the market- I mean, this, I'm just giving a hypothetical situation- you won't get value for that business, you know, because it's not generating profits. So even if you wanted to sell it, and there will come a time when- because we are basically electrical electronics company, all people in the group, or most people in the group, are electrical electronics focused. So let us first bring it to that situation, then we can always take a call, you know.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah, and the other scenario which we have in Europe is, uh, because a lot of, uh, a lot of companies have gone recently bankrupt and a lot of companies are for sale and assets are for sale. Um, so, uh, it has both, uh, bad situation and good opportunities. Good opportunities is still there will be need for die casting companies in Europe. This is one, and the policies are also changing. People also are not only like Atmanirbhar Bharat, people everywhere are going to have that. So in Europe, they start talking about local content, so equivalent to Atmanirbhar.

So there'll be- there are some policy changes happening, and there are people who want to buy in, in Europe. So there's going to be opportunities also. And also the timing is not good, as Mr. Goliath said.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Oh, [Foreign Speech] sir. Business is really, I mean, I've been in this business now for over forty years, and I've seen good and bad times. But usually, you know, good times follow the bad times, and I'm very, very hopeful that one day we'll be proud of the aluminium business as much as we are proud of the electrical business.

Zaki Nasir - Analyst, Nasser Investments
Fantastic sir. And and and your your your few thoughts on we've started a solar division. How would you like to take it ahead in the next 2 years, sir? Because as of now, this is a competitive market in

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
India. Yeah, yeah, solar is a very competitive business. And, um, uh, you know, now, um, there are 2-3 ways in which we want to, uh, take this business upfront. Uh, one is we have our own brand, we want to sell it through our brand. And many companies which were calling, or EPC companies, or even so-called solar inverter manufacturing companies, they were trying to get these solar SKDs and technology or whatever from China. And Chinese are becoming reluctant now. This is what I

hear from the market.

And those kind of companies which were banking on Chinese manufacturers are coming to us. So we have started signing uh, OEM contracts also with, um, with other companies. So obviously they will sell in their brands, but, uh, we will do both. We will go to the market directly with our brand. We will also sell it through others' brand. That's the second thing. And we'll also sell it to EPC contractors. So what we are doing is we are trying to establish a much larger organization structure for that.

A lot of recruitments I have done recently, uh, some senior level at North and South, and we are increasing our service network and manufacturing capability. We, we put an automated, completely automated manufacturing line now. It was more semi-automated before, so that will also increase our throughput. So many things are happening. That's on the market development side. On the product development side, we have this 1 to 5 kilowatt you know, single-phase inverters. Now the market is also shaping and more going towards hybrid where, you know, it has to be connected with the battery so you don't have to put it back on the grid all the time.

So that's the product which our R&D guys are developing, and that will be next one which we'll put in the market. There are some which are available in the market. Again, they are all technologies which are taken from China or Chinese supplies, etc. But what we are doing is our own technology will have full control on what we supply because most of the solar installations are expected to be there for 20, 30 years. And if they are buying from some Chinese company and if they raise their hands, then these companies will have a problem.

So I'm also expecting a big refurbishing market coming to us with all this. This is where we want to play a long game. So all these products are our designs. We know what is are going around. We can develop, maintain, repair, whatever is needed, uh, we can do it. So we are doing that. And also we want to increase, um, uh, and now we have up to 50 kW. Um, the next new generation we have up to, uh, you know, uh, 20, uh, 24 now. So that we want to expand up to, uh, 50 and eventually up to 100. So Solar also has got micro installations, mid-sized installations, and large solar farms.

So we are going to be in the first 2, not on the 3rd one. So this is kind of a strategy we have for the solar.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
If you are following what is happening in the market, Government of India is very focused. You know, they have banned the import of solar cells, you know, because enough capacity has been generated in India. Government of India did also ask us when we have enough capacity So in a way, we said first let us wait, let us build capacity. That's what Dinesh is talking about, automated line, so that we are able to produce ramp-up. And all this capacity we talk at the moment is on single shift basis. If you increase the number of shifts, you can even go up, number one.

Number two is that solar is still a relatively younger line, you know, in our business. China has come in this business much before us. Now if I tell you the history of every business we have gone through, uh, always there was a joke. For every multimeter that we did not sell, we earned Rs 1,000. You know, that was in the early stages. And today multimeters is our big profitable business. Same way is solar inverter. We have to be a little patient. Dinesh said it is at the- it was loss-making. At the moment it is at least 0-0 in the sense

Rahul Jain - Analyst, Credence Wealth
We

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Don't cover the depreciation and all that. But the time will come again, you know. If we are not patient in business, then I think rather we don't be in business, you know. So, so we, we have a little long-term strategy because we have done it in the past. We have confidence in what we are doing, and we will make, uh, you know, if we come again on this line, let's say 2 2-3 years from now,

Rahul Jain - Analyst, Credence Wealth
We

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Will all, you know, look at each other and be surprised where we have taken this business to. But yes, we will need 2-3 years' time to make it as profitable or close to as profitable as our other businesses are. Thanks.

Zaki Nasir - Analyst, Nasser Investments
Fantastic, sir. Best wishes, sir. And one last question, sir. A month back, there were a lot of true-sounding kind of press releases about the promoters take sale and stuff like that. I think a lot of these channels carried even the valuations. Uh, your thoughts on this, and I mean, is there any kind of, uh, substance to this?

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
People are really making money, and you see where they took the share and what it is today. So I think people have a vested interest in what they are doing. I don't want to comment on that, uh, but when something happens, I assure you, we- I'll be the first one to come and inform you if something ever happens, you know. But let us see.

Zaki Nasir - Analyst, Nasser Investments
Thank you, sir. Thank you. Best wishes for the year and have a happy Diwali and New Year's.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Thank you. Thank you. Thank

Operator
You. Thank

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
You. Thank you. Thank you.

Operator
Participants with questions may enter star and 1. The next question is from the line of Aryan Tibrewal from TBI Investment. Please go ahead.

Zaki Nasir - Analyst, Nasser Investments
Good evening, sir.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Good evening.

Zaki Nasir - Analyst, Nasser Investments
There was a coverage done by Redbox India about a stake sale or a buyout. Can you throw some light on this coverage?

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
No, I just answered that question. Just the question before this was that, and I said people have made a lot of money. They took the share by announcing- they announced also the percentage of share. They also announced where the buyer was from, and they took the share price, if I remember correctly, to 850. 50, and today it is back to 600 and some odd. So I think there is a particular group of people who are working on this, and you have not to be carried away. But if there is something, I promise you we will come back and inform you.

But that is when there is some- if there is something, you know, and when there is something. Otherwise, you should not take them seriously at all, you know.

Zaki Nasir - Analyst, Nasser Investments
Thank you.

Operator
Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for closing comments.

Dineshkumar Musalekar - Managing Director and Group Chief Executive Officer, Rishabh Instruments Limited
Yeah, I, um, I would like to, uh, thank all our stakeholders for their continued, uh, support. And generally, when we upload the numbers, people look at the consolidated top-line numbers, etc., and I was very glad that at least in this call, uh, very smart investors are present and they ask right questions to understand what is happening. Sometimes, in spite of having delivered very good results in very diverse, very challenging situations, a market responds otherwise. So I mean, we don't have anything to say about that, but it's always good that we have this conversation and try to tell what is going, uh, um, uh, right way and what, what challenges we have.

We try to be as transparent as possible always and try to keep expectations also realistic and deliver that. And that's the, uh, you know, ethics with which this company has been built. And that's, uh, from my side. And, uh, thank you for all your patience hearing and And I would like Mr. Goliath to conclude the- conclude by saying a few words of wisdom.

Narendra Goliya - Promoter and Executive Chairman, Rishabh Instruments Limited
Sure. Thanks, Dinesh. See, as by now people who are regularly attending this kind of calls have realized that we are in a good business segment. We have competition, but we don't have cutthroat competition. It's a very niche line. We have a very strong R&D culture where we obsolete our products ourselves. Before the competition or the market obsoletes them. I strongly believe, you know, I've been in this business now for 35, 40 years, so I strongly believe that this policy has paid off. We continue to deliver what the market expects us to deliver.

Going forward, it won't be different. Our R&D people will come in a, you know, let me say, more with more energy, you know, to be able to deliver products with more features, with better quality, with better reliability. And we will be sure, at least for the next 10-15 years, I can assure you, try to perform better than what we performed in the past. Yes, there are geopolitical situations But for a

good company, they are not something which really bothers them. And good competition is- good competition is a good competition for us also, and we try to support that.

So people who are invested can be rest assured that you are in safe hands and we will deliver whatever we can. Thanks. Thank

Operator
You very much, sir. On behalf of Rishabh Instruments Limited, that concludes this conference call. Thank you all for joining us, and you may now disconnect your lines. Thank you.