Pitti Engineering Limited
(Formerly Pitti Laminations Limited)
ISO 9001:2015 ISO 14001:2015
www.pitti.in

15th November 2025

To,	To,
BSE Limited	National Stock Exchange of India Limited
Floor 25, P J Towers, Dalal Street	Exchange Plaza, Bandra Kurla Complex
Mumbai – 400 001	Bandra (E), Mumbai – 400 051
Scrip Code: 513519	Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 10th November 2025

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With reference to our letter dated 4th November 2025, intimating about the conference call with investors to be held on 10th November 2025, please find attached transcript of the aforesaid conference call.

The above information is also available on the website of the Company at www.pitti.in.

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

MARY MONICA BRAGANZA
Digitally signed by MARY MONICA BRAGANZA
Date: 2025.11.15 15:40:48 +05'30'

Mary Monica Braganza
Company Secretary & Chief Compliance Officer
FCS 5532

Registered Office
6-3-648/401, 4th Floor
Padmaja Landmark, Somajiguda
Hyderabad – 500 082
Telangana, India
T: +91 40 2331 2774 / 2331 2770
F: +91 40 2339 3985
info@pitti.in

“Pitti Engineering Limited

Q2 & H1 FY '26 Earnings Conference Call”

November 10, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 10th November 2025 will prevail

MANAGEMENT: **MR. AKSHAY PITTI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – PITTI ENGINEERING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY '26 Earnings Conference Call of Pitti Engineering Limited. 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 the date of this call. This statement do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all the participants lined 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 star then zero on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Akshay Pitti, the Managing Director and the Chief Executive Officer of Pitti Engineering Limited. Thank you, and over to you, sir.

Akshay Pitti: Good Afternoon, everyone and a warm welcome to Q2 & H1 FY'26 earnings call of Pitti Engineering Limited. Along with me are the senior management team from Pitti Engineering and SGA, our Investor Relations partners. We have uploaded our results and related documents on the stock exchange and the company's website. I hope everyone had an opportunity to go through the same.

We are pleased to report another strong quarter of performance. Total income rose by 10% on a Y-o-Y basis to INR499 crores, the highest quarterly figure in the company's history. In line with revenue growth, EBITDA also recorded an impressive 17.5% Y-o-Y growth to INR78 crores. Margins remained stable at 16.3%, reflecting a strong degree of operating leverage in the business.

Volumes for lamination were up from 16,792 tons to 17,722 tons, of which loose lamination and low value-added assemblies were 11,801 tons, down by 2% on a Y-o-Y basis. High value-added assemblies grew by 16.5% to 3,168 tons. Stator frame and shaft integrated assemblies grew by 33.4% to 1,146 tons. Our machine casting volume business fell from 2,583 tons to 2,434 tons, in which the raw castings fell to 1,354 tons, 11.3% decline. Machine castings grew by 2% to 1,080 tons.

We have been steadily evolving over the years to become a more integrated player across the value chain for our marquee customers by manufacturing a greater share of precision engineered products with superior quality and reliable supply chain. We have successfully increased our wallet share and strengthened our position as their preferred partners. We have also expanded our product portfolio with more value-added products, which will enhance our customer stickiness and diversify our industry presence.

On the industry landscape and demand outlook, we continue to witness sustained order inflows and steady demand for traction motor, railway, components and data center and renewable energy sectors. Our deeper customer engagement has enabled us to enhance our wallet share in these areas. Surge in global data center requirements have significantly boosted the need for power generation solutions, presenting a major growth opportunity for our business.

We are actively engaging with customers, both in India and overseas to realign our capacities and capabilities with this anticipated rising demand. Backed by our diversified industry presence and uptick in India's capex cycle, we remain optimistic about domestic growth prospects across traction motor, power generation and wind power segments. Globally, demand continues to remain strong, accompanied by steady flow of inquiries.

With this, I would like to open the floor for the Q&A session.

Moderator: Thank you. The first question comes from the line of Balasubramanian from Arihant Capital. Please go ahead.

Balasubramanian: My first question, the new capacity comes online progressively from Q1 FY '27. What are the planned ramp-up curves for the new sheet metal and casting capacities? And how long it will take to reach 80% to 90% utilization on these new capacities? And what are the key dependent sales in terms of customer qualifications and skilled labor, etcetera? These are my first question, sir.

Akshay Pitti: The capacity increase in our Bangalore facility has already started. We expect the order flows to start from Q4 onwards. In terms of reaching 80%, I think progressively by end of FY '27, we should be at 80% utilization of the consolidated capacity. In terms of skilled labor availability, I don't see much challenge. We have actually started these facilities and the customer approvals are already in process. And we are taking the same time to increase our training to the new manpower to help us bring this facility and capacity online quickly.

Balasubramanian: Okay. So what's the road map for new capex of INR150 crores?

Akshay Pitti: In terms of road map, I think by end of this year, we should be adding close to 8,000 to 9,000 tons, and the remaining will get added in FY '27 before H1.

Balasubramanian: Okay, sir. I think so we are the supplier for Indian railways and like for traction motors. And what percentage of revenue coming from railway sectors in those side? And how sustainable in this demand given the government capex cycle? And what is the competitive landscape against established players?

Akshay Pitti: So for Q2 FY '26, our revenue from traction motor and railway components was about 32%, of which the demand from Indian railways, including Vande Bharat trains, freight locomotives would have constituted about 25% of the total railway business, which is to say that 8% of total revenues was exposed to this local railway and metro rail segment. The remaining is predominantly international business, which continues to remain very, very strong.

Balasubramanian: Last question in terms of supply chain side. The raw material, the QCO issue caused a significant inventory buildup. What structural changes have been made to the procurement strategy to derisk the supply chain from similar regulatory in the near future? And are you exploring any long-term contracts or strategic partnership with the domestic steel producers?

Akshay Pitti: So see, on this front, as you know, India is currently deficit in the total capacity versus the demand of the steel. Until and unless the new capacity from JSW comes online, which is expected in FY '27, we'll continue to see volatility in availability and pricing of this raw material. More especially since all the imports from China, which was a predominant supplier that bridge the demand capacity mismatch has not been renewed. The COQ orders and the BIS approvals are still in place, those restrictions. So as a company, what we have done, we have started importing materials from Korea and Japan from approved mills. And as a strategy, we have decided to start about 25% of our total requirements for imports till the situation in the Indian manufacturing of this steel stabilizes. Beyond that, then it will be a price-related discussion. Today, it's purely availability-related discussion.

Balasubramanian: Sir, a small question on the data center side. I think revenue contribution is around 4% to 5% kind of range. And what are the demand drivers coming up in this segment? And what kind of opportunity size we have?

Akshay Pitti: So data centers, I think about 4% of total revenue for Q2, and they continue to remain strong. For the corresponding period last year, it was about 2% in terms of revenue. So quite literally speaking, data centers on its own has doubled up in terms of revenue for us. The current outlook from our customers remains very, very strong on this particular product line.

I think some time ago, I had mentioned that our customers have forecasted double requirement in this segment, which we have already realized. From here on in, we are given to understand further 50% to 60% growth in volumes. However, I remain cautious on this particular statement as the demand is huge. And to sustain this level of increased demand, I see some challenges in the future.

Moderator: The next question comes from the line of Rahul Kumar from Vaikarya Funds.

Rahul Kumar: Sir, I think you mentioned that your exports continues to be pretty strong. However, your key customer actually, they mentioned in the call recently that the railroad companies merger, actually, they reduce investment in the near term. So what are the discussions happening with them for, let's say, for FY '27 onwards?

Akshay Pitti: Yes, I think you're referring specifically to Wabtec Enterprises and their statement. Am I correct?

Rahul Kumar: Yes, yes, yes. Correct.

Akshay Pitti: So if you look at that statement, I think it was geared more towards new locomotive deliveries. The business that we supply to them is for all of their business verticals, including marine, off-highway vehicles, oil and gas as well as locomotives. Within locomotives, you have two subsegments. One is for modifications and upgradations and the second is new loco builds.

So from what we are able to understand from our customer and the outlook that we are seeing, the modification in –business continues to remain very strong in the current calendar year, and the new locomotive business is expected to pick up from next year.

So for us, we have seen a record year with the customer this calendar year. However, Q4, as per usual business practice, given that it's their holiday season, will be slightly slower, Q4 calendar that is. Starting January, we see again a huge uptick in demand and requirements going forward.

Rahul Kumar: Okay. Okay. I think in the last call, you had mentioned that Q3 was supposed to be your best quarter in terms of exports. Does that stand to be revised?

Akshay Pitti: So Q3 calendar because they work on calendar years.

Rahul Kumar: Okay. Okay. So you meant Q3 for them actually?

Akshay Pitti: Yes.

Akshay Pitti: See, typically, October, December is their holiday season. So that always kind of suppresses the demand and then it picks up again in Jan.

Rahul Kumar: Okay. Right, right. Understood, understood. And second question would be, I think for some of your domestic customers who might be in turn exporting to other countries, including U.S., what is your assessment of growth and ordering over there? Are you picking any signs of some sort of slowdown because of disturbances?

Akshay Pitti: So far, we have not seen any significant slowdown specifically on account of that. See, there are two things, right? So we have this reciprocal tariff, which is kind of booming large on everyone. But if you see the fine print on the taxes and tariffs, there's a Section 232 tariff, which is applicable for all iron, steel, aluminum and copper parts.

So irrespective of the trade deal with the United States, a 50% tariff is imposed on products containing these items. So if not having a negative impact on exports from India as such as on this particular date. Of course, these things are fluid and they do change very quickly. But as of now, we don't see any significant fallout of this at our domestic customer level.

Rahul Kumar: Okay. Okay. So you mean to say that the actual products, which, let's say, would be motors, etcetera, they would be subject to this 232 tariff and not the reciprocal tariff?

Akshay Pitti: So see, this is a very complex, what do you say, tariff regulation. We are also not very, very clear on this. But from the understanding that we've been given, if a country has, say, for example, a 10% reciprocal tariff, the 232 would apply for the content of steel, iron, aluminum and copper in a given product. And that tariff stands at 50%.

So for India, it makes no difference, right, because we're already on 50% tariff. But if suppose there was a South Korean company, which now with the trade tariffs is at a lower tariff rate, the content of these materials in the product would still attract a 50% tariff. And as you know that the material cost is the most significant part of any of these products, it effectively negates any negative tariff impacts.

Rahul Kumar: Okay.

Akshay Pitti: I think that this is something that we understood very recently, and I think that explains why we were not very badly affected by the tariffs despite the tariffs being at 50%.

Rahul Kumar: Okay. Understood. Perfect. Understood. And third question which I had was, if I look at your stand-alone sales growth, that has actually slowed down to 4% Y-o-Y growth now versus over the past three quarters from 20% plus, while your subsidiaries have grown pretty strongly at 60% in this quarter. So I mean can you just help us understand that.

Akshay Pitti: So see, as part of business optimization, we had already indicated that we would be shifting equipment and manufacturing between our Bangalore location and Aurangabad and Hyderabad. So this is part of optimizing production at the nearest location to customer. And going forward, you shall continue to see this. We'll be transferring some of our legacy Pitti Engineering business to the subsidiaries.

Rahul Kumar: Okay. Understood. Understood. So basically, you have to look at the consol level . Got it.

Akshay Pitti: Yes.

Rahul Kumar: Got it, got it. And your subsidiary margins are actually again lower at, let's say, 10% versus, let's say, the overall business at 16.5%. So is there an outlook? Or is there a target to improve this to industry -- sorry, company level margins?

Akshay Pitti: See, when you look at the subsidiary, I think the right way to look at it is each subsidiary in its own right. So if you talk of Dakshin Foundry, they are currently operating at about 17-odd percent EBITDA margin. So they are in line with Pitti Engineering. In fact, in terms of raw casting, I would say they are better than Pitti Engineering margins. The Pitti Industries, which is a lamination business based out of Bangalore, has slightly underperformed this quarter.

That's mainly on the back of the new capacities, which we have put into stream in that location. We have got the customer approvals, and the production will start to ramp up from January. However, the overhead costs and the labor costs are being incurred. So you will see that margin come back starting in January quarter as the volumes pick up there.

Rahul Kumar: Understood, understood.

Moderator: The next question comes from the line of Sani from Axis Securities.

Sani: So sir, my question is, if you see, I think there is a very decent amount of visibility for FY '26, FY'27. But what is our strategy for the longer term? How do you see beyond FY '27 now?

Akshay Pitti: See, until FY '27, like you rightly said, we have a clear strategy in terms of organic growth. I think this organic growth, subject to macroeconomic conditions, should continue at a similar rate going forward, while we continue to focus on inorganic growth beyond FY '27.

Sani: Okay. So I mean, we plan to expand our horizon in terms of geographies or in terms of product, how do we plan to do that? Or are we sticking to the current product line that -- we are there -- and the regions that we have?

Akshay Pitti: See, the product line will continue to be engineering components, specifically lamination, machining, casting. In terms of end markets is where we look to diversify. We are quite bullish on getting into for expanding our presence in appliance, pump, automotive and smaller laminations. And also geographically, our intent is to move towards the north of India. That's a market which we underserve due to our geographical disadvantage being based in Maharashtra and Karnataka. So we would be looking for something inorganic in that segment if something comes our way. If not, then we'll have to consider something greenfield.

Sani: Understood. I think -- but broadly, do we have any specific say, acquisitions or acquisition targets in mind right now because that is where the growth will come from, I think, in FY '28?

Akshay Pitti: There are multiple competitors in the industry, and we are engaging with all of them to see what would be available. If something is available at an appropriate time, we shall move on it.

Moderator: The next question comes from the line of Dharmil Shah from Dalmus Capital Management.

Dharmil Shah: Some of them are already answered, but I had more specific question on the data center opportunity. When we see our data center opportunity, is it more like global data center is the TAM? Or is it more India specific for us?

Akshay Pitti: So yes, it's both. The customer that we supply to caters to both India and export requirement. But if I have to segment it, most of the sales that we are doing to our customer would be eventually for the global market. As you already know, the data center in the global context is a huge market, and India is a very small market of that segment.

Dharmil Shah: Understood. But the customer's commentary was more that -- I mean, the export opportunity for them is quite limited. It's more of India and the neighboring countries which they cater to. So just wanted to, I mean, understand on that part because these are heavy gensets. So what they mentioned is export, I mean, shipping these gensets over longer distance is not quite feasible for them.

Akshay Pitti: So it does not typically go to North America in terms of any significant volume. But from what we understand, it is primarily catering towards the European requirement. The India opportunity is good, but it's not as big as the overall global opportunity. The new product lines which have been approved and not just the one customer that I think you are referring to, there are two more customers which are coming into this segment. They are predominantly export opportunities.

Dharmil Shah: Yes. So the question is more on the inventory levels. If we compare March to September, it has increased by around INR80 crores. Is it purely because of increased volumes or the price is playing a role in this as well?

Akshay Pitti: No, this is purely to protect ourselves from lack of availability of materials. As I mentioned in one answer prior, there's a huge disruption in the availability of various grades of steel in India due to the quality control orders and the BIS nonrenewal of Chinese mills. As you know, the deficit between production of electrical steel in India and consumption is about 200,000 tons. So to secure ourselves, we have started importing material from BIS approved mills other than China. And this has elongated our inventory holding period as we have to typically buy these materials on LCR side from these countries and bring them in.

Dharmil Shah: And this issue you would assume would pertain, I mean, how long, at least a year or longer?

Akshay Pitti: See, if the COQ orders and BIS is withdrawn, I think this would get regularized very early. If not, until the capacities increase in India, which are slated to increase in FY '27, only then this will get normalized. In terms of risk mitigation, like I mentioned earlier, we have decided to start 25% of our quantity as imports.

Dharmil Shah: Okay, okay, understood. And so the other impact would be your net debt levels would remain high. Is that a fair understanding? Because the net debt has also increased by a similar amount. So would it be fair to assume that?

Akshay Pitti: Yes, it will remain at this level until this sourcing issue does not get stabilized. We had expected that this would get stabilized by April, but it continues to persist.

Dharmil Shah: Understood, but I see INR140 crores of cash as well on the books. So why not utilize those cash and I mean rather than borrowing at higher rate?

Akshay Pitti: See, this is a function of operations. If you see the bank and bank balances, this would be the the margins that would be there typically for the LCs. Cash and cash equivalents are pure cash. There are certain long-term borrowings that we cannot repay. So it would be coming in from that, and just to finish that answer, we also have capex, which is ongoing. So these are the funds that we have kept aside for capex. We don't typically like to keep long-term and short-term funds intertwined.

Dharmil Shah: Okay. But capex, INR80 crores is already, I could say, on the cash flow statement.

Akshay Pitti: Yes. We have announced about INR150 crores of capex. So there's another INR70 crores to go.

Dharmil Shah: Of that INR150 crores, INR80 crores was supposed to be in FY '26, right?

Akshay Pitti: Yes. So now we are almost at end of FY '26, we are in November. So we will start the CWIP. So we'll start the advances, so we need to have the cash flow to back us up.

Moderator: The next question comes from the line of Ganeshram from Unifi Capital.

Ganeshram: I have two questions. The first is just to develop an understanding, which is when we look at the sales breakup and the volume of it, right, you've categorized it as value-added volume-based byproducts. So would these categories be largely exclusive? Or is there some portion of the volume-based product that is also value-added?

So just to understand and how do we sort of gauge how the realizations across these three categories given we have a consolidated revenue number? That's question number one. And the second question is just to understand, over a period of time, you seem to have moved from laminations to higher value-add assemblies, right? So how has this mix evolved over the last three, four years, if you could give us some context? And what would be the future for this? What would drive this improvement if there is?

Akshay Pitti: I'm sorry, I'll answer your question one by one. I'll ask you to repeat your second question after I answer the first one because I'll lose the track. So to answer your first question, you asked me what are the quantities that are sold and what our internal consumption, if I could understand that correctly, correct?

Ganeshram: No, I'm just trying to understand between -- when you say value-added products and volume-based product, is some portion of volume-based product also part of your value-added product, maybe you machine something that's volume-based, where would you account it? And how do I see the realization across the three categories?

Akshay Pitti: Okay. So let me clarify this in one simpler way. So if you take the loose lamination and low value-added assemblies, this would be the lowest tier of the lamination. These are basically loose lamination as the name suggests. Then you would take child parts, which we have given you in the quantification, child parts machine components going into assembly. You take these child parts along with loose lamination and make assemblies and these therefore turn into high value-added assemblies.

And the third level of value add on, say, the lamination business is you take these high value-added lamination assemblies. And on the other side, you take a raw casting then which is machined and integrate this machine casting with the high value-added lamination to get a stator frame or rotor shaft integrated assemblies.

So if I were to break up the quantity, which I mentioned in my speech, 17,722 tons of lamination volume, that would constitute 16,115 tons of the lamination weight, which is namely quantified in loose lamination, high value-added assembly of lamination.

And stator frame or rotor shaft integrated assemblies-laminations, which indicate the lamination weight going into the finished products, along with the weight of the shafts, with now shafts machine components going into assembly and child part machine components going into assemblies and stator frames/core drop products, machine components going into assemblies.

So this is all the assembly and lamination volumes. This we have done in such a way because there's an interaction between our machine components business and lamination business when it comes to high-value assemblies and core drop products. Apart from this, we also sell machine components and raw castings, which is then quantified separately.

So if you have to correlate this to revenue of the company, you can probably value it in such a way, and this, of course, is just a thumb rule and management estimate, loose lamination and low value-added assemblies would be about INR170,000 per ton. High value-added assemblies would typically yield about INR250,000 a ton. Stator frame and rotor shaft integrated assemblies would yield at INR675,000 a ton.

The shafts which are going into the assembly, child parts, which are going into the assembly and stator frames, which are going into the assemblies, we are not going to value because we have already valued it in the per ton realizations of the main product above. The raw castings typically yield about INR2 lakh a ton. And the machine components typically sell at about INR350,000 a ton. The byproduct and scrap at are about INR50,000 a ton.

Ganeshram: And just a follow-up on this is to understand over a period of time, how much should we expect the higher value-add and machine component mix to increase? And what could drive that growth, right? And is there more scope for work beyond this? This is just to get a, I mean, crystal gaze or five-year picture from here.

Akshay Pitti: So see, definitely, machine components business, we see growing quite significantly in the near future. In terms of growth of high value-added assemblies and stator frame rotor shaft integrated assemblies, while this business will continue to grow, the biggest addressable opportunity in the market is on the loose and low value-added assemblies. And in the nearest term future, out of Bangalore, we are focusing on this part of the business. So we will see a significant growth here in the coming times.

Ganeshram: And is there something like an order book that you have on a recurring basis? How are orders typically booked? Does this happen on a recurring contract of nature? Or is it project specific? How does the process work?

Akshay Pitti: So for different products or different sectors, it works slightly differently. On the locomotive traction motor side of the business, we have a combination of three. The business with the Indian Railways is on a tendering basis. The business with Alstom, Wabtec, Siemens India, these are multiyear contracts, which they had won back-to-back with Indian Railways and therefore extended.

That's an anomaly in the business. Nobody normally has that kind of a contractual obligation. Our international business on locomotives and traction motor part typically has a three- to five-year long-term agreement with assured blends of volume. So for example, if my customer makes 100 locomotives and I have a 70% blend, I get 70 locomotives worth of business from him.

Ganeshram: Got it. That's very clear.

Akshay Pitti: If you say, low-voltage motors, here, the order cycles are something like two to three weeks. So you get two to three weeks of firm orders and thereafter, it's only a visibility from the customer. So they give you a one-year, two-year, three-year forecast, which have varying degrees of shift rate. Typically, what we see a one-year forecast is about 90% accurate and a three-year forecast is about 75% to 80% accurate.

Ganeshram: Got it. Got it. So if you look at the visibility that you have for the next year or the next three years, right, where would that be in terms of order book or order visibility?

Akshay Pitti: So in terms of lamination, if I talk three years out, including new customers that we are targeting down south, we have a visibility to get to about 93,000, 94,000 tons of lamination sales, up from our current year's target of about 70,000 tons. That is over the next three years. In terms of machine components, we currently do about 10,000 to 11,000 tons of machine components in a year. The visibility there is very good. I think over the next three years, we are looking at about 15,000 tons of raw castings and machine components put together.

The blend between raw castings and machine components is not very clear to us right now. The desire from the customer is to move towards more machine components so that it's a final product that they can buy and they don't have to worry about the machining aspect of it. But that would be dependent on the investment that we make and how quickly we can ramp these capacities up.

Moderator: Thee next question comes from the line of Mohit Jain from DR Choksey Finserv Private Limited.

Mohit Jain: Hi good afternoon Akshay, sir, congratulations, firstly, on another strong quarter. It is really encouraging to see consistent growth in high value-added products and continued progress in margin improvement. It's clearly reflecting the company's focus on moving up the value chain. Firstly, I'd like to ask you that so in our last interaction, you mentioned that you are evaluating acquisitions, I mean, inorganic acquisitions in copper winding and foundry to move closer to full integration. Could you update on the progress here? Any specific opportunity moved into advanced stages?

Akshay Pitti: So on the copper side, like I said last time also, we are still little hesitant to move into that space because it is a very working capital-intensive business due to the value of copper, but not with the commensurate margins. So the amount of capital we deployed and the return we get, the ROCEs are much lower there. So we are a little hesitant to move into that space until unless the customer really forces us to move into that space.

On the casting and lamination space, we are actively evaluating like I said, we would like to be present in the North Indian market, which is very heavy on appliances and automotive to very large sectors where we have negligible presence. So if I would take the automotive and appliance segment, it would constitute more than 35% or 40% of the Indian electrical steel market. And there, we have negligible presence. So that is something which we would want to prioritize in terms of our growth prospect, subject to opportunities being available.

Mohit Jain: All right. And sir, on the volume side, so you have guided on 68,000 to 70,000 of lamination sales for the full year. And based on the reported number, I'm seeing in H1 FY '26, we have done already somewhere around 33,000 to 34,000 tons across laminations and assemblies, excluding machine and casting. So are we still on the track to complete the 70,000 tons? And given that we have already done 50% in H1, do you think we can even do better than 70,000 tons?

Akshay Pitti: So better than 70,000 tons would be subject to what we are able to quickly ramp up in quarter four in our Bangalore facility. But yes, as you rightly noticed, we are at somewhere around 34,000 tons. 70,000 tons is, I think, quite assured. Beyond 70,000 is best effort basis.

Mohit Jain: And lastly, can you just give the numbers on export as a percentage of revenue in H1 FY '26? And on that, if you can specifically give out the number of Mexico and U.S. combined?

Akshay Pitti: Just give me one second, I'm talking of operating revenue. So about INR477.72 crores was operating revenue, of which total exports say about INR135 crores, that's 28%. And the North American part of the business would be about INR40 crores.

Mohit Jain: And Mexico is including?

Akshay Pitti: Mexico should be about INR80 crores and the remaining would be to Europe. Europe and Brazil.

Mohit Jain: North America is 45%?

Akshay Pitti: North America is about 30%, 35%. So that would be about INR25 crores, INR30 crores. I don't have the final number here. See, I'll give you the other way. U.S. business is about $16 million for the full year. I don't have the exact U.S. number with me. Full year number, if you see, it's about $16 million to USA, Mexico would be roughly about $35 million and remaining would be to Brazil, Kazakhstan and Europe.

Mohit Jain: And I know you don't have the prior figures in hand, but let's say, North America, INR25 crores to INR30 crores, which we have done this time. Is it better than last year Y-o-Y? Any rough idea on it, ballpark?

Akshay Pitti: Yes, yes, it's better than last year Y-o-Y. And even if you see quarter-on-quarter, I think it's better.

Moderator: The next question comes from the line of Manoj Jethva from KSA Shares & Securities Private Limited.

Manoj Jethva: Good afternoon Akshay sir, for the very good set of Q2 FY '26 numbers. Sir, my question is pertaining to the global supply chain resilience and the headwinds? And how do we address as we have got significant presence in USA, Europe and other markets? Appreciate to share some thoughts on that, sir.

Akshay Pitti: So starting with U.S., which is, let's say, the problem area and then moving to the others, which are the solutions. U.S., like I said, is about $16 million annual revenue for us, which is not very significant. And there, we are getting into some kind of resolution with our customer, which will help us actually grow the U.S. business going forward. So while we'll have to take some pain, I think overall, it will be very good for the business and will be resilient there.

Mexico business continues to grow due to U.S. tariffs. I mean most of the people who used to never give us inquiries are now trying to give us inquiries out of Mexico, and that's an opportunity for us. Europe, as a result of the two subsidiaries that we acquired and had a larger presence in Europe vis-a-vis us as a company, have given us market access, and we expect and hope that over the next two years, Europe should become a significant market for us.

Manoj Jethva: Sir, my second question would be, how do you secure a seamless supply of advanced electrical steel for our requirements with companies like POSCO and all that. Are we eyeing for any special agreements or strategic agreements or any sort of JVs to have the supply on a long-term basis with them, sir?

Akshay Pitti: Good question. When it comes to POSCO and JSW, we have MOUs with them, annual MOUs that we sign on volumes, and those we keep growing every year as we grow. But currently, till the capacity in India does not increase, I think we are doing everything that we can to secure ourselves and secure that supply of electrical steel does not curtail our growth.

So like I said some time ago, we have started diversifying our sourcing to import to help us through the next one year, by which time we hope that the Indian capacities come online and the market in India becomes smoother.

Manoj Jethva: So what is the total addressable market size in the global level and India level as such for our line of businesses?

Akshay Pitti: Global estimates vary dramatically. Let me start with India. So for the lamination business, the business not only uses electrical steel, but they also use a certain grade of CRCA, which can be annealed and used for motors and generators.

So if I combine the two, it is estimated that the Indian market is about 10 lakh to 12 lakh tons, of which 8 lakh tons would be fully processed cold-rolled nongrain-oriented steel and the remaining would be semi-processed and CRCA. On the semi process and CRCA, India is quite self-sufficient. On the CRNGO part, vis-a-vis the 8 lakh estimated demand. In India, the current production capacity is maxed out at about 6 lakh tons.

Akshay Pitti: Just one second. Global, I'm sorry, but we don't have a very strong estimate from what I was given to understand in one report, the electrical steel value of about $32 billion is the market. So it's not in tonnage terms, it's only in value terms from some of the global publications that we are able to get our hands on.

Manoj Jethva: Sir, any thought process on the Atmanirbhar Bharat for our supply sourcing of the materials from India only? And do you think that how long it could be a reality for companies like Pitti Engineering, sir?

Akshay Pitti: So we had gone to Atmanirbhar in 2020, we actually shifted everything domestic post-COVID fluctuations. Unfortunately, the pace of growth has not kept with the capacity increases. And therefore, now, again, we are going to imports.

Moderator: The next question comes from the line of Pulkit Singhal from Dalmus Capital Management.

Pulkit Singhal: My question is just on the next three to five years, what kind of initiatives you're working on to drive a higher growth than what you're already seeing organically? I mean, 10%, 15% seems to be an area that you're working on. But barring acquisitions, is there anything else that could drive a higher growth that you guys are working on?

Akshay Pitti: So Pulkit, on that front, I think the higher growth will have to come from non-lamination-related businesses. So we are looking at forging. We are looking at further expansion of our machine components business, especially for Europe because that's a market where foundries are shutting down, but the requirement of castings are going up.

But that would require a significant capital outlay. And given the current balance sheet, I think we have been slightly cautious and holding on for the current plans to pan out and the balance sheet to stabilize to further invest in those areas. The opportunity is definitely there, but we would want to remain cautious given the overall scenario.

Pulkit Singhal: Okay. But forgings, I mean, how big an investment would it require? and by when can that be a reality?

Akshay Pitti: See, forging, if you do a greenfield, it's about INR150 crores project because you have to do land building, everything. The equipment alone would be about INR60 crores, INR70 crores project. And then it's not just the forging, you then have to also invest on the machining to really make it a sticky factor.

So if you talk of machine forgings, we are talking of nothing less than a INR250 crores investment with maybe a INR250 crores to INR300 crores revenue potential to start with. So it would be like a very capital-intensive business, and margins would be very good though. There would be high 20% plus margins.

Pulkit Singhal: Understood. But what would be our advantage here? Is it because of our current customer base itself? I mean -- or you'll have to kind of explore further? I mean, why would we be looking at forgings? What's the attractiveness?

Akshay Pitti: So look at two data points, if you can start with. One would be the shafts that we are consuming for our assemblies and lamination. So we are currently consuming roughly 422 tons, last quarter was our shaft consumption. This is a captive requirement. In addition to this, most of our customers have a larger demand for forged components. Currently, we have already started machining forged components by outsourcing them and selling to the customer.

Always those are a little trickier agreements to get into because if there are supply failures, you are liable for the failure cost and forgings are inherently a tricky part to source given the capacity shortages in India and the quality vendors' availability. But if you are able to secure the forging supply, then the machining of it is very easy for us.

Pulkit Singhal: Okay, okay. So broadly in terms of annual capex.

Akshay Pitti: So it would be a very good horizontal adjacency, just the way we got the casting going. This would be a very quick ramp-up that we could do.

Pulkit Singhal: It opens up a different TAM altogether, I mean, once you get into that area.

Akshay Pitti: Yes.

Pulkit Singhal: But in terms of the way you look at capital outlay for next three years, broadly on the current, let's say, balance sheet without raising equity, how much are you comfortable with doing annually?

Akshay Pitti: See, right now, the balance sheet is slightly stressed because of this raw material situation and the COQ orders, something or the other keeps hitting this supply side at our end, which is causing this expansion. But for that, you would have been down to INR400 crores of net debt, and you would be looking at something going on. But given the elevated debt level, I would not be comfortable going beyond this at all.

So my expectation and hope is that by year-end, something starts easing out on the raw material front. Anyways, FY '27, the capacity addition is expected in India, so we can use our inventories as well as the accumulated profits give us headroom in our balance sheet to do these acquisitions or organic growth.

Moderator: The next question comes from the line of Rahul Kumar from Vaikarya Funds.

Rahul Kumar: Sir, just on the tariffs, I think in context of what you mentioned, should the customers be now looking at moving their sourcing over long term?

Akshay Pitti: Sorry, I lost you in between, Rahul. Something went wrong at my line. I lost you in between on the tariffs.

Rahul Kumar: No, I was saying, should the -- your exports customer look to move their sourcing over long term?

Akshay Pitti: I don't think so Rahul. See, where will they move it? Firstly, the Section 232 tariff is a great equalizer for all countries, whether you have an agreement or not, having the 50% tariff on steel, iron, aluminum and copper. Secondly, the approvals are not very easy with the customer. I mean even if we have to get a part approved with the customer, it takes us a couple of years to do so, any new development. And if they are going to move it, I'm pretty sure they're going to spend serious amount of money.

The qualification costs are in excess of a couple of hundred thousand dollars for each part, plus there would be pooling and then the lead time. So the incentive to move out rather the disincentive to move out is very, very high, more so given that the 232 tariff anyway is applicable. So even if they go to a country like, say, Korea or Vietnam, where they have a trade agreement, U.S. and India . and them, the 232 still applies.

Rahul Kumar: Okay.

Akshay Pitti: I mean, it's also expected or implied that India will get a trade deal at some point. While it's highly anticipated and getting delayed, it will eventually come.

Rahul Kumar: Okay. Okay. No, I think there's some USMCA agreement also, right, which would be advantageous to companies operating out of Mexico.

Akshay Pitti: That would become a loophole, which already a lot of people are exploiting, if you would see. So most of the companies are shifting manufacturing plant to Mexico. Canada so far is not the preferred destination, but definitely Mexico. So exports which are going to U.S. are ironically creating jobs in Mexico now.

Rahul Kumar: Okayso therefore, I mean, theoretically or hypothetically over longer term, it may be an issue in case the situation remains status quo on the tariffs. There may be an issue for you as well if the customer wants to shift the sourcing to, let's say, Mexico?

Akshay Pitti: See, my personal view on that would be that eventually, if you look at Mexico in terms of manufacturing, it's no longer a cheap destination to manufacture goods. Secondly, availability of steel and cost of steel in Mexico is very high. So what Mexico has been quite good at is Tier 2 level assemblies and now they are migrating to Tier 1 level assemblies.

So eventually, if this situation persists, instead of onshoring in U.S., I would assume that there would be higher levels of value-add happening in Mexico and more and more business getting diverted to Mexico because that would be the overall least expensive solution to the clients.

Akshay Pitti: That's my personal estimate and view.

Rahul Kumar: . And second, I think for us, if you look ,at past three to nine months, which are the top-tier customers which we have added? And how will they scale up, let's say, over next few quarters?

Akshay Pitti: So we have added a few customers, which we have not actually put here. I think in the next time, we'll have the approvals from them to disclose the names. We are quite excited adding these two clients. They are mainly based out of Europe, and one will represent an increase in lamination volume over the next two years, significant volume as well as one in the casting space, which will add a lot of business to us.

Rahul Kumar: Okay. Got it. Okay. And any traction on the domestic customer front.

Akshay Pitti: I'm sorry, we have already added Xylem to the client base this quarter. So yes, Xylem, we are very bullish on the casting business with Xylem out of U.S. and SKF for the casting business to the U.S. market.

Rahul Kumar: Okay. Okay. And I may have missed your guidance, which you would have given out the volumes or the growth for FY '27 and FY '28.

Akshay Pitti: So I've given for FY '27 and FY '28 to 90,000 to 94,000 tons of sales. Current year would be 70,000 tons with the best effort basis to increase it in Q4. Current rate shows it at 70,000 tons. FY '26, we would be targeting somewhere around 80,000 to 83,000 tons, around that level.

Rahul Kumar: Okay. That's for FY '27?

Akshay Pitti: Yes. And then the remaining is obviously FY '28.

Moderator: The next question comes from the line of Abhijit Mitra from Aionios Alpha Investment Management.

Abhijit Mitra: Just to sort of understand what are the levers that you have to sort of protect your margins and improve them over the medium term and slightly longer term. I mean, how do you sort of see those levers playing out? Because I can see your operating and manufacturing expenses has seen a sharp jump. So I'm guessing there would be some buffer built into it or if you can give some sort of help to understand what are the margin levers that you have and how do you see the margins panning out in the medium term and in the slightly longer term?

Akshay Pitti: Yes. So if you look at Q2 vis-a-vis Q1, obviously, we've seen a sharp jump. That's mainly on account of annual expenses such as bonuses and other things related to our Foundation Day, which are booked in Q2. Historically, if you see that booked in Q2. Barring that, I think the way we plan to protect our margins, one, we have a pass-through with our customer on raw material.

The good part is every, three to five years, depending on the customer and the contract, we renegotiate the overhead that we add based on our transparent costing model. Additionally to that, I think in terms of margin protection, since you're blending both the businesses and talking EBITDA margin, the increase in machine components is going to help us offset any margin decline due to the increase in loose and low value-added laminations.

Abhijit Mitra: Okay. Got it. And just to understand this 18,600 tons, I mean, that also is getting increased to 24,000, 25,000 tons. So you see that utilized by when, by FY '29? I mean, is that sort of.

Akshay Pitti: **FY**'27. You're talking of the subsidiary Bangalore facility, right?

Abhijit Mitra: Yes, essentially the castings, the capacity. So the combined, if I look at your total casting capacity, it is currently at 18,600 tons and you're increasing it to around 25,000, tons, right? I mean like.

Akshay Pitti: I think the casting side, you should see by FY '28, you should see the full utilization. We aim for 80% utilization. So the target is to do 18,000 tons of castings and machine components by FY '28.

Abhijit Mitra: Right. And the machine components, I mean, the ratio, as you said, will depend on how quickly you customers ramp up and what kind of order they sort of place?

Akshay Pitti: Yes. I mean if you look at the machine hours that have been added, they are not commensurate enough to take care of the transition from current raw casting to machining, let alone the increase in the foundry capacity. So obviously, there will be some more investment required in machining going forward, but that we shall do tactically.

Moderator: Due to time constraints, that was the last question for today. I now hand the conference over to management for closing comments.

Akshay Pitti: Thank you, everyone, for joining us today. I hope we have addressed all your questions. We remain committed to keeping the investment community informed with regular updates on any developments in the company. For any further information or queries regarding our company, please feel free to reach out to SGA or us at any time. Thank you so much for joining, and have a good day.

Moderator: This brings the conference to an end. On behalf of Pitti Engineering Limited, we thank you all for joining us. You may now disconnect your lines. Thank you.