RICO AUTO INDUSTRIES LIMITED

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Sub : **Transcript of Conference Call held on 13th August, 2025**

Dear Sir/Madam,

Please find enclosed herewith the transcript of Conference Call held on 13th August, 2025 with the Investors.

This is for your information and record.

Thanking you,

Yours faithfully,
for **Rico Auto Industries Limited**

RUCHIKA GUPTA

Digitally signed by RUCHIKA GUPTA
Date: 2025.08.19 16:14:04 +05'30'

**Ruchika Gupta**
**Company Secretary**
**FCS : 6456**

Encl : As above

# Rico Auto Industries Limited Q1 FY26 Earnings Conference Call

August 13, 2025

**MANAGEMENT:** **MR. ARVIND KAPUR – CHAIRMAN, CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR**
**MR. KAUSHALENDRA VERMA – EXECUTIVE DIRECTOR**
**MR. RAKESH SHARMA – CHIEF FINANCIAL OFFICER**
**MS. RUCHIKA GUPTA – COMPANY SECRETARY**

**MODERATOR:** **MS. HAZEL RATHOD – S-ANCIAL TECHNOLOGIES**

**Moderator:** Ladies and gentlemen, good day, and welcome to Rico Auto Industries Q1 FY '26 Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Hazel Rathod. Thank you, and over to you, ma'am.

**Hazel Rathod:** Thank you. Good evening, everyone, and thank you for joining us for Rico Auto Industries Q1 FY '26 Earnings Conference Call. From the management, we have with us Mr. Arvind Kapur, Chairman, CEO and MD; Mr. Kaushalendra Verma, Executive Director; Mr. R.K. Miglani, Executive Director; Mr. Rakesh Sharma, Chief Financial Officer; and Ms. Ruchika Gupta, Company Secretary.

I now request Mr. Kaushalendra Verma to take us through the key opening remarks, after which we can open the floor for the question-and-answer session. Thank you, and over to you, Sir.

**Kaushalendra Verma:** Thank you. Good evening, all. This is Kaushalendra Verma, Executive Director, Rico Auto Industries Limited. I'm participating in this call from the Rico Corporate Office Boardroom, along with our Chairman and Managing Director, Mr. Arvind Kapur.

**Arvind Kapur:** Good evening.

**Kaushalendra Verma:** Our CFO, Rakesh Sharma.

**Rakesh Sharma:** Good evening.

**Kaushalendra Verma:** And our CS, Ruchika Gupta, along with other colleagues.

**Ruchika Gupta:** Good evening.

**Kaushalendra Verma:** To start with, we have a very positive news from the market with respect to our GDP growth. IMF has raised India's economic growth forecast to 6.4% for 2025 and 2026, up from its earlier projection of 6.2% and 6.3%, respectively. With this declaration, India retains its position as the world's fastest-growing economy. The revision is based on a more favorable external environment and resultant domestic conditions.

Whereas the global growth projections to 3% in 2025 and 3.1% in 2026, RBI maintained the repo rate at 5.5% and the retail inflation in India slipped to 1.5% in July 2025, the lowest since June 2017 and below the Reserve Bank of India's comfort band of 2% to 6%. China growth still maintains 4.6% in 2025 and 4.2% in 2026. Also, the U.S. is expected to grow by 1.9% and 2% in 2025 and 2026, respectively.

India's contribution is about 18% of global growth, which is more than the U.S. contribution, which is up to around 11%. The India-U.K. trade agreement is expected to significantly benefit the Indian automobile and auto component industry with tariff-free access. We are keeping a close watch on the U.S. tariff issue and evaluating our position with respect to our customers on a regular basis.

We are able to conclude with our key customers in the U.S. on the recent tariff implications, and we are in constant touch with them on the progress, which moves forward on these tariff issues. This quarter, we have done a revenue close to +INR543 crores, which is similar to the same quarter previous year. In spite of that, there is a slow volume production at our OEMs, including Maruti and Hero. But because of the larger share of business, which we maintained or won in the last year, we are able to maintain the same revenue.

Our cost control efforts, which we are doing for the last couple of months, have resulted in a much increase in the profitability in this quarter. And subsequently, these efforts will result in more profit as our revenue goes up in the subsequent quarters. Just to give you a figure if we talk about year-over-year performance, the automotive market has de-growth by 3.5%, but we have grown by 1.4%.

If we talk about the 4-wheeler market, then the 4-wheeler market has degrown by 1.4% whereas we have also degrown by 1.9%. But in the 2-wheeler, we have grown 4.4%, while the market has degrown by 6.2%. The key products on which we have made significant volume progress are the alloy wheel and the EV and the hybrid components, and the pump business, which we are doing with our key customers. I would request Rakesh ji to take you through the financial numbers.

**Rakesh Sharma:** Yes. This is Rakesh Sharma, Chief Financial Officer from Rico Auto. Regarding the numbers, like Mr. Kaushalendra Verma has briefed you about the numbers, one significant part that is there is that our profitability has tripled as compared to the same quarter last year. So that is a very encouraging part. And we are quite hopeful that this improvement in profits will continue, yes, especially on 2 fronts.

One is that our utilization of, especially the ferrous components, is going to increase quarter-on-quarter. And there, we will be able to utilize our existing capacities, which are available with us. So that will result in profitability improvement. And along with that, our efforts on the cost front are also yielding results. As costs have come down, you would have noticed that our top line has maintained almost equivalent to the previous quarter as well as the same quarter last year also, but our profitability has increased.

This is on these 2 fronts. So basically, cost savings has also resulted in this. And so this way, we are quite confident that our profitability should keep on increasing, and we are in line with our target of achieving 12%- 13% of EBITDA margins. So quarter-on-quarter, this should keep on improving. That is our hope.

And apart from that, the same thing is reflecting in our EPS also, which is INR1.24 this quarter as compared to INR0.54 last quarter and INR0.42 the same quarter last year. So that way, this is all encouraging. And on the revenue part also, wherever some of our customers have degrown, we have been able to push our growth through other products and other customers. So that is also encouraging.

As far as Mr. Kaushalendra Verma has already spoken about U.S. tariffs. So there also, we are keeping a constant touch with our customers and with some of the customers, we have already settled in our favour as far as whatever has been finalized by the U.S. And whatever development happens in future, also, we'll keep our contact with the customers. And accordingly, we are quite hopeful that there also, we should also be able to get an amicable solution for the same. And I think now we should be open for queries.

**Moderator:** Thank you very much.

**Arvind Kapur:** While we're waiting for the question, this is Arvind Kapur. And I'd like to add here that we did write to the stock exchange regarding our involvement in Railways. The work has started, and we have started delivering indirectly at the moment, but we are also registering directly with the RDSO. And so there is a lot of progress that is taking place, and I think Railways will grow pretty fast now.

And as far as the Defense is concerned, we are delivering the shooting ranges that we had mentioned last time, and we have a license for those. And those get dispatched in batches of 25 or 30 or 10 or 15, depending on -- now because of the rains, the dispatches were stopped primarily because where they were to be kept to, those places were flooded, and so we could not deliver. We were asked not to deliver. But we are collecting and we are manufacturing. I think next quarter onwards, we'll start delivering all the containers to them also.

**Moderator:** Thank you. Our first question comes from the line of Prafull Rai from Arjav Partners. Please go ahead.

**Prafull Rai:** This is Prafull. I have a few questions. A, on the margin side, when we said the margins will increase to 13%, what is the time frame you have in terms of the margin getting to 13%? In case can you give us some sequential uptick? That is one. Second question is on the revenue composition. Is the margin expansion happening because of increasing Railway and Defense work, which is leading to a better margin?

That is the second question. And third is on any outlook on the growth side of it, especially given that the U.S. tariff impact is there on all auto components in some way or the other. So, can you just throw light on these 3 or 4 things?

**Rakesh Sharma:** Okay. Regarding the projection of margins. We are hopeful that by the last quarter of this year, we should be able to achieve these figures. And at annual level also, next year, definitely, it will be there. But on a quarterly level, we should be able to achieve it by the end of the year.

And whether these are coming from Defense and Railways, these are currently not coming out of Railways and Defense because our business is very less. Railway has just started, so it is negligible right now. But both these sectors are good margin businesses that we'll be getting. So in future, this will definitely help us improve our margins.

And regarding the U.S. Tariffs, like we said, that the U.S. Tariffs, there are 1- 2 factors that affect us. One is the demand for Indian products when Tariffs go high. So one good part in our case is because we supply to our OEMs only. We are not there in the aftermarket or general public market, we are not there.

So OEMs, we are in constant touch. And whatever was increased earlier, for that we have already settled with the customers, and they are bearing the cost. And in future also, we are keeping in constant touch with the customers. Whatever developments happen, we are quite hopeful that we'll be able to settle this amicably with our customers and should not impact us negatively.

**Prafull Rai:** In terms of growth outlook, that is one.

**Rakesh Sharma:** So, growth, if you have gone through our earnings release, we have given our order book that is pending for execution is already more than INR1,000 crores per annum. At the peak level, this is the business that is already on. And we are -- every quarter, we are adding to those businesses. So growth is going to be good.

And as far as export thing is concerned or the U.S. tariffs on our growth, see, we are quite hopeful that because we are keeping contact with our customers, and they are assuring us that they will continue to buy from us because in our type of product, it's not easy to introduce new vendors. It's a time-taking proposition. So it takes 2 to 3 years. And a lot of cost and a lot of testing, etc, a lot of certifications are required to be there. So it's a kind of hindrance for changing quite frequently the vendors. So that should go in our favor.

**Prafull Rai:** So in effect, you are saying...

**Rakesh Sharma:** We are maintaining a good rapport with our customers, yes.

**Prafull Rai:** See, that is they have said Rico has been old established company. So I don't think we'll have a problem in having some rapport. My question was, suppose we continue with this higher level of elevated tariff, given that our product is a critical product to what they do, do you think we'll be still able to get through some kind of supply through some channel or whatever?

**Arvind Kapur:** This is Arvind Kapur. We will also look at alternatives like to give you an example, the garment industry, a lot of them have started setting up in Vietnam and other places so that we will go from here to Vietnam as there is duty free and from there, it is repackaged and sold further.

So, we'll also look at alternatives but we will not let the customers down, and we will not let the business go. And the new businesses are at much better margins than before. On your question that the EBITDA margin is going up is not because of Defense at the moment or the Railways, it is mainly because of the new products which have been introduced and also the cost cutting, which has happened. And Railways and Defense, once they both cross about INR100- 150 crores each, they will contribute sizable to the profitability also.

**Prafull Rai:** Sir, if I may be allowed, can I ask one more question?

**Arvind Kapur:** Yes, please.

**Prafull Rai:** Yes. See, by Q4 FY '26, what proportion of our revenues are likely to come from Defense and Railways put together?

**Arvind Kapur:** At the moment, see these are mainly tender businesses, so it's very difficult to predict. But this year, I think we are estimating around INR80 crores to INR90 crores. That's what we have budgeted. But these are a little -- we are pushing a lot, and let's see what happens.

**Prafull Rai:** And sir, next year, will this number be much higher than this?

**Arvind Kapur:** Next year, we will be entrenched in the Railways and our setup would be there, and we'll be utilizing the current capacities as well. And next year, hopefully, we'll be almost double of that.

**Prafull Rai:** Sir, one question probably we didn't get answer. The growth side of -- one question probably is the overall growth, we said we have INR1,000 crores order backlog. What it translates to the current year revenue, some kind of estimate which we may have?

**Arvind Kapur:** Yes. We have that estimate...

**Rakesh Sharma:** Over INR2,600.

**Arvind Kapur:** And this year, there's an addition of INR156 crores on the new businesses. And next year, the same business translates into INR550 crores. And the year after that is around INR800 crores.

**Prafull Rai:** And overall revenue estimate for the current year...

**Arvind Kapur:** In FY 25-26, we add INR156 crores to production out of the new businesses. And okay, this is a business that we've declared. Having said that, we are also taking up other businesses, which are immediate before the 2-wheeler industry and the other industry, where we are taking a larger share of the business and/or we're taking adjacent businesses. So that is also being added, but that has not been included in this. But this year, our estimate is INR156 crores. The only issue that comes here is that our turnover would have been much higher had the magnet issue not been there. Maruti and others were to introduce many new vehicles, which got delayed. Now they've been introduced. And now hopefully, whatever goods we had developed, they will ramp up faster.

**Prafull Rai:** And sir, this year as a whole, we'll end up doing INR2,600 crores kind of a revenue and next year, we'll build on top of that.

**Arvind Kapur:** But unless something drastic happens, this is what the budget is and budget is based on the confirmation that we have from all the customers.

**Moderator:** Our next question comes from the line of Maitri Shah from Sapphire Capital.

**Maitri Shah:** Just one clarification. So the new businesses' top line that you mentioned of INR156 crores, that is from Railways and Defense. Is that correct?

**Arvind Kapur:** No, no, no. What we are declaring here is the business that we've already confirmed with our OEM partners, India and overseas. These are the new business that we got for the auto parts -- auto components.

**Maitri Shah:** Okay. And what sort of revenues do we expect from Defense and Railways for this year, FY '26?

**Arvind Kapur:** I just mentioned that we are estimating around INR80 crores, and it all depends on the tenders and how soon the government wants to pick up the material.

**Maitri Shah:** Okay. And the registration with the RDSO, when do we expect that to happen?

**Arvind Kapur:** That I think by the third quarter, I think we should manage to get our registration for -- see, in RDSO, any new product you develop that needs to be registered there. So we'll be registering ourselves again and again -- for the first product would be by the end of Q3. And as we pick up new products, there, we'll keep on getting our registration done.

**Maitri Shah:** Okay. Okay. And the last question was on the land monetization. Do we have any updates on that?

**Arvind Kapur:** At the moment, see, discussions keep on taking place. But if I tell you that till my shareholders don't benefit from it, we are not going to monetize the land. I think there should be a significant benefit to our shareholders. And that's what we are working on. At the moment, I did mention last time that there was an impetus that was being offered. The total saving would have been just about INR400 crores or something, and savings after the shifting of equipment and everything. But we are looking at least INR1,000- 1,200 crores for our shareholders.

**Moderator:** Our next question comes from the line of Prafull Rai from Arjav Partners.

**Prafull Rai:** Thanks a ton for taking my question again. This 13% margin, which you are talking about, hopefully, we'll be able to achieve in the quarter 4. Now, when the next year Railway scales up as we spoke of and some Defense also happens, what will be the steady-state margin we can end up having, say, in the next 2 years, because the composition is also getting better?

**Arvind Kapur:** See, they will add to it at the moment. To predict how much the contribution would be, I think we need to wait and watch. And once we get into production and into mass volume, that's the time we'll be able to tell you. Probably in the first quarter of next year, we'll give you a good indication as to what the Railways and the Defense are going to add to the profitability.

**Prafull Rai:** But at some blended level, sir, it is a little higher than what it is, right? Our steady state margins...

**Arvind Kapur:** To give you a very broad picture. For Railways and Defense, the profitability is all 20% to 30%. That's the range that one works on and because sometimes the payments get delayed. So that's where the levels are. Now in that, now we are also waiting and watching. And so once we get into it and start supplying, we'll be able to improve there.

But having said that, let me tell you, the new components, one of the reasons that the profitability is going up is also because of the introduction of the new components which are coming in. They are at a much better margin than the earlier components. So that is the other add-on, which is also there.

**Moderator:** Our next question comes from the line of Mohit Jangir from InVed Research.

**Mohit Jangir:** First of all, congratulations on a good set of numbers. So I had one question on the guidance that we are giving this year. So to do INR2,600 crores of turnover, I think in the next 3 quarters, we would have to achieve a revenue run rate of roughly INR700 crores. So how confident are we on achieving these numbers? And will it have any benefit to our EBITDA margins because operating leverage will also come into play?

**Arvind Kapur:** See, if I tell you what has happened in the first quarter, because of the magnet shortage and the introduction of the new component, which did not come in because of the magnet shortage, we did lose about INR30 crores of revenue -- INR30-35 crores of revenue. And now the ramp-up has started to take place. And for the second quarter, we're hoping that we'll achieve the budgeted figures that we had. Now INR2,652 crores is the budget that we declared to our Board. And that's what we are working on quarter-by-quarter, the Board is monitoring.

Now, all depends on the introduction of the component. We are ready. The development has taken place. We are ready for the start of production. And if there is no hiccup as far as magnets is concerned or any other shortages created for the domestic market, we are fairly confident that we'll be there.

At the moment, in the first quarter, we are INR35 crores short and which hopefully we will recover. We have picked up new orders around the same figure of about around INR25 crores, which are an add-on to whatever the other figures that we had given to you earlier. So if we lose something, we try to gain from somewhere else either by getting a larger share of the market and/or winning new business, which can start immediately.

Any new product to be developed, these products get developed for -- now the products which are being introduced this year were developed last year and the year before last year. So that's how the productions are coming up now. And next year, the add-on is where the developments have already taken place, samples have been submitted, and the approvals have already come.

And that's why we are confident that next year, there should be an additional INR500 crores, INR550 crores in the revenue. In the third year, FY 27- 28, we are seeing INR800 crores. That is some of the components of development will start by the end of this year and by the first quarter next year. And the peak revenue will come in the year FY 27-28. So that's how the development is taking place.

**Mohit Jangir:** Okay. And sir, what is the update on our Hosur facility, is it on time?

**Arvind Kapur:** You want to say something?

**Kaushalendra Verma:** Yes, our Hosur facility is well on time, and the building is under construction as per the time plan. And we will do the first SOP from our Hosur facility in Q1 of 2026.

**Arvind Kapur:** It is as per plan.

**Mohit Jangir:** Okay. And sir, in the earlier con call, we had guided for the capacity utilization in our foundry division to improve from 50% to 60%- 65% in grey iron and 62%- 75% in aluminium. So, what is the status on our foundry utilization right now?

**Arvind Kapur:** It is absolutely as per the plan. In fact, if you look at the orders that we've got, normally if I give you the split of aluminum and iron that we have, our aluminum business is around 85% and 15% is the iron business. And now the iron business will go up to almost 24%- 25% and aluminium business would be 75%. There's no degrowth in the aluminum business, that is also growing, but the share of business will change.

And when we are touching 25%, which is by next year -- actually end of next year, we'll be almost 90% of utilization of our foundry, which is going to be one of the best turnarounds that we would have ever had. And that will have a major impact on the profitability.

**Mohit Jangir:** Okay. Okay. And sir, I think you have already touched upon the land sales part, but what is the indicative number that we can expect from that? I think it was roughly INR1,000 crores to INR1,500 crores.

**Arvind Kapur:** Can you repeat the question, please?

**Mohit Jangir:** I was asking for any indicative number that we can get from the land sale, which the company can realize?

**Arvind Kapur:** No, I indicated that till we make enough money for our shareholders, we are not selling the land. And the last offer we had, we were saving about INR400 crores after the shifting and everything else required to be done. And we thought that was not adequate. It is not worth the while to do it. And our target is between INR1,000 crores to INR1,200 crores in profitability that we should get from the sale of land.

**Moderator:** Our next question comes from the line of Akshay Varma, an Investor.

**Akshay Varma:** Congratulations on the good set of numbers. So my question is regarding the Defense. So would you like to provide any guidance for the Defense sector for the next quarter and for this year?

**Arvind Kapur:** This year, see -- the alternate -- the adjacent businesses that we are looking at, that is Defense and Railways, we are targeting a figure of about around INR80 crores. That's what we have included in our sales this year, and we are hoping to achieve that.

**Akshay Varma:** Okay. Great. And also regarding the capacity utilization. So, for the FY '26, is it like expected to rise to around 60% to 65% in gray iron?

**Rakesh Sharma:** Yes, 60% to 65% by the year-end, yes.

**Arvind Kapur:** Yes, yes. I think we -- hopefully, we'll cross that because a lot of development is taking place.

**Akshay Varma:** And also, regarding the export orders that are expected to ramp up...

**Kaushalendra Verma:** Yes. We have won significant business for our iron foundry from the export side. And those programs are under development currently, which will go into the SOP this year and some of them early in Q1 of the next year.

**Arvind Kapur:** The peaking phase is next year.

**Kaushalendra Verma:** Peak sales will happen in next year.

**Moderator:** Our next question comes from the line of Pranav from Prudent Equity.

**Pranav:** My question was what can be the average tax rate I can expect for the current year or moving forward?

**Rakesh Sharma:** In Rico Auto case, it will be 25%- 26.34% after including surcharge and all. So it will be in that range. And for console, it will be a little higher because we have merged our RFL, which was paying taxes at 25% with RJWL, which was paying at 34%. But one fortunate part is that this will be a tax rate, but we have accumulated losses there. So actual outgo on tax front will be less. So in cash flow, you'll see less outflow on cash on tax front. But rate-wise, it will be at 34%.

**Pranav:** Consolidated, it will be around 34%?

**Arvind Kapur:** Console will be less.

**Rakesh Sharma:** Only on Jinfei it will be at 34%. So, consol should come around 29% or so, console. But, stand-alone, it will be 25%.

**Moderator:** Our next question comes from the line of Bhaskara, an Investor.

**Bhaskara:** Any further deferred tax benefits expected in Q2 or Q3 because of the merger?

**Rakesh Sharma:** The Only thing is that our accumulated losses will be utilized. Other than that, not much profit, whatever profit is there that we have already gained, because in new scheme, there is no deferred tax thing that is going to be there additionally. So, it will be stabilized at 26% only for the future...

**Bhaskara:** Okay. Do you expect to maintain the current net profit levels in the coming quarters, not on the revenue side?

**Arvind Kapur:** Our target is very clear.

**Bhaskara:** So in the future quarters, definitely, you're going to have at least minimum INR10 crores plus net profit, right? Just for the guidance…

**Rakesh Sharma:** Sorry, can you please repeat your question?

**Bhaskara:** Do you expect to maintain the current net profit levels in the coming quarters? Like previously, last year, we have got around...

**Rakesh Sharma:** We are hopeful of improving it quarter-on-quarter.

**Bhaskara:** Got you. Okay. So we can expect about INR15 crores kind of consolidation profit, right, net profit?

**Rakesh Sharma:** Yes, yes.

**Bhaskara:** Okay. One last thing from my side. Could you share how many components the company is planning to register going forward in the Railways?

**Arvind Kapur:** I think the Railways, the development that has already taken place and some deliveries have taken place is almost about -- basically the initial samples and everything. It's about, I think, 24 or 25, if I remember correctly.

These are mainly cast components and the ferrous foundry is utilized fully on this. And there are another, I think, 13- 14 components which are under development for supplies to people who are already registered with RDSO and supplying to the Railways.

**Bhaskara:** Okay, sir. And any new bids that you participated in for Defense side other than the range in the container? Any other?

**Arvind Kapur:** Yes, there are a lot of things we are participating in and a lot of -- even for the BrahMos, we will be participating.

**Moderator:** Our next follow-up question comes from the line of Maitri Shah from Sapphire Capital.

**Maitri Shah:** Yes. You just mentioned you will be participating on the BrahMos side. Could you elaborate on what sort of components we are going to be supplying there?

**Arvind Kapur:** BrahMos is a very secret project; we cannot talk too much about it.

**Maitri Shah:** And are these products in the development phase or have they been developed, and we're going to be bidding for the tender?

**Arvind Kapur:** At the moment, it's in the discussion stage.

**Maitri Shah:** Just so the products haven't been developed. Is that correct?

**Arvind Kapur:** No, no, they haven't been developed. They are under discussions for mass volumes. What I wanted to say was we are registered with them, and there's a lot of exchange of information that's taking place.

**Moderator:** As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

**Kaushalendra Verma:** Thank you, everyone. I think, as we discussed during the question asked and what we are projecting, that we will continue to win more businesses from our customers. And there are a lot of businesses which is in process currently for the launch, which and which will significantly improve our revenue run rate in the subsequent quarters. And our profit margin will be much better with respect to the current quarter going forward as we will be launching the new programs and continue to work on our cost control. Thank you so much.

**Moderator:** Thank you. Thank you, members of the management. On behalf of Rico Auto Industries, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.