RISHI LASER LIMITED

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To
Dy. Manager,
Corporate Relationship Department,
BSE Limited,
25th Floor, P. J. Towers, Dalal Street,
Mumbai-400001.

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Sub: Transcript of Analyst / Investor Conference Call of Q4/FY25

In terms of Regulation 30 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the Transcript of Analysts / Investors conference call held on 22nd May, 2025 related to Q4/FY25 Earnings Call. The same is available on Company's website.

Please acknowledge and take the same on record.

Thanking You,

Yours Faithfully,

For Rishi Laser Limited

VANDANA JITESH PATEL

Vandana Patel
Company Secretary

Enclosed a/a

Rishi Laser Limited
Q4FY25 Results Conference Call

Event Date / Time: 22/05/2025, 16:00 Hrs.
Event Duration: 01 Hr. 03 mins 46 secs

CORPORATE PARTICIPANTS:

Mr. Harshad Patel
Managing Director

Mr. Ganesh Agarwal
Chief Financial Officer

Mr. Rajnish Mishra
Confideleap Partners

Moderator

Ladies and gentlemen, good day and welcome to Rishi Laser Limited Q4 FY '25 Results Conference Call hosted by Ventura Securities 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 * and then 0 on your touchtone phone. Please note that this conference is being recorded. Please note that this conference is being recorded.

Before we begin, I would like to point out that this conference call may contain forward looking statements about the company, which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I would now like to hand over the floor to Mr. Rajnish from ConfideLeap Partners. Thank you and over to you, sir.

Rajnish Mishra

Thank you. Good day, ladies and gentlemen. Rajnish this side from ConfideLeap Partners. We represent the Investor Relations for Rishi Laser Limited. On behalf of Ventura Securities and ConfideLeap Partners, I warmly welcome you all to Rishi Laser Limited Q4 FY 2025 earnings conference call.

The company is today represented by Mr. Harshad Patel, Managing Director, and Mr. Ganesh Agarwal, Chief Financial Officer.

I would now like to hand over the call to Mr. Harshad Patel for his opening remarks. Thank you, and over to you, sir.

Harshad Patel

Yes. Thanks, Rajnish. Good afternoon, everyone. I am Harshad Patel, the MD of the company. A very warm welcome to all of you all to this earnings call of the company for the quarter and year ended March 2025. Hope you all had the opportunity to go through the presentation uploaded on the Stock Exchange and Company's website. I'm pleased to share with you the company's performance for Q4 and the year ended March '25.

Coming to fourth quarter performance, the revenue from operations was INR 37.7 crores against INR 34.5 crores, which registered a modest growth of 9%. The Q4 EBITDA was 3.87 as against 3.18, which represents a 25% growth and EBITDA margin of 10.26%. EBITDA margin for the quarter saw an improvement of 100 basis points on year-on-year basis. The Q4 sales were impacted lower because of lower uptake from earthmoving industry due to BS-V changeover norms.

Moving to the full year performance for 2025, company achieved a modest 7.5% year-on-year growth in revenue to INR 150 crores against INR 140 crores in the previous year. EBITDA grew by 8% with a margin of INR 9.13, which remained flat as compared to the previous year. The PAT stood at INR 8.25 crores as against INR 8.72 in the previous year due to higher interest and depreciation costs in the current year. Despite a lot of cost pressures, the company has

maintained profitability. Our focus on robotics Industry 4.0 and other remanufactures practices improved our operational efficiency.

Looking ahead to 2026, we are confident in enhancing the growth momentum through strategic investments, increased process automation and continued deepening relationships with key OEM customers. We are also excited about our entry into the Clube segment and expansion into retail cut steel parts, both of which present promising high growth opportunities.

Our confidence in the business comes from being a supply chain partner to some of the best engineering companies in the world. Our new facility at Bangalore will be a largest and most modern for the company. We'll be going into the latest technologies in welding and painting to improve the offerings to our customers. The inauguration of this facility is planned on 31st May and commercial production soon thereafter.

With that, I conclude my remarks and would like to pass it on to you all for questions, please.

Questions & Answers

Moderator

Thank you, sir. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question please press * and 1 on your telephone keypad. And wait for your name to be announced. If you would like to withdraw your request, you may do so by pressing * and 1 again.

The first question comes from Jayraj Jain from Ashika Institutional. Please go ahead.

Jayraj Jain

My first question is like, as you mentioned about your Bangalore plant, your new upcoming plant, and you're doing a INR 15 crore CapEx for the same plant, right? And you have mentioned that you will be doing a top line of INR 100 crore. So what is the IRR you're targeting from this new plant?

Harshad Patel

Yes. Is that, yes. So actually, the turnover is the expected what we hope to reach in three to four years' time. That is the capability or capacity of that plant. It's going to take us that much time to get to these revenues. So it is going to be step by step after we start in this coming quarter and it will take up from there. That number is basically over a period of three to four years. So looking at IRR is I mean, we don't I don't have that number or we haven't calculated that. But obviously, it is very high because if you see the total investment involved here vis-a-vis the revenues which will get generated, the turnover to fixed asset ratio will be very high. So this plan should contribute significantly to our future growth and profitability.

Jayraj Jain

Okay. Any approximate range would you say for IRR? Can I know that?

Harshad Patel

I know, Ganesh, is there anything you can say on that?

Ganesh Agarwal

No. Nothing, sir. We'll get back to him, you know, we'll.

Harshad Patel

Yeah. I don't actually yeah. So, no, we don't have that with us, yes. And it will depend also on the product mix and how fast it all happens over the next three years. That is going to be critical. So this year, I think the compounding impact will come with every passing year.
So that is how I would I mean we are looking at it.

Jayraj Jain

Okay. And sir, I have heard that you are partnering like serving the fixed industries like metros, automotive machinery, electricity equipment. So can you tell me now which industries you are getting more revenue for this year and any plan to upscale for the same?

Harshad Patel

Yes. So the highest revenue is coming from the construction equipment or earthmoving sector, what we in the industry call as yellow goods, so which are used for infrastructure projects, road dams, mining, et cetera. So that is our biggest area of business. And that, I think, must be constituting about 60% of the turnover of the company. 60%, 65% of business comes from that sector. The balance comes from electrical switchgear industry, metros and railways and other wind energy and so many other small, small sectors. I mean, sectors are big, but our exposure is small. So the largest revenue comes from the earthmoving yellow good industry.

Jayraj Jain

Okay. And as you mentioned about the construction and infrastructure, so like are your clients in the private sector or do you get any contracts from government sector also?

Harshad Patel

It's primarily private sector. I think the only government sector company we are working with currently is BEML, Bharat Earth Movers Limited in Bangalore for their airways and metro work. But in that company, we are not doing any work for the yellow good. We also make construction equipment, mining equipment, but those we are not associated so far. We are only dealing with them in the metro and railway space. But the BEML has now become very aggressive in this area as compared to two, three years ago.

So we expect substantially higher business from them in the coming few years. We are dealing with them through our current Bangalore plant and there were some capacity constraints also in working. So now with additional capabilities coming, we'll be able to separate. The railway's work that we do is mostly stainless steel, not carbon steel. So the stainless-steel capacities and facility will be able to offer a much better offering to them and we started bidding more

since the last quarter of last year and I'm hopeful that that business should grow much more than that.

Of course, the base is very small. So when I say grow, high growth, it is on a very small base as on today, but potential is very good. That's the only government company we work with. We used to work with the Indian Railways, but now there is not much work we are doing not Indian Railways, sorry, the railway coach factories, the factories which build coaches for the Vande Bharat and the other trains.

Jayraj Jain

And sir like, lifeline is like I have seen directly this year, your revenue bifurcation was around 89% in -- and around 11% in export. So is there any plan to increase the share in export? But while considering the factors like right now that U.S. Has been importing tariff on such duties and also will it have any impact on the export side or it will be the same or it will export side or it will be the same or it will decline? What's your view and your point on it?

Harshad Patel

Yes. You will recollect in the past; I've been talking a lot about focus on exports even a year ago. But unfortunately, we haven't done anything serious so far. There is a -- there are a lot of inquiries, lot of work in process, but none of these have really fructified to the extent that we were hoping for. But going forward, it is looking better because some of the constraints that we had in taking up some of these others, now I getting remote primarily with the area of A&T. So export from here onwards the share of export to domestic I mean, to the total business, the percentage should definitely go higher.

As far as tariffs are concerned, I think it will be to our benefit because not because of the tariffs, but India is we are not going to have higher tariffs than China, for example. So I don't think tariffs will hurt us. That's not expected. So tariff wise, I don't see a risk. If at all, it may benefit us, but it should not work against us.

Jayraj Jain

Okay. That's a good one.

Harshad Patel

But still, it is little unclear about this tariff and all that. So we have to be a little cautious, but I don't think it's a negative factor.

Jayraj Jain

Okay. Great. And sir, like what are your margins like in domestic versus export? Are we growing or we are on the same path?

Harshad Patel

Export margins are typically better than domestic, because domestic, the competition or not just the competition, but overall, the pricing is very, very tight. So we are there's very little possibility to improve margins. Whatever little we've been able to do over the last year or 15

months is primarily because of improving material efficiency by using better design software and also as I mentioned at the beginning today about better practices, et cetera, is how we are able to maintain margins.

This is primarily because the earthmoving sector is our customers, their sector is very, very competitive. So they I mean, it's very difficult for them to be very generous with the margins. We have to work very tight. And the only way is that you have to keep on improving your productivity, efficiency and all that to just be standstill as far as margins are concerned. But with export, with the mix changing with more export, the overall margin could improve going forward from here.

Jayraj Jain

Okay. And so like my last question is like how are you insulating margins against your raw material inflation, like especially steel, how will you balance it out or have an edge over others?

Harshad Patel

Yes. See, one thing is there that benign I won't say benign, but stable steel prices are very essential for us to maintain margins. Even if the prices of steel remain a little higher, it doesn't matter, but they should not be very volatile. The volatility, very sharp increases in a short period is what sometimes hurts margins because we cannot pass them through very quickly. But if the prices remain stable, the steel is not should not be a problem. There, as I said, we can there is little bit more scope for improving productivity or rather improving the steel utilization by doing even more work on utilizing efficiency, et cetera, which is still a work in progress. We started all that last only about a year ago we're investing in very modern software, which helps better utilization. But there is some more scope in that area for us to be more competitive as compared to the others.

Moderator

Our next question comes from Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai

So my question is that we have been talking about more potential on the export market, and I think with a new facility that we put up, it is possible that we can utilize that for export market. So if you can talk more about how we are seeing the scale up with some of the larger customer like --, Volvo, Emerson on the export market back in the airport?

Harshad Patel

Yes. So I think I was a little bit too early in talking about exports or rather if not too early, at least I expected that sector to start giving us much better results, but it's taken a little bit longer time than expected. But during the last 6 months, we had very close interaction with some of this big costumers who's foreign team Digital India and they visited our plant also looked at off, in fact of this some of this specifications of our capacities have been decided looking at what kind of business we are likely to get so that also took little bit go pine in designing some of the facilities that are being put up now.

So that is the reason we have much more confidence now, little bit more visibility. And some of these people will again visit us in June once the plant is up and running, and then start the process of starting all these new parts which have been lined up. And it will take about three to six months for all these things to get into GRU. After that, that should become regularized. So this is the whole idea. And the primary biggest customer we are aiming for is caterpillar only. Currently also they are our biggest customer. And for exports, they have taken India much more seriously than most other people. They have a separate India strategy where senior management people also come down to the country and they visit a lot of people; they look at the capabilities and then they decide what they want to do.

So they are the most serious about buying from India. The others are all, I mean, detained with sometimes if there is pressure, they look at India and then again, they cool off. So all these others are we cannot really -- we cannot bank on them for sure, but that also business will come as they are under as they will have more pressures from supply from elsewhere because of higher costs. But CAT is the primary company for which we have identified the business. So what type of business, where it will go to which plants of that, lot of detailing is already done. But it's a long -- it's a little bit long drawn-out process because it's a very process driven company and they go through a very little bit longer cycle of approval as far as quality and so many other things are concerned.

It's a whole chain. Everything is done step by step. And so all that is lined up and we hope that that should start now from the second quarter of this year, we should start seeing some more business.

So one more thing which happened recently is that we also Caterpillar is also looking at India for the aftermarket spares business. And that is a huge business opportunity because that the variety is very large and the volume is big, but over a very large variety of parts. So it is not suitable for China type of suppliers to be supplied. It's much more suitable for smaller, more agile companies like us. So the aftermarket business last year, it has just started, and that also is looking to be a very, very big, very good potential for exports.

And aftermarket is about one-third of the sales turnover of Caterpillar. It's one of the few companies in the world, which it has about $15, $16 billion aftermarket their spare requirement. So that is a I mean, it's bigger than turnover of most of the other big companies. It's such a big business, just the aftermarket.

We also didn't realize this till last year when they had a conference and where they explained the potential of aftermarket and why we should take that market also very seriously. So that is another business which in the past we were not doing or looking at, which we started this year. And that should grow manifold, I mean, from a very again, from a small base, but can grow three, four, five times from here.

Dhwanil Desai

Okay. So third question is that, I think we have put up a new facility. While some of our facility in Pune, Baroda, the utilization level may be quite low. So I understand you have put up this facility for a specific customer requirement and hence custom built. But what is the plan in terms of utilizing more capacity within existing plants with either domestic clients or other clients? Any thoughts on that?

Harshad Patel

Yes, obviously absolutely. Both these clients have excess capacity, which we have not been able to fill up. And therefore, I mean, we have been struggling since last two years to grow the business. And both plants are having different challenges. So as far as Gujarat is concerned, the Baroda plant, we are taking a little different approach. Instead of doing B2B OEM business, I want to start retail kind of business from there. And that facility is also going on, I mean, in the same premises, but that is a separate vertical, which will go on stream now shortly in this month June. And that business is what we want to do to drive the Gujarat business, because their onboarding newer customers or even growing volume with existing customers is proving to be very challenging.

There are some things have happened, but it's still moving very, very slowly. And there's a lot of talk, especially from the electric sector that business can grow. But even last year, the growth that was projected from the customers has not fructified. So again, by doing this additional business, it is not going to hamper our capability to supply to these OEM customers. That of course, effort will continue, but the visibility in that area is not very strong yet. And we have already taken a call in the past that we don't want to grow business by being aggressive on pricing and cutting prices to get more orders.

That is -- that's not a strategy that we want to follow. So definitely we are struggling there to get the right kind of customers who can give more volume. Some two customers have been onboarded there last year and they could grow, but it's still not very clear. But there, the retail business that we want to do is will be much, much larger than the OEM business. And of course, that's a smaller margin. The margins will be much lower than this, but the volumes will be far higher. So that's a whole different new approach that we want to take there. And we have to see how it all -- how it pans out.

And as far as Pune facilities are concerned also both in export and domestic customers, there is -- there are the new businesses which are being targeted. And I think by the second quarter of this year, last year, what was expected with some of these export customers has also not happened in tool. Pune also we are doing export to partly to Caterpillar, but also to other customers. So the other customer exports are going on, but none of them have matured so far. But that should also in this coming year start getting some traction.

Dhwanil Desai

Okay. And last question and I'll come back in with you after that. So, then, we have guided for 20% kind of a growth and better margins. So wanted to understand more of the margin side. So we do 45% gross margin, which is sales finance raw material cost. And below that, the cost is kind of it's like most of that maybe fix some variable, some fix, but lot of operating leverage is available in the system.

So as we scale, how should we look at the margin, because generally with this kind of a gross margin, it's possible to get to 14%, 15% kind of an EBITDA margin. So is this the right way to look at it? And raw material has grown at 10%, 11% while our revenue also has grown 7%, 8%. So going forward should we assume that the cost will grow at a lower rate than revenue and hence this margin expansion will continue to come as we progress and build revenue?

Harshad Patel

I would say that the gross margins for OEM business that we are doing, this is I do not see the possibility of improvement of this margin. These are already quite good margins compared to many of the -- many of our peers that we look at. So if we -- so gross margin, I would say, would remain at this level. As I just mentioned, if the retail part of the business becomes significant, then the overall margin, gross margin could even come down. But that the current business model what we are having, these margins may not expand much. The expansion could come a little bit more if the share of exports to turnover goes up. But otherwise, these margins, even just to sustain itself is a continuous challenge, because cost all kinds of costs which are increasing are not you cannot pass on to the customer. But the raw material cost is the only cost which customer is willing to accept as a cost increase.

Any other cost, whether they are consumer, whether they are any other terrestrial cost, the costumer that's will not, we cannot pass on. See, the way out is either to increase your volume or to improve productivity. Productivity gains, there is still some scope to improve because we just started with automation last year with robotics and all those things. Current year, we want to do much lower. So that should improve our productivity. And there, we are trying to negotiate with certain customers that if you give us higher volumes, we could look at some kind of price discounts and all that. Because one of the other challenges in India in the way we work here is that all the big companies are not comfortable having a single source. So they always have two or three people supplying the same components. And therefore, everybody is working at inefficient productivity levels. And this is a big challenge.

In fact, this is a challenge throughout the industry and that is the reason why our costs in India are not competitive compared to probably the Chinese or the Vietnamese or whatever because they work with much higher volumes. And in India, we can't get higher volumes unless the customers stop dividing the business between vendors. So that is a challenge. That is net-net, these margins, we should not expect them to be higher than this. These maybe even if we sustain, the bottom line should improve primarily because of operational. I mean, you can make your own calculations, but even if the turnover goes up by about 20%, 25%, you could see the most of the other costs are not likely to go up by that much, whether it is electricity or whether it is labor. Also, my target is that we see that it doesn't go up proportionately, obviously, because we want to automate more and more. And our ultimate target is whether we can keep that cost constant and improve sales, keeping that constant. It is a little bit challenging, but it is doable. So the bottom line will improve due to operational, I mean, more turnover coming in rather than margins improving.

Dhwanil Desai

Right. That is my question. I understand that the raw material 45% gross margin is very good margin. [Inaudible]

Harshad Patel

Please repeat it, your voice is not come clearly.

Moderator

I'm sorry to interrupt you sir, your voice is not audible. Dhwanil?

Dhwanil Desai

Is it better?

Moderator

Yes, please go ahead.

Harshad Patel

Yes, this is better.

Dhwanil Desai

Yes. Yes. So my question is that as you said that as the volumes go up, the cost below raw material, which is our you know, employee benefit, labor, electricity, that cost will not go up proportionately. It will grow probably in line with inflation, let's say, 5%, 6%, whatever maybe the inflation. It will grow at 5%, 6%, while our top line or volume will grow at 18%, 20%. So all that benefit of incremental volume, whatever money that we earn will flow to the bottom line. Is that a right way to think?

Harshad Patel

Yes. All is a very big word, but I would say yes to a great extent, yes, because we've seen in the last two years also, I think one of the quarters, I think where we had little bit bump in sales by about 10%, 15% also, it had made a significant difference in the bottom line. So yes, a lot of it will flow downwards. The other costs are much stickier and do not go up in the same proportion. And we don't have to for all those sales, we don't have to make any investment whether it is in plant and machinery or as far as hardware capacity, space, everything is already in place.

So that is why the volume, if it goes up, it makes a lot of this is true of course of most businesses. Operationally if you have capacity idle and if you sort of add to it and because our business is not that way a very labor-intensive business.

In our case, because it's not a very high-volume business like a pressure for auto components or whatever, so our personnel cost to sales is around 17%, 18%, which is not low, but it is not that high also. So that if we can maintain this slightly bring that down as a percentage to sale, then it could improve profitability quite well beyond this stage.

Moderator

The next question comes from Rahil Shah from Crown Capital. Please go ahead.

Rahil Shah

Yes. So just reconfirming that you're targeting 20%, 25% top line growth, right, for FY '26?

Harshad Patel

Yes.

Rahil Shah

So I just wanted to ask, so what like what will be the driving factors for this? What will it be driven by just like volume growth? Or and also like which particular segments will be key contributors for this growth?

Harshad Patel

So the primary growth we expect is to come from the existing customer base only, but it will come through two methods. One is additional see our customers are not growing at 20%, 25%. So obviously, if we want to grow faster than what customers are growing, there are two ways. One is we have to onboard more customers or we have to mine the existing customers to get more sort of orders from the existing customers. And third is to export I mean to supply more parts to the existing customers newer clients. So our major focus or rather major visibility is from the existing customers only.

It is more getting more components from them whether it is an import substitute or whether because we are more competitive as far as quality and delivery is concerned compared to the others is there, they could give us more business. So that is where the business growth will come from.

Rahil Shah

So when you say you have this visibility, it's obviously based on some sort of like forward order booking or something? Or is it just like based on discussions you've had?

Harshad Patel

Yes. So, no, in our case, you don't get the order booking. I see, whatever is the existing business that you are doing for it's like an OEM supply. So that there is open ended orders and there are just schedules which they lift month on month. So it all depends on how much your customer is producing in that month or that quarter or whatever based on that you get business. So one visibility is what the customer is talking about his next year forecast and all that. But that is not very exciting. I mean, it's there, but it's not that great.

The more things are getting newer parts and newer components, which currently you are not supplying, but which either because it's being import substituted or because they are having challenges in getting the supplies from existing people is where they are looking for switching to a more reliable and quality effective suppliers. So as I see the big challenge in our industry is the human resource side. It's not really capital or technology or factory or whatever. It is the -- it is your ability to absorb, to understand the high quality requirements of the customer and have the kind of capability on shop floor to be able to do that because we are not a mass producing kind of thing where you set up a line like an automotive component line or a shock absorber or whatever that's okay, you put up this line and then you just run it efficiently mass produce.

That is a less challenging kind of business as far as people are concerned as compared to us. And so I think what I am seeing is that the industry is really struggling as far as human capital is concerned. And it's a kind of a hidden thing. Nobody talks about it surprisingly, but the real challenge is the human capital. And whatever when I say that we expect more business, why

would a customer give me more business? Either he would give because I give him a better price or I give him better reliability, quality, et cetera. Price is not these companies don't give us business on price. They are -- they give business based on your reliability, quality, all these things.

So on that score, if you are better than your competitors, you can get more business. And that is where I think our company's maximum focus has been in that area. So, it's technology wise, everybody has virtually the same technology. It's not that we have some special kind of machine which others don't have. It is the human capital that is where people are not sort of investing much. And we have, up to from this current year, our training and man development budgets have been increased substantially. So while on one hand, we talked about costs not going up on personnel and other things, but there are two areas where we'll be this will be a revenue cost, but I treat it as an investment.

One is to improve your human capital; another is to do R&D in processes and all that. So like last year, we introduced some new welding process for the first time with two of our customers, L&T and Volvo. We started doing laser welding for them and we are the first supplier who actually did it and got the parts approved. So these all require some kind of investment in R&D. So this R&D expense, human capital, training expense, those are the areas where we will be spending more money to become more competitive.

So the hardware side, the space and machines and all that, that we already have and anybody can have that. That is not really that critical. The criticality is this. And I think personally, this is where we are already scoring over some of our competitors and I hope that is what will over the long run set us apart from the other companies, our other core suppliers.

Rahil Shah

So have you completed this entire like process of improving the human capital in R&D? Is it already ongoing? And when will you see the results?

Harshad Patel

No, it is an ongoing thing. R&D, a lot of work is going on parallelly in various areas, because earlier what we were doing was that for whatever automation or whatever we used to go to outside companies and get it ready made. And that was very, very costly. I mean, it was all these European companies or whoever you go to, they just charge you, I mean, it's an atom bomb. And that's the reason why most companies in India don't invest in all that.

So last year, we set up our own internal division to look at all this and do that. So when I say R&D, it is more of process R&D. So the equipment’s are in place, but to do certain kinds of welding or to do some process improvements to bring down your time and material cost into that, all those are it's an ongoing thing. I think it will carry on, I mean, this year that is going to be the major focus area for us. And that is going to help us in a very big way as far as exports are concerned, because these customers that we are talking about, they are not just interested in buying from you, but they also are looking at those kinds of best practices and all that to be done in your plant. And that is where I'm hoping that we will be able to score.

So it is an ongoing thing and those costs will be there, I would say, at least for another year or two years. Our training facility is also starting. We'll have a separate dedicated training center in our Baroda facility. And people from all our different plants will go there for residential

training as well. This will be right from workmen to the mid-level shop floor managers as well. So it will be a proper training facility and so we want to upscale our workforce to a different level. And that is something again, I'm repeating that that is an area which is very under invested by everybody here because nobody really looks at human capital.

People just think that, oh, I can take anybody and just put him on the shop floor and something will come out of it. It doesn't happen like that. And you would have seen many of the even bigger companies talking about challenges on that side. So it's a timing of good skill availability on the soft floor. It is very, very serious. And so with this effort that we'll make will help us to -- we also have had last year also some major hiccups because of the lack of proper skilled manpower. But that I think by the end of this year that will be something behind us. So it's an ongoing thing. It will be expensive.

This and also IT, up to now, company was very weak on the IT side also as far as manufacturing, engineering, design development of I mean, we don't make anything as per our design, but whatever the customer tells you, how best you can make it at the least cost and with the least amount of material wastage, et cetera. That's where the engineering comes in and that's where the software part of it comes in. So that we have invested quite a lot in those software's over the last 12 months. And most of that investment is already done. Now very little investment in software is pending, but now more and more utilization of all that has to be done.

So those things will give a long-term benefit to the company and make us a much more competitive technically much stronger so that costumer have more confidence in us and where we can work at a different level along with them. And this has given results up to now, but it is start giving even better results. We were one of the few companies from India, which was which brought a special supplier award from Caterpillar U.S. and they have this big -- they have, I think, from India 10 or 12 vendors have got that award. But on the fabrication side, we were the only one. And those things go a long way in, I mean, with this kind of company.

So that's what we are doing is building a good foundation to try and go to this level. These export businesses and all are not transactional. They are going to be long term you are going to get into the supply chain of these big companies and that will be a long-lasting impact.

Rahil Shah

Okay, sir. Thank you for this very detailed answer and being so honest about the situation.
I wish you all the best.

Moderator

I would request investors to keep their questions short since we have few minutes for the call.

The next question comes from Munjal Shah an Individual Investor. Please go ahead.

Munjal Shah

Sir, my first question is, when we are mentioning that we are entering into tube processing business, and cut steel parts for the retail, so there we are mentioning that it will increase our margins. So, this part of the business and the business where you were talking about from the

Baroda plant where we are targeting the retail segment, so these are the same parts of the business or there are completely different segments which we are planning to cater?

Harshad Patel

Yes. So it's the same. So there are two different, one is the tubes business, and one is the cut band, the retail. So the retail and cut band is the same thing. So that is a higher volume, low margin business. And so that is -- that will, that is margin per se. The gross margins are lower, but the turnovers are much higher. It's a very fast-moving business and the whole business is conducted in a little different way. The business model will be very software driven and that software development has taken us a very long time and that is what has held up the launch of that whole project.

And this is going to be a very unique way I mean, we don't have the time just now to discuss it more in detail, but this is a unique thing that we want to introduce. And then if that is successful in one location, then we could be even looking at growing that business even in the other area. But that is a lower margin business and so is the tube processing business. So tube processing also is by and large most of the business that we intend to do will be only on the first two stages of cutting and bending. There will be very little final fabricated tube assemblies and all that. If we get into that, as of today, we don't have much of visibility in that area.

Then those the tube assembly businesses could be in the similar margin range as our current OEM business. But in that business also, we are looking at doing a lower margin high volume business. So that is both these businesses as of today, the turnover is zero actually. And so once it comes on stream and it is profitable, so it will add to the overall profit of the company. But if you, if it -- since it is going to be at least for first few months or maybe you're a little bit insignificant as far as the overall turnover is concerned, it will not bring down the overall margins of the company. But if that business starts becoming bigger, then the whole margin structure could change, but it will be incremental to profit ultimately to the bottom line. That's very important.

Munjal Shah

Okay, sir. So what I understand is the more number in top line from this segment, it will bring more operating leverage to the business. Sir, am I correctly understanding the thing?

Harshad Patel

Yes. I mean, yes and no. No, in the sense that this is a different segment itself. When I say operating leverage, I would more look at existing type of business doing more of that business gives us more operating leverage. This you should treat it as a different segment and a kind of a different P&L structure itself. So it could be like there are two types of businesses. One is this current type of margin kind of business. Another is a business where the turnover -- where the incremental value addition is less, but the turnover is higher. I mean, the speed with which the goods move out of your factory a little bit higher. So they are two totally different things, basically.

Munjal Shah

Got it, sir. And sir, one more question, if I can squeeze in. Sir, currently, the way the electrification team and the mining team are moving, with lot of, like, potential in future. Sir,

how are we planning? So, basically, most of the like, close to 60% of our revenues is coming from the construction equipment segment. So, sir, right now, how are we pacing with this mining and the electrification team? So if you can just give us some idea on it.

Harshad Patel

Yes. No, very good. Actually mining, last year, again, one year ago when we were discussing all this Caterpillar, Caterpillar is the biggest in India as far as mining is concerned, off road vehicles, these mining trucks the 50, 60-ton trucks and all that. BEML makes a little bit, Komatsu makes a little bit, but Caterpillar is the main player in that. And it's in that area that division also gives us the highest business from Caterpillar. So last year, it was expected that mining would pick up in the second half and that's the indication they have given us. But unfortunately, the business did not pick up by that time. And it's only now that we are seeing traction coming in this quarter in that business.

So mining, yes, they are very, very bullish both in India and overseas. Worldwide, of course, because of more mining, because of copper, because of all these battery related chemicals that have to be all taken out of the ground and all that. So mining is going to be is definitely the growth area for our customer and therefore for us.

Electrification has again not given I mean the kind of potential that is there and what I felt growth could come. It is still that we have not been able to really make anything, any significant inroads into that. Because in electrification, if you will see the biggest growth is coming from solar related stuff. So the transformers business has picked up in a big way because of the solar distribution is very different from currently how the power is distributed. And that should have also given good business to our big customers like Schneider and ABB. But they have been also I think struggling to increase their capacity and some inputs they are not able to get from abroad and there have been some hiccups in that area.

Current year also they have projected substantially higher business, but the first quarter is not meeting up to their expectations. So I think it's a bit lagging, but yes, you're right, electrical is the other area, which is the customers are quite optimistic and we have a decent sort of penetration there.

So they have the growth what they are talking then that could also spill over. And this business is primarily being done from our Gujarat facility. Gujarat is the biggest area for transformers, switch gears and all that, all the big boys are there. And ABB is also talking some different business. But as of today, it is not yet I mean, I don't see that kind of -- there's a lot of talk, but it is not yet certified into business.

Munjal Shah

Okay. Sir, thank you for patiently answering my question. Sir, just one piece of thought, sir. I really appreciate your idea of you know, develop, like, investing into human capital. And, sir, with, all these years which you have been putting in, sir, if we have a, second level of defense in our company, it would be really great because the efforts which you are putting in probably will yield results in the future for sure. So, if in the future calls, if we can have some light on the second level of defense if we are planning into.

Harshad Patel

Absolutely. Yes, we can. That's week or week and or you can even reach out to me at some time and one could discuss that as well if you want.

Moderator

The next question comes from Venkatasubramanian Raman from Organic Capital. Please go ahead.

Venkatasubramanian Raman

Thanks, Harshad bhai for holding this call. It's very useful. As you can see, I think there's a fair amount of interest. And thanks again for holding it, and I hope we'll continue. I have two questions, Harshad bhai. One, you have shown a lot of interest in our robotics business. Can we have a separate discussion on this? Or in the next call, can we spend some more quality time discussing what your thoughts are and how it's opening up? So that was one.

And the second is you are in a Vantage position when it comes to judging private capital formation. There's been a fair amount of discussion on this. It's almost there and still not there. What are the signs you are seeing? And if you can paint a picture for the next two, three years in Q4?

Harshad Patel

Yes, So yes, I think this is a whole very big topic. We can go fairly deep into it. But robotics service, we started working maybe more than six months, six, eight months ago. We are doing a lot of it internally for our own requirements and we are also marketing to outsiders. But very sadly, I'm finding I mean, I'm very surprised and quite madly surprised that there isn't that much of excitement and pull from the industry as far as automation and robotics is concerned.

Why I'm saying I'm surprised is that this is I look at it as a life and death kind of thing. Industries will have to spend on all these areas because otherwise, you just cannot remain competitive globally. So and why globally even within the country. So I think there it is a little bit disappointing, but I think that maybe because I am seeing things a little bit earlier than what others are seeing, because I may be more powerful glasses I'm wearing. But it will come, I think maybe one or two years down the line.

Today, what I find is everybody is cribbing that they don't have people skill me, I have got problem here, but when it comes to putting money into automation, then they start. And these are companies which have a lot of capital. They are not short of capital. But the hesitation in investment is still very surprising to me. I think Indian businessmen want very fast returns. So wherever you cannot show them that in three months, this will pay back and you put this and magically, unless you can show them that, I find that they are quite hesitant.

So yes, both these are tied up in one way Venkat, robotics and this capital formation. So yes, it is a little I don't I can't say worrying, but I think people need to wake up to be reality. But this will happen. I think it always it happens in its own course. But why it is not happening up to now was a little bit surprising to me.

Venkatasubramanian Raman

And on broad capital formation, private investment Harshad bhai?

Harshad Patel

No, no, no. Own money, there also, I still find a lot of hesitation. I think, it's not happening that aggressively. I don't think so. I think still people are struggling, I think. So they are struggling maybe, but maybe people don't have the confidence or what I don't know. But something is holding people back on in that area. I don't know what it is really.

Because capital is available, there's no shortage of money with companies. I mean, funding is available, capital is available, but there is a lot of hesitation in investment into this. There are, of course, companies, specially listed companies, you can see some of them quite aggressive, But quite a few there's a lot of hesitates. So some pockets are aggressive, but overall, it's not that aggressive according to me.

Moderator

Thank you. Now I hand over the floor to management for closing comments.

Harshad Patel

Yes. So I'm really grateful that you all have taken the time out to listen to my diatribes and lecture, but I'm really grateful to you all. And I hope I could give some idea about our business and where we are today and where we are going. And looking forward to your support and I'm very I mean, I would like to sign off on an optimistic note as far as we are concerned.

I'm quite optimistic about the future of the business and where we are going. So thanks once again.

Moderator

Thank you. Those who are left to be entertained by the management, please feel free to reach out at info@confideleap.com. We will reach out post the call. Thank you.

Ladies and gentlemen, this concludes the conference call for today. Thank you for your participation. You may disconnect your lines. Thank you and have a good day.

Note:
1. This document has been edited to improve readability
2. Blanks in this transcript represent inaudible or incomprehensible words.