

22nd October, 2022

To

The Manager - Listing,
BSE Limited,
Rotunda Building,
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 543276

The Manager - Listing,
National Stock Exchange of India Limited,
Exchange Plaza,
Bandra Kurla Complex ,
Bandra (East),
Mumbai - 400 051
Stock Code: CRAFTSMAN

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call on the Unaudited Financial Results for the quarter and half year ended 30th September, 2022.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation and outcome letter dated 1st October, 2022 and 17th October, 2022, we are enclosing herewith the transcript of the earnings conference call organized on Monday, the 17th October, 2022 at 4.00 P.M. (IST) on the Unaudited Financial Results for the quarter and half year ended 30th September, 2022.

The transcript of the earnings conference call will be uploaded on the website of the Company at www.craftsmanautomation.com.

We request you to kindly take the aforesaid information on record and disseminate the same on your respective websites.

Thanking you.

Yours faithfully,
for CRAFTSMAN AUTOMATION LIMITED

Shainshad Aduvanni
Company Secretary and Compliance Officer

Encl: As above

CRAFTSMAN AUTOMATION LIMITED
Q2 FY 22-23 Earnings Conference Call
17th October, 2022

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY23 Conference Call of Craftsman Automation 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 this conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Srinivasan Ravi – Chairman and Managing Director of Craftsman Automation Limited. Thank you and over to you sir.

Srinivasan Ravi: Good afternoon ladies and gentlemen, thank you very much for joining this Earnings Call. It gives me a lot of pleasure to address you again after one quarter. We have had a decent performance in Q2 in spite of the large headwinds we had regarding the war as well as the recession in Europe and US. We have as a company performed reasonably well because our broad based strategy about and a good product mix and a reasonable execution. I'll just run you through the headlines and the highlights of this quarter and leave more time for the Q&A.

We have clocked a sales of 1447 crore vis-à-vis 1000 crore on H1 last year, PBT 180 crore, comparable which is 62% higher than last year H1, PAT of 116 crore which is 61% higher, EBITDA of 337 crore which is 31% higher than H1 of last year. I will just run you through the financial ratios, debt equity has improved to 0.58, debt to EBITDA is 1.08, EBITDA margins is slightly reduced from 24 to 23. EBIT has increased from 15 to 16. PBT has improved from 11 to 12, and comparing with the last financial year, PAT has improved from 7% to 8% now, current ratio is 1.16, return on capital employed pre-tax analyzed for H1 is 24%, for last year it was 20%. ROE analyzed is 20%, for last year it was 15%.

So, I will also give the headline numbers for the segment wise revenue. Auto powertrain has clocked a revenue of 726 crore vis-à-vis 524 crore over H1 last year. Aluminium products 368 over 242 last year, last H1. Industry engineering 353, comparable H1 for last year was 234. The EBIT margins have shown some fluctuations but I will explain that later. Auto powertrain the EBIT has been 188 comparable H1 was 148 last year, aluminum products 35 crore EBIT comparable 19 crore last year. Industrial engineering, 35 crore H1 last year was 6 crore. So, overall our EBIT is 229 for H1 comparable to H1 of last year was 151. With this, I will leave the floor open to questions-and-answers.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Joseph George from IIFL. Please go ahead.

Joseph George: So, you mentioned in your opening remarks about the fluctuations in the EBIT margin if you can spend a couple of minutes explaining the fall in EBIT margin in both the powertrain and the aluminium segment, that is the first question. And the second question is, your guidance of CAPEX for the full year because if I recall correctly in the 4Q call of last year and the 1Q call of this year, you had indicated a number of about 225 or so, whereas the first half itself, the company has clocked a CAPEX of about 170. So, what is the renewed guidance for the full year these are the two questions. Thank you.

Srinivasan Ravi: Thank you Joseph. Regarding the EBIT margins, on the auto powertrain we have grown but it was slightly disproportional growth on the material business and the other machining charges business. So, there is a small margin drop which is optical. In aluminium business on Q2, we had a sequential month-on-month drop in the raw material prices and normally we carry an inventory of 8 to 10 weeks, 12 weeks with the raw material in process put together. So, we had to take a hit on the raw material a little and so that increase the cost and that depress the EBIT margins. But overall overhead absorption has been very good on the industry engineering business plus also the steel price has been more stable, the bulk of the revenue which the growth has also come from the storage solutions. So, we have seen margin expansion on the industry engineering. So, it has been a mixed bag, overall as a company we are in line with the margins whatever we had in the previous quarters.

Coming to the CAPEX, last year we grew by 40% and now the growth also it is almost more than 40%. So, we had to do some little capacity balancing CAPEX and we are guided yes 225 crore, 250 crores in the region for the CAPEX, we have already done 150 crore. In April this year we received quite a sizable order for aluminium business which we didn't expect to be done in this particular financial year. But customer needs the production to start in this financial year itself at the end of Q4. So, we had an additional CAPEX of 70 crore which is underway. So, we are trying to control the CAPEX in spite of the unplanned CAPEX of 75 crore to 275 crores. So, we will be around to 275 crore this year. This CAPEX will be vindicated by the situation that we had two years 40% the CAGR growth year-on-year. And we will leave some headroom for further growth if it happens in Q4.

Joseph George: Understood sir, thank you. Just one follow up, so this year if you are bidding 275 should we look at lower CAPEX next year?

Srinivasan Ravi: No, as it is the plan is around the same level only, provided we have guided the market for 120% CAGR. So, in spite of the 40% what we are clocking now, we are hoping to clock 20% next year totally, but the base has become absolutely high, because we will be very close to around 2900 crore this year and then we are

looking at more than 20% growth, then we need to understand that there will be some CAPEX, but if we grow at 20% we will be still continuing the CAPEX in the region of 250 crores. And, I want to also remind that the our depreciation is hovering around the 210 to 220 crore this region. So, the net block will not be increasing or the capital employed also will not be increasing, even the working capital we have, in spite of the top line growth we are able to manage the working capital situation so, overall debt also is under control.

Moderator: Thank you. We have our next question from the line of Abhishek Jain from Dolat Capital. Please go ahead.

Abhishek Jain: Sir, can you give value addition figure of each segment in Q2?

Srinivasan Ravi: Yes, I will give it. For Q2 of this year value addition for auto powertrain is 232 crore, aluminium product 68, industry engineering is 76.

Abhishek Jain: Okay. Sir, in the powertrain business more customers are now asking to buy material this time. So, floor machining or value addition will go down in the coming quarter. So, this will impact your margin going ahead?

Srinivasan Ravi: No, this will not impact margin going ahead. There are products which are casting intensive there are certain products which are missioning intensive, cylinder blocks fully finished are missioning intensive. So, there I don't think there is any change there but the tractor segment where the structural parts, the casting to missioning prices are totally, very much skewed. So, there it may change, but overall our value addition as a segment of the business has increased quarter-on-quarter also, but it is not equal so that's what I wanted to mention.

Abhishek Jain: And sir first half captive production was strong but going ahead it will be muted in the second half. So, how do we see the impact on the price rise business margin, will it be continued to be at lower side?

Srinivasan Ravi: It is already muted in Q2 because we are impacted a little earlier than the numbers which has actually sold in retail or by the OEMs. So, even in Q2 itself we are highly impacted on the tractor I don't see that number dropping very much in Q3, it is already at a very low level in Q2.

Abhishek Jain: Okay. Sir, couple of questions from the aluminium casting side, in aluminium business now margin has gone down too despite a strong growth in the top line, as you mentioned that this is because of the old inventory. So, going ahead what sort of the margin do you see and what would be the growth driver for the margin?

Srinivasan Ravi: I would clarify that inventory, inventory is not old inventory for any company to work we need 8 weeks to 10 weeks inventory, because of the different product segments and two different locations for the manufacturing plus also WIP is there, some finished goods per customers will be there. So, we are around between around eight weeks it may be plus or minus depending on the particular quarter inventory is there. So, the pricing now the mechanism is more straightforward where it is fair to customer as far as the supplier it is moving very smoothly. So, it is not a delayed impact that when the price goes down, we get a benefit in the current quarter because, we are billing at a higher rate and next quarter it will be down, no it's not like that, it is happening more in the live situation. So, we had reduced the selling price to our customer in line with the market price drop in aluminium which has dropped by around a 10% approximately in the retail we look at the LME prices or the product prices, input raw material prices they have dropped by 10%. So, that impact slowly has affected us on the COGS a little. So, it looks a little optically that we have not performed but as a company, as a division, it is going in the same line as Q1.

Abhishek Jain: So, now in aluminium casting business 80% revenue comes from the two wheeler only, which is only casting products not a machining, as you will move into the more passenger vehicle and CVs your margin will see sharp expansion. So, just wanted to understand what is the current mix and how do you see the mix ahead in aluminium products?

Srinivasan Ravi: I wish to clarify 95% of our castings we machine it, whether it is two wheeler, four wheeler, commercial vehicle or industry aluminium, 90% more than 95% is machined and the product segment today the two wheeler business as a segment has come down totally, two wheeler is approximately in the aluminium business is 68%, passenger vehicles is around very low up to 2%, commercial vehicle is around 9% and non-auto aluminum products is around 15%.

Abhishek Jain: So, despite the improvement in the mix, both the passenger vehicle, CVs and non-automotive parts, your margin has not expanded and going ahead you also looking for the good orders from the export side especially for the battery motor housing and all these things. So, what would be the margin visibility going ahead and the top line growth?

Srinivasan Ravi: The margin or the aluminum price we had to take an impact of 10%, because this is in a steep drop of aluminium prices, which if you look at the trend, it is quarter-on-quarter there's a drop of 10% because of we had to take the brunt, the margin looks depressed actually the margins have been in line with the Q1, the operational margins at least.

Moderator: Thank you. We have our next question from the line of Jinesh Gandhi from Motilal Oswal Financial Services. Please go ahead.

Jinesh Gandhi: Continuing on the aluminum business margins. So, what you are indicating is that, we had to give the 10% price reduction because of change in the aluminum pricing revenue, however we did not get the benefit in our actual shifting, that is the reason why margins are impacted?

Srinivasan Ravi: See the 10% is not on one single drop, it is month-on-month drop. So, overall we have been impacted around 5%, because of the pipeline inventory what we had. So, the 5% is on the raw material means is around 4% on the top line totally.

Jinesh Gandhi: Okay. So, it's fairly the timing difference between when you realize the benefit versus when you're passed on the benefit to customers, because of its marginal impact?

Srinivasan Ravi: It is around 3% to 4% it has impacted on the top line.

Jinesh Gandhi: Got it, and secondly can you share the value add data for 2Q FY22 as well across three segments?

Srinivasan Ravi: Can you come again, you asked for the value addition for Q2 or H2, H1 I didn't understand?

Jinesh Gandhi: 2Q FY22, same quarter last year.

Srinivasan Ravi: Q2 FY22 okay. Value addition on Q2 FY22 on auto powertrain was 88 crore, aluminium products was 80 and industry engineering was 94.

Jinesh Gandhi: And this 24 crores is including or excluding aluminum industry segment?

Srinivasan Ravi: No, it is reclassified already see what happened Q2 FY22 to Q2 FY23 I will read the numbers in sequence. The FY22 auto powertrain was 88 and Q2 FY23 was 146, aluminum products Q2 FY22 was 80 crore, Q2 FY23 was 128, sorry I'm reading the wrong numbers. I am reading the COGS, I will read the value addition. Q2 on the value addition portion for auto powertrain has been 204 crore and Q2 for this year is 232, aluminum products was 61 crore last year, this year Q2 has been 68 crore, Industrial engineering was 42 and this year it is 76.

Jinesh Gandhi: Got it. And would you be having storage solution revenue for this year and last year?

Srinivasan Ravi: Yes, we have. You want quarter-on-quarter or you would like to have H1 over H1?

Jinesh Gandhi: 2Q FY23 versus 2Q FY22.

Srinivasan Ravi: Q2 in FY22, I will not have it. I will read H1 in last year and H1 this year. Storage solutions for FY22 as a whole was 253 and Q1 FY23 was 88 and Q2 FY23 was 111 and if you compare H1 and H2, H1 FY22 was 134 and this year H1 FY23 has been 199.

Jinesh Gandhi: Okay, got it. And are you increasing sales of automotive storage in this number or that is yet to see a material ramp up?

Srinivasan Ravi: Sorry, the line is not so clear or it is echoing, I'm not sure I'm not able to hear you.

Jinesh Gandhi: So, are we seeing increasing salience of automotive storage in this number?

Srinivasan Ravi: Automotive storage no. It is general storage solutions across all segments and new segments, it is not automotive storage, negligible percentage.

Jinesh Gandhi: Right. And lastly, would you comment on any new order wins in current quarter and till October have you seen any major new order wins in either powertrain or aluminum side?

Srinivasan Ravi: So, we are getting a continuous inflow of new customers and new orders. At the same time, there is some attrition which is happening at the other end the older products are going out. So, overall net debt we are having traction for growth, the timeline for each of these projects are different and it is linked to certain sometimes it is emission, sometimes it is a new model launch it is also related to strategy. So, I don't want to talk about customers. Now, we have taken for the company when we are looking at 20% growth next year, we are more looking at a strategy that what is realistically going to come, we cannot add up all the numbers of the customer projections and projected to our investors that will be giving a wrong picture. There will be some failures from customer side or there may be some delay in projects. So, overall, the traction is good enough for the 20% growth.

Jinesh Gandhi: Okay. And the aluminum order which we got in April 22 for which we're putting up this CAPEX, how big would be the annual revenues from this order?

Srinivasan Ravi: We can expect for FY24 150 crore revenue. FY23 will be a transition period.

Jinesh Gandhi: Fair point, 150 crores on full year.

Srinivasan Ravi: FY25- 150 crore. FY24 will be ramp up period.

- Moderator:** Thank you. We have our next question from the line of TS Vijay Sarthy from Anand Rathi. Please go ahead.
- TS Vijay Sarthy:** Sir just want to understand from you sir it's because of the with material with the margin sequentially has fallen, so just want to understand what kind of product that we actually source material and make it and then sell it out or is it within the cylinder block and cylinder head there is some customer specification and some clarity on that, because this we've experienced both in first quarter as well the second quarter, both on a Y-o-Y basis and sequential basis?
- Srinivasan Ravi:** This is related to only aluminium products, aluminium is the basic raw material we have to buy. So, where the price have dropped so, that has impacted all the aluminum products.
- TS Vijay Sarthy:** The powertrain division where there has been more less of machining and more of with material, just wanted to understand is there any different product category apart from cylinder and cylinder block
- Srinivasan Ravi:** No, we have a lot of parts, we have transmission parts, gearbox parts, we have other also structural parts are also there everything and also what you need to take into account is the commodity prices have gone up so that itself will depress the EBITDA numbers, so only the top line will go up.
- TS Vijay Sarthy:** Okay. So, this we have witness both in Q1 and Q2 on a Y-o-Y basis, does this situation continue even going forward?
- Srinivasan Ravi:** Yes, it will continue because commodity price has settled at a higher level.
- TS Vijay Sarthy:** Okay. And with respect to aluminium business, so this 125 crore that you said in FY25 this is over and above the peak revenue of 650 crores that you would reach based on your existing capacity am I right sir or this is include them?
- Srinivasan Ravi:** Already the run rate on the aluminum products as a whole we have clocked a 196-crore revenue in the last quarter. So, we are already at a run rate of around 800 crore.
- Moderator:** Thank you. We have our next question from the line of Sandeep Agarwal from Melody Investment. Please go ahead.
- Sandeep Agarwal:** Sir, what is our net debt and the cost of borrowing, what is the plan to reduce it?
- Srinivasan Ravi:** The cost of borrowing is very, very competitively we are borrowing thanks to our lenders, bankers and also financial institutions. Whatever you call we look at its

financial cost, this also the other as per IndAS standards the lease rentals what we are paying is classified as depreciation and financial cost as accounting standards, that is why the financial cost looks high and I would say 70% is actual financial cost, 30% is related to interest and depreciation classified in the IndAS. And the borrowings, we look at it sequentially quarter-on-quarter the borrowings is same.

Sandeep Agarwal: Okay. Sir just I want to say that if you share any presentation, with the presentation or such details so it will be more beneficial for us to understand and can be better. Thank you.

Srinivasan Ravi: The borrowings are quite straightforward, there is a term borrowing and there is a short term borrowing. Overall, it is sometimes changing a little, but overall it is around 720 crores now.

Moderator: Thank you. We have our next question from the line of Dhaval Shah from Girik Capital. Please go ahead.

Dhaval Shah: A couple of questions from my side. Sir, firstly if you can spend some time on this high end efficient products what sort of traction are you seeing, a lot goes to the capital goods industry. So, what traction do you see there, that's our first question.

Srinivasan Ravi: The traction is not picked up to the extent what we expected because of the current headwinds in the global economy, we would have seen it going better, but overall the current set of customers, current set of products everything is doing well, we are adding more product portfolio there also, there will be some time delay between that, the gestation period will be there before we can scale up so overall we are seeing good traction in the industry engineering segment. Overall inclusive of the precision sub-assemblies and products in the contract construction.

Dhaval Shah: So, almost everything are we exporting in this?

Srinivasan Ravi: Mostly we are exporting, yes.

Dhaval Shah: Okay. And if you would tell which would be your top three or top five products, the breakup of this 90-crore quarterly revenue it may help us better understand the number.

Srinivasan Ravi: Export per quarter is we are clocking around 40, 50 crores something like this, 40 crores on the industry engineering segment.

Dhaval Shah: Okay. So, 40 out of 90 is exports?

Srinivasan Ravi: Yes.

- Dhaval Shah:** What are we exporting in that, what is the product in that 40 crores?
- Srinivasan Ravi:** We are exporting major to North America to Europe and to also Japan each of the customers are different, the end usage is different somebody is in wall manufacturing, some gearbox manufacturing, one is in oil and gas, the other is in printing, the other is cartoon box manufacturing. So, it is quite a diversified requirement as a contract manufacturers we are making products to their design and also we are making fully finished machines also tested here and we ship it to the end customer so it is too diverse.
- Dhaval Shah:** Okay. With the level of the engineering and the detail which we go into within our strength is that the same or it's a little low end working in this business?
- Srinivasan Ravi:** No, entry barrier is extremely high and where we are not having any competition here from the Indian market and our diverse engineering team and capability, design capability and our manufacturing infrastructure is required to do this sort of high-end assembly so we need to have the knowhow also. So, when we are making this equipment and shipping across the world, we don't have much competitors anywhere in the world.
- Dhaval Shah:** Okay. So, what visibility would you have over the next FY23 and 24, what should be the size of the business?
- Srinivasan Ravi:** Business has been steady it has not been growing exponentially you could have seen from our export revenue overall, we have not been adding customers aggressively there, but now I think there are some new chances of adding customers now but there will be a time gap between product development and to actual revenue. So, we may see a gap of one year.
- Dhaval Shah:** Okay and sir my question on the aluminium side. So, we had this order from Peugeot Motors. So, has they started product manufacturing this year and then ramp up in '24-25 so have we started going?
- Srinivasan Ravi:** It is, product development is going on time, infrastructure is getting set up, we will be giving samples in Q4, the customer requires four-five months for testing the product, the production will start by Q3 if not in Q2 of next financial year. And we will get 30%, 40% of the revenue, so you should be able to clock in the next financial year, subject to approval.
- Dhaval Shah:** Okay, because we are supposed to do some 50, 60 crore revenue in FY23 out of this order.

- Srinivasan Ravi:** So, FY23 we were thinking that they will not go through the full product testing cycle, but the customer is cautious even though the product has been tested and it's coming from a different source, they want to go through that. So, they are asking for four to five months testing period. So, we cannot actually really do, we're ready. We will be ready in Q4.
- Dhaval Shah:** So, now lastly, the entire demand. So, last question is that the demand destruction which we expect, in Europe so are we experiencing anything right now in, so you mentioned in your hike decision, there is a thought that, the momentum of order is not very high. But in the aluminium component and powertrain do you see the impact of this problem.
- Srinivasan Ravi:** I am sorry, maybe not sent the right message, when some of the segments are growing in H1 at 40%, in relative terms the export order is not growing at that level. That's what I meant on the momentum side totally. So, the storage business is some carrying bulk of the momentum in the industry engineering business is what I wanted to mention. But we're growing even on the export side, we are growing.
- Moderator:** Thank you. We have our next question from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Firstly, sir on the powertrain segment could you just remind us of the revenue mix there sir, how do we probably this quarter or the first half between CVs, tractors, construction equipment, et cetera.
- Srinivasan Ravi:** Yes. I will talk for H1 that maybe better, will give a better number instead of having that. 385 crore for commercial vehicle, off high way is 150, Farm sector 125 and Passenger vehicle is 66.
- Mukesh Saraf:** Right, thank you so much. And secondly, the power cost in Tamil Nadu have gone up so, given that we are basically power intensive, how is that expected to impact us or how much it has already impacted this quarter because we do have.
- Srinivasan Ravi:** Maybe we can read out the power cost as a company, we will not be able to give it in for Tamil Nadu.
- Mukesh Saraf:** No, at the company level.
- Srinivasan Ravi:** 60% of the power we consume is in, more than 60% is in Tamil Nadu you are right 40% is rest of India. We will dig out in some time, you can ask next question meanwhile.

- Mukesh Saraf:** And even if the number is not readily available, just want to understand the impact of this heightened power tariff in Tamil Nadu. So, is there an impact or are we having a mitigation efforts such as sourcing, renewable, etc., so anything like that?
- Srinivasan Ravi:** Sourcing and renewable, we are weighing the options, yes, we are thinking whether to go for captive or whether to go for third party because the wheeling charges and other cross subsidy everything all put together. It is becoming uneconomical and governments are changing policies regarding cross subsidy. So, it might not be viable for us to take a long-term contract with any of the service providers and getting into this third party power purchase agreements for the future might not be viable because carbon credit we will not get it and maybe getting valuable also in the future. So, power and fuel when compared to the whole of last financial year where we were as a company level we were at 112 crores, we are at 70 crore for this first half of this year. So, efficiencies of scale pro rata we are still keeping almost the same percentage if you look at.
- Mukesh Saraf:** Got it. And just lastly sir in the past you have mentioned about, the EV segments within two wheelers, for the aluminum business that we have. You had mentioned about kind of looking at that and probably looking to enter that segment. So, how are we placed there given that a lot of the OEMs are finding capacities, such as TVS for example. So, how are we looking at the aluminium business for EV two wheelers?
- Srinivasan Ravi:** Early this year we got orders from new startup for EVs, we got orders yes some are under parts under development, some are already in trial production now, but overall the numbers are a little not very appealing for financial results. So, is the long way off for a minimum economic scale of this business to be fruitful as a company. So, whatever revenue we have seen this 190 odd crore in Q2 on aluminium business doesn't carry any EV portion of it. So, we have factored in EV sales only next year even though we are going to start from Q3 onwards.
- Mukesh Saraf:** Okay. So, we are not aggressively looking to expand into that segment, because you have made in the past as well as to how volumes might not.
- Srinivasan Ravi:** I would say that we are aggressive to take critical parts, we don't want to take simple parts on a commodity pricing, and plus at automotive pricing we need automotive numbers, volumes. And if it is the volumes are getting split up with 10 to 20 players, and at the same automotive price we stand to lose. So, we have to pick out the winners, we have to pick out the volumes, we have to get the pricing also right, which may be much higher than the, which we need to be, it needs to be higher because of the lower volumes. So, there is a challenge there, so we don't want it to get a big development cycle, we are developing a lot of EV parts but all

parts put together looking at the volume, it doesn't change the top line too much. So, we are very careful about how much focus we are giving into the current state. And models also are evolving because these models have been designed in a way in the beginning and now when it comes to cost many models are getting redesigned for a cost effectiveness by the startups. The mature companies will do very good design in the start with itself. You can see the cautious approach, which I really appreciate and the market will mature in the coming years.

Moderator: Thank you. We have our next question from the line of Yash Agarwal from IIFL Securities. Please go ahead.

Yash Agarwal: Just a couple of questions for FY23, we factor in a tax rate of 35% on account of the MAT implication so from the next financial year, I assume that we fall back into the 25%, 26% bracket. Am I correct on that?

Srinivasan Ravi: You are correct, you are absolutely correct still we are having some MAT even post Q2. But in Q3, we made a change our situation or we may take a change in Q4 to write-off the MAT credit which will have no impact on the P&L, but we may go to a new tax structure. So, we are weighing the cash outflow versus the total benefit what we have. Today all pointers are that but we are likely to move to the new tax structure in the current financial year itself.

Yash Agarwal: Okay, got it. Secondly, on your guidance of 20% revenue growth in FY24, is it on a value added basis or a reported revenue basis?

Srinivasan Ravi: Yes, I would always say 20% on a value-added basis because topline can be different with the product mix what we have and the commodity prices. I've been always advocating the value add personally.

Moderator: Thank you. We have our next question from the line of Chetan Gindodia from AlfAccurate. Please go ahead.

Chetan Gindodia: Sir, with respect to aluminium segment. So, while the aluminium price was going up, consistently during last one and half years, we were impacted in terms of taking hit on the margins but now that the aluminium prices coming down. So, we had assumed that we would be benefiting at least for some period in terms of margin expansion, because there's generally a lag in passing on to the customer. But we are seeing exactly the opposite so, we hope we have been impacted both on the rising commodity, on the falling commodity also. So, can you explain a bit on this?

Srinivasan Ravi: Thanks for this question, this needs to be explained thoroughly before we, I'll clarify this. Last financial year, I would say it was with some of the customers on a trailing quarter, the trailing quarter aluminium prices were applied on the next quarter. So,

when the price were continuously increasing, we were getting a lower selling price when compared to what we're buying. So, we managed to and also the customers then entire market change to a real time pricing that is the average of the current quarter or the monthly quarterly or monthly correction, on pricing both are the same, fundamentally both are the same. So, that is the real time situation where we do not have big changes for a long time. Suppose the prices have gone down in this quarter whatever inventory we're carrying only is having affected, not having a residual effect going into the next quarter totally. But this average is a big problem totally overall. So, the aluminum prices are at a level which it was three years ago or two and a half years ago, now it is going to increase we made get some little benefit in one quarter maybe it is very partial benefit which will again like this we may have some positive aberration then a negative aberration, but last time it was to give a number, I'll add a number to it from Rs.180 a kilo the alloy price went up all the way to Rs.285 within a year's time and every quarter we face the music.

Chetan Gindodia: Got it sir. Sir, secondly with respect to our aluminium segment so now that two wheeler contribution in the mix is declined to 68% and now lot is increasing to 15. So, what would be the difference in margin that we earn on two-wheeler versus the non-two-wheeler side?

Srinivasan Ravi: It is a mixed bag it be different from product to product and there a lot of synergy is there between there are the gravity casting, low pressure die casting parts, in all the three segments in the industrial aluminium business, in the passenger vehicle, commercial vehicle as well as in the two-wheeler business. So, we have a common audits and we are managing, but calculation wise it is showing the same, predominantly the high-pressure die casting is being used for a two-wheeler and a very little of gravity and low-pressure diet casting, but the margins are more or less same.

Chetan Gindodia: And lastly the 70 crore CAPEX that we are planning to commission for the new order on the aluminum side. So, can you shed some light on what is the nature of the customer or the segment is it a two wheeler or an export order, domestic any kind of details if you can share?

Srinivasan Ravi: No sorry, I cannot share that, but because we had done some CAPEX in the previous years which we have now diverted for this particular customer order, the additional CAPEX what we're doing is only 70 crore, we are not saying 70 crore is the CAPEX, we are using the current building we are diverted many things from various other projects and we have done it apart from the new CAPEX whatever we have planned, so I would not like to share competitive information in a general platform. Sorry, I have to abstain myself here.

Moderator: Thank you. We have our next question from the line of Pranay Roop Chatterjee from BCMPL. Please go ahead.

Pranay Roop Chatterjee: Firstly, I will just go segment wise one question for each segment. In powertrain, it was not entirely clear in the first part, the reason for a Q-on-Q drop in margins. So, one reason could be that let me correct me if I'm wrong, that the tractors have actually gone down in the mix versus other, the tractor is supposed to be high in machining so that could be one of the reasons, but you actually mentioned couple of other reasons, some charges and you mentioned commodity prices were at a higher level. So, given commodity prices have decreased Q-o-Q steel especially, and aluminum, how would you break down this Q-on-Q drop in powertrain and should we expect it to come back to normal in the next one or two quarters?

Srinivasan Ravi: There has not been any dramatic change in the value addition between Q1 and Q2, the value addition has been 223 going up to 232 practically it is only nine crore has been increase in the total value addition in the auto powertrain. There has been of course inflation all over whether it is salary, power or whatever maybe plus on certain segment of the business, where we had little more profitable sunken capacity which is available, the capacity utilization was slow because the farm sector went down, some of the plants were suboptimal utilization. So, it had impacted a little but overall the EBIT margins we are maintained, waiting from the drop from say 95 crore to 93 crore. So, overall it is not any significant drop come in compared to inflation which is three months apart, where we had implemented also the salary increases for our employees.

Pranay Roop Chatterjee: Got it, okay. Next is trying to understand something on the aluminium segment. So, how I track this is basically I see how much the average aluminum price has moved Q-on-Q, then I see your overall revenue Q-on-Q and then I see your value addition Q-o-Q. And usually it is additive in nature but what I've seen this quarter is that aluminum prices LME average prices have actually gone down.

Srinivasan Ravi: We were billing at a lower price, because the price drop we are billing at a lower price to customer that is the reason for the depression in value addition in aluminum.

Pranay Roop Chatterjee: No, so that is not my question. My question is that the overall revenue has gone up by double digit percentage despite the value addition and aluminum prices Q-o-Q dropping so, which would imply as the non-value-added portion, products and increase in the mix is that a correct understanding?

Srinivasan Ravi: Non value-added products means, what do you mean by non-value added products?

Pranay Roop Chatterjee: Okay. So, just to simplify again, the aluminum price quarter-on-quarter has dropped. So, part of your portfolio is where you directly pass on the aluminum price. So, that portion the top line should have dropped. Then the other portion is the value added portion which is also Q-on-Q there is a slight drop from 71 crore last quarter to 68 crore in this quarter. So, but overall on the revenue we see that there is a double digit growth quarter-on-quarter so I'm just trying to tie how it is working out.

Srinivasan Ravi: The revenue quarter-on-quarter is grown by 10% totally, it should have grown by 20% if the remaining prices had been stable that is exponential.

Pranay Roop Chatterjee: Okay, got it. Just quickly on the margin, aluminium margin so you mentioned that your inventory hit was the reason that is well understood. My question is, if the inventory hit had not happened whether the alumina price would have been same, given the product mix this quarter, would the margin still have come at around 11%, 12% and should we expect it to go back to 11%, 12% in the next few quarters or would there still be a pressure on margins because of prices?

Srinivasan Ravi: Thanks for the question. Now, on the aluminum products as I mentioned their top line revenue was moved from 171 to 196, if the aluminum prices had not dropped this 196 would have been approximately 205, the 205 would have resulted in another 10 crore increase in value addition instead of 68 crore it would have been 78 crore, so that entire say around 10 crore would have flowed through the EBITDA level and that means the margin would have been normalized.

Pranay Roop Chatterjee: Got it okay. And the last question is on basically the Stellantis order. Again, it was not entirely clear at my end did you mention that the order around 40% to 50% would be booked in FY24 instead of the entire revenue being booked as was previously stated?

Srinivasan Ravi: Here I will take a little back step, now I stop talking about customers and names, these customer numbers do not add up, you could see that without Stellantis anything being here, we are talking 200 crore on the business quarter and we are continuing to grow. Putting a customer projection here their project delays or their product strategies or whatever is happening in Europe is impacting us. So, we will take it as it comes so now production is supposed to start next year yes, but how much it is starting, how much will be the sale I will not like to put a number to it now, but we can commit as a company that all aluminum business will grow by 20% next year compared to this year.

Pranay Roop Chatterjee: Got it, and if I could slip in one more on revenue for FY23 would you expect the second half to be materially stronger than the first half?

Srinivasan Ravi: So, here it is for FY23 or FY24?

Pranay Roop Chatterjee: 23 this year?

Srinivasan Ravi: The quarter three is always a challenge for inventory correction for customers, end of the year multinational companies within the country closing down their plants for two weeks plus also the automotive December production keeping it low for a year of manufacture reasons all that and the post festive season inventory correction. So, all put together we always see a challenge on Q3. It is difficult to even replicate the current Q2 and Q3, but compared to last year Q3, we will be far, far better off in this Q3 yes, Q4 if there is no further new headwinds coming in where we have international issues, the geopolitical issues also we are still facing a huge inflation of not only for the industries but for the common man, and this continues for more time, we may see some depressed retail off take, there may be some challenges but we are even factoring that in Q4 will be a good number because of our diverse portfolio one cylinder is not kicking in, not doing well we will do better on something else. So, we are still very confident about Q4, not about Q3.

Moderator: Thank you. We have our next question from the line of Jeetendra Khatri from Tata Mutual Fund. Please go ahead.

Jeetendra Khatri: Sir, my question was, how much of light weighting aluminum division provide in automotive. So, would there be a range which you can provide like a 15% to 20% or what is the range of light weighting?

Srinivasan Ravi: Light weighting, still it is not very effectively happening in India. So, we are yet to see any significant change there.

Jeetendra Khatri: Okay. So, is it that the aluminum division the product that is leaking is it that structurally it is always, it has always been made in aluminium or is it that the industry shifting to aluminum like the housing and all those things which you make in aluminum for automotive?

Srinivasan Ravi: Currently what we are doing is traditionally has been in aluminum always. So, we are not seeing the benefit of the industry moving into aluminum so far, which has to happen in the future, but still it's not happened.

Jeetendra Khatri: Okay. Any reason that it has traditionally been in aluminium?

Srinivasan Ravi: It was more suitable for aluminium from the very beginning, even if it's a cost performance or it is the strength and durability requirement and it is the near net shape requirement of the casting which is done on high pressure die casting. So, there was a big advantage of doing it aluminium which continues, but for the reason

for light weighting with the new aluminum prices, there can be a shift which may happen but at the earlier last year it was around Rs.280 a kilo now, it has come to 180 so, that range approximately. So, we may again look at it, but also there requires a fundamental model design change or new platforms to come in on the vehicles to accommodate this new standards. Yes, safety standards, testing has been done so whenever a new platform comes only it is going to happen.

Jeetendra Khatri: Okay. And would you have any international benchmark in the automotive aluminum division like some European player or someone who you can anchor it. Competitor or let say the guy who has been there for a very long time?

Srinivasan Ravi: You are talking about the size of the aluminum business or you are talking about.

Jeetendra Khatri: I am talking about any competition in the auto aluminum division, any major competitor or any major benchmark company which you might be following?

Srinivasan Ravi: Okay. We have three big companies in Japan, but I would put the names to you, one is Ryobi ,next is Hiroshima Die Casters , third is RHT. All of them are in the range of 1.3 to 1.5, \$1.7 billion in top line only in the aluminum business, they're quite fully integrated, some are with machining. And most of them are with the making the dies also. But in Europe, you know very well Linamar of Canada, Nemak of Mexico, there are a lot of companies in North America, as well as in Europe. They are dominating the space, including George Fisher has been acquired. Then we have Martin Ansel, we have Rain Metal, we have Euro Castings. There are players for more than €1 billion to around €3 billion, there are around seven, eight players in Europe, either they are standalone in Europe, or maybe owned by companies from like Linamar of Canada or it may be Nemak of Mexico, this is a well-known fact, I'm really using the names because they are market leaders. And Magna is also very big name in North America. But all of them are more than a billion dollars that is very, very clear maybe 2 to \$3 billion or so.

Jeetendra Khatri: So, the scale is very big.

Srinivasan Ravi: Yes.

Moderator: Thank you. We have our next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri: Sir, I'm a bit new to the company so sorry, if my questions are a bit basic. I just got a bit confused when you were referring to 20% growth on value added and on reported terms. So, could you just help me figure that out our 20% growth we're talking about the revenue that we just did about 170 crores right or how does that would factor in?

- Srinivasan Ravi:** We have been advocating in the past for that top line minus COGS is the value addition and that is the real work the company does otherwise it is a commodity price fluctuation which is either inflating the top line or depressing the top line accordingly which is not an apple to apples comparison, when you look on year-on-year with the sort of large movements in the commodity prices, which we have witnessed in the last two, three years. So, our margin comes from the work we do and that is we call it the top line minus the COGS, it is the value addition or some of the calculations, some of the way of denoting that is the gross profit totally. So, when we say growth, we say normally that growth in gross profit or growth in value addition.
- Darshil Jhaveri:** So, basically, we talking about growth. Okay, thank you so much that helps me a lot and other thing I just wanted to ask about our margin, we just said about aluminum and I've understood about that. So, now that 10% drop has come so going forward we will have similar margin that we had in previous quarters right.
- Srinivasan Ravi:** If the operating leverage remains the same, if the top line is getting depressed because of demand, then our overheads absorption will not be sufficient enough.
- Moderator:** Thank you. We have our next question from the line of Jyoti Singh from Arihant Capital Markets Limited. Please go ahead.
- Jyoti Singh:** Sir, I want to understand your view on the energy cost as currently its cycle loss. So, how we are seeing the impact on our company overall,
- Srinivasan Ravi:** We are not an energy intensive usage company as a whole. If you look at the top line for H1, the power and fuel has been 70 crore on a top line of 1447 crore totally.
- Jyoti Singh:** Okay. So, we don't have any impact because of the increased energy cost in Europe?
- Srinivasan Ravi:** No, there is impact globally because of the energy cost of the fuel, which has increased and also in India power cost is also increasing. So, I mentioned that today on our top line it's around 5% so it may go up to 6%, 7% if there is a big there is an impact. It's an impact for everybody it is on public domain whatever is there, from state to state it varies on the power cost but at least the diesel or the gas or CNG or LPG gas also we use for melting. There has been it'll be different from state to state, there has been increase all over.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Srinivasan Ravi for closing comments. Over to you sir.

Srinivasan Ravi: Thank you everybody for the active participation and also the detailed questions which also helps us to do some thinking again, that we on the right track, yes we are confident about the company and we have demonstrated that over the last six quarters we are a very versatile company. And we have withstood the different ups and downs in the industry, which has happened and still managed to grow we'll keep that spirit up going forward and thank you for all your support.

Moderator: On behalf of Craftsman Automation Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

(This document has been edited for readability purposes)