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To

The Department of Corporate Services - CRD
BSE Limited
P.J. Towers, Dalal Street
Mumbai - 400 001
Scrip Code: 500330

The National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Bandra-Kurla Complex
Bandra (East), Mumbai - 400051
Symbol: RAYMOND

Dear Sir/Madam,

Sub.: Intimation pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Conference Call Transcript

Please find enclosed transcript of the conference call held on October 28, 2025, with respect to the financial results of Raymond Limited for the quarter and half year ended September 30, 2025.

The transcript has also been uploaded on the Company's website (www.raymond.in)

This is for your information and records.

Thanking you.

Yours faithfully,
For Raymond Limited

Rakesh Darji
Company Secretary

Encl.: as above



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“Raymond Limited
Q2 & H1 FY '26 Earnings Conference Call”
October 28, 2025



MANAGEMENT: **MR. AMIT AGARWAL – GROUP CHIEF FINANCIAL OFFICER – RAYMOND LIMITED**
MR. GAUTAM MAINI – MANAGING DIRECTOR – ENGINEERING BUSINESS – RAYMOND LIMITED
MR. NAVIN SHARMA – CHIEF FINANCIAL OFFICER, ENGINEERING BUSINESS – RAYMOND LIMITED
MR. JATIN KHANNA – HEAD, CORPORATE DEVELOPMENT – RAYMOND LIMITED
MR. SUNNY DESA – HEAD, INVESTOR RELATIONS – RAYMOND LIMITED

MODERATOR: **MR. SANJEEV ZARBADE – ANTIQUE STOCK BROKING LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Raymond Limited Q2 FY '26 and H1 FY '26 Earnings Conference Call hosted by Antique Stock Broking 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 any assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sanjeev Zarbade from Antique Stock Broking Limited. Thank you, and over to you, sir.

Sanjeev Zarbade:

Thank you. On behalf of Antique Stock Broking, I would like to welcome all the participants in the Q2 FY '26 and H1 FY '26 Conference Call of Raymond Limited. Today, we have with us from the senior management of Raymond Limited, Mr. Amit Agarwal, Group CFO; Mr. Gautam Maini, Managing Director, Engineering Business; Mr. Navin Sharma, CFO, Engineering Business; Mr. Jatin Khanna, Head, Corporate Development; and Mr. Sunny Desai, Head, Investor Relations.

So, without taking further time, I would like to hand over the call to Mr. Gautam Maini. So over to you, Gautam.

Gautam Maini:

Thank you, Sanjeev. Good evening, everyone. Thank you for joining us today for our Q2 FY '26 and H1 FY '26 results conference call. On behalf of the entire management team, I would like to take a moment to wish you all a very Happy Diwali and a Prosperous New Year. May the festival of lights bring you and your families great health, happiness and prosperity.

I hope everyone has had the opportunity to go through our financial results and investor presentation, which have been uploaded on the stock exchanges as well as on the company's website.

Let me start by talking about the broader macroeconomic landscape that has influenced our performance and strategic decisions. India's economy maintained its growth momentum in Q2 FY '26 with the GDP now projected to reach 6.8% for the full fiscal year, supported by resilient domestic demand and structural policy reforms.

The Manufacturing Purchasing Managers Index, PMI, averaged approximately 58.7% during the quarter, reflecting strong industrial activity and resilient demand conditions. The Indian auto industry demonstrated a multifaceted performance in Q2 FY '26 with stable domestic activity in most categories being complemented by a moderate surge in international shipments due to U.S. tariff impact.

The domestic market, which gained momentum in September with the early festive season and favorable GST 2.0 reforms saw healthy growth in the 2-wheeler segment, 5.56 million units, which is a 7.4% growth.

The commercial vehicle segment showed 2.4 lakh units with an 8.3% growth and a record-breaking quarter for 3-wheelers, 2.29 lakh units with a 9.8% growth, while passenger vehicles remained tentatively flat at 10.4 lakh units approximately, 1.5% growth.

This domestic performance was bolstered by a powerful export engine as total Made In India shipments climbed 26.2% to a new high of 16.85 lakh units. This international success was broad-based, highlighted by a 23% rise in passenger vehicle exports, 2.24 lakh units and a 68.4% jump in 3-wheeler export driven by robust demand from key markets in Africa, Latin America and the ASEAN region.

Across global markets, the automotive sector continues to exhibit caution with muted demand in both passenger and commercial vehicle segments. Additionally, the escalating tariff in U.S. is creating new challenges, particularly for Indian exporters of drivetrain and structural components.

The aerospace sector continued its momentum in Q2 FY '26, driven by defense-related demand continued localization efforts. The union budget allocation of INR6.81 lakh crores for defense, including INR48,614 crores for aircraft and aero engines supported new orders and supplier engagement.

Inflationary pressures were modest, but evident in titanium and select aluminum alloys. Geopolitical tensions, Russia, Ukraine and the Middle East created localized uncertainty, though core aircraft manufacturing remained steady. India-U.S. tariff friction remains a temporary headwind for exports.

Global OEM activity remained robust. Airbus delivered 507 aircraft and Boeing 440 during the quarter, both reflecting recovery and easing supply bottlenecks. Indian suppliers benefited as OEMs diversified sourcing towards India to mitigate Western capacity constraints. Export demand from the U.S. and Europe remained steady, although elevated tariffs on Indian components added complexity and delayed some shipments.

Consolidated performance. Raymond Limited continued its growth momentum, delivering a steady quarterly performance, reporting a total income of INR564 crores, reflecting a 10% increase compared to the same quarter of the previous financial year. EBITDA stood at INR79 crores with an EBITDA margin of 14.1% in Q2 of FY '26 versus a total income of INR512 crores in Q2 of FY '25, delivering an EBITDA of INR77 crores with an EBITDA margin of 15.1% in Q2 of FY '25.

H1 performance. Total income stood at INR1,119 crores in H1 of FY '26, which is 11% year-on-year growth from INR1,011 crores in H1 of FY '25. EBITDA stood at INR167 crores compared to INR172 crores in H1 FY '25. The EBITDA margin stood at 14.9% in H1 FY '26 versus 17% in H1 FY '25. The steady financial performance was driven by the Aerospace and Defense and Precision Technology and Auto Components segments, reflecting a major positive shift in the Indian supply chain.

Indian suppliers are successfully moving up the value chain from simple assemblies to producing highly complex precision machine components and subsystems, leading to a surge in order intake for both Tier 1 and Tier 2 vendors for export business. The EBITDA margin compression was largely driven by a decline in other income. Going forward, we continue to remain optimistic

about the future growth trajectory given our expansion strategy in new product categories and new geographies.

Let's go to the segmental performance. the Aerospace business, which is JK Maini Global Aerospace Limited. At the segment level, the Aerospace and Defense business reported steady performance with revenue of INR81 crores, which has a 15% year-on-year growth and an EBITDA of INR17 crores, which is a 34% year-on-year growth with an EBITDA margin of 21% in Q2 of FY '26 versus a revenue of INR70 crores with an EBITDA of INR13 crores and EBITDA margin of 18% in Q2 FY '25.

In H1 FY '26, this segment generated INR168 crores in revenue, which is a 26% year-on-year growth from INR134 crores in H1 FY '25. EBITDA also grew by 32% year-on-year, reaching INR38 crores compared to INR29 crores in H1 FY '25. The EBITDA margin stood at 22.4% in H1 FY '26 versus 21.4% in H1 FY '25.

This performance was fueled by a significant year-on-year rise supported by the production ramp-up at a leading aerospace OEM and revenue contribution from newly developed and approved parts that entered production this year, strengthening the overall top line. The EBITDA margins improved on the back of higher sales volumes. We continue to witness growth fueled by rising interest from prospective clients by request for quotations, and a growing pipeline of collaborative and strategic opportunities.

Certification delays at global OEMs and tariff-related trade tensions in the U.S. posed operational challenges, while alloy and logistics cost volatility added margin pressure. Despite these headwinds, India's positioning as a reliable precision machining and manufacturing hub continued to strengthen.

During the quarter, we achieved several strategic milestones that strengthen our aerospace and defense capabilities. We successfully onboarded key global customers, reinforcing our international footprint. The completion of audit compliance by one of our major OEM marks a significant quality benchmark, while the installation of critical machinery has enhanced our in-house manufacturing capacity.

Additionally, positive FAIR approvals for critical engine components underscore our technical competence and readiness to scale operations. Let's go to the second segment of Precision Technology and Auto Components, which is JK Maini Precision Technology Limited.

At the segment level, the Precision Technology and Auto Components reported a revenue of INR409 crores, which is a 10% year-on-year growth with an EBITDA of INR57 crores, which is a 57% year-on-year growth and an EBITDA margin of 13.9% in Q2 FY '26 versus revenue of INR373 crores with an EBITDA of INR36 crores and a margin of 9.7% in Q2 FY '25. This steady performance was predominantly driven by robust domestic demand for both auto components and tool and hardware components.

The Auto Components segment also witnessed strong demand from hybrid products in the European markets, while the tools and hardware components business did witness softness in the exports markets. The EBITDA margin improvement was on account of higher sales volumes,

favorable product mix, which includes a one-time gain of INR13 crores. We continue with our strategy to expand into new international geographies and industrial sectors. We are observing business momentum across domestic and international markets supported by 'China + 1' Strategy, integration synergies, and focused operational efficiencies across all segments.

In H1 of FY '26, this segment generated INR808 crores in revenue with 11% year-on-year growth from INR728 crores in H1 FY '25. EBITDA also grew by 31% year-on-year, reaching INR99 crores compared to INR75 crores in H1 of FY '25. The EBITDA margin stood at 12.3% in H1 FY '26 versus 10.4% in H1 FY '25.

The Tools and Hardware segment maintained growth, supported by government infrastructure projects in roads and railways. While heavy monsoon slowed construction activity in July to August, momentum returned in September, driven by improved weather and festive demand in real estate, and policy support from the GST 2.0 platform reforms.

Debt and cash position at the Raymond Limited. We continue to remain a net debt-free business with a net cash flow surplus of INR27 crores in September 2025. The total gross debt stands at INR972 crores, and cash and cash equivalents at INR999 crores as of September 30, 2025.

Status of the operations and the outlook. Looking ahead, we see a positive momentum driven by global customer onboarding, successful audit compliance, and expanded manufacturing capabilities through advanced machinery like the GROB machine. The business is seeing increased RFQ activity, particularly in aerospace components, supported by positive FAIR approvals and strategic investments. To meet rising international demand, the company is actively adding capacity, positioning itself to scale exports and deepen global partnerships.

OEMs and Tier 1s are increasingly sourcing from India to derisk the Western supply chains, signing multiyear strategic supplier agreements that include design and manufacturing and not just build-to-build orders. As India strengthens its role as a precision manufacturing hub, Raymond is geared for strategic business expansion and long-term global traction.

Thank you again for joining our call, and we would be happy to take your questions. We may now open the line for questions.

Moderator:

Thank you very much, sir. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question.

Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Balasubramanian A. from Arihant Capital. Please go ahead.

Balasubramanian A.:

Good evening sir. Thank you so much for the opportunity....

Moderator:

Sorry for interrupting sir, can you please be a bit loud?

Balasubramanian A.: Good evening sir. Thank you so much for the opportunity. Sir, the engineering business has been restructured into 2 separate subsidiaries. I just want to understand what is the long-term strategic intent for these entities? And what kind of value unlock we may expect over the next 3 to 5 years' time frame?

Gautam Maini: So basically, each of these companies have different growth paths. The aerospace and defense industry has a completely different growth path of a smaller base, and the precision engineering company, which actually supplies across 8 different segments, has a different growth path. So, the idea was that each of them having its own unlocked value. We would like to grow each of them independently and let them both grow to their maximum abilities. So, this was the idea of strategically having them separate.

Even the operational way of running them, the mindset, the thought process, as they will grow, will help each one of them get better results.

Amit Agarwal: Thanks, Gautam. This is Amit Agarwal. I just wanted to supplement what Gautam said. You know, as a group philosophy, we are very clear in unlocking the shareholder value. And you have seen the demonstrated performance when the businesses reach a certain scale and size, we find the most appropriate manner in order to keep them pure-play businesses and entities.

And that is the exact philosophy that we are in the process of building our two engineering businesses on that path, one being the aerospace and defense. And we all know that aerospace and defense, India is getting up a huge unlocking opportunity where you are seeing a tremendous growth and we are also witnessing and you have recently heard also in terms of our plans to expand the capacity by going to Andhra Pradesh. So that is one part of the story.

Similarly, on the other side of the story is also on the auto component, India is becoming a very large auto ancillary hub with the combination of the Maini auto business as well as the JK auto business, we have been able to supply to the top 15 OEMs globally. And there we are seeing more and more products to be expanded. So both these businesses, once they achieve a certain scale, they will eventually go on the basis of unlocking the value as the group has been demonstrating over the last five years.

Balasubramanian A.: Okay, sir. Sir around 15% of auto business is coming from hybrid and EV also remaining strong. And what is the target for EV or hybrid as a percentage of JK Maini Precision Technology revenue in the next three years? And for 3-wheeler transmission parts in India, who are the major key OEM customers? And what is your market share target?

Gautam Maini: So basically, we have grown this business quite significantly. It's roughly at 15%. But I mean, rather than giving you an exact number, I think the philosophy for us is that we have developed some very critical parts for the hybrid market, which we read in Europe.

If you saw two, three years ago, everybody was talking about EV, but we believe that more than EV, the hybrid market will grow faster because there is a huge charging infrastructure issue in Europe. And then all countries then mutually agreed to extend that, and I believe it will be extended again. So that gave us the ability to look into hybrid.

And now that we are there with a very large customer, we will now horizontally deploy to other customers. It takes time, but we believe that we will, having gained the experience over the last two years, we are in an extremely strong position to go to several OEMs across the globe to increase our hybrid business, especially in Europe.

Balasubramanian A.:

Okay, sir. I think, sir, we are expanding the business rapidly. I think this aerospace and defense are like capital intensive. And what is the expected trajectory for working capital as a percentage of sales? And we are facing any pressure from longer receivable cycles from global OEMs and how these working capital things are managed?

Gautam Maini:

Well, there are several combinations to this. Number one is you started to reach a scale where we have lots of part numbers with similar materials. We have very good supply contracts with the supply chain because we can leverage that relationship. So we are in a good position, I would say, in terms of coordinating with different raw material sources across the world. We are in touch with more than 14 different mills across the world.

All of the material today is imported in aerospace, as you know. So yes, there is a challenge, but I think we are managing it very well. And in terms of working capital, in terms of raw material, we're doing a good job there. In terms of, actually finished goods, you're actually flying the parts. So there's not much inventory.

In fact, the aerospace has a smaller inventory because the parts are flown and not set by sea. So your turnaround time on that side is, in fact, much better. So we are managing the situation pretty well and will only get better from here.

Amit Agarwal:

Yes. And just to add, you see the working capital in this business is a strength because what happens is for an aircraft, it is not like an auto business where you're producing 50,000 or 100,000 units every day. Here, the product you produce multiple SKUs, but they have a certain delivery schedule.

So, what you do is in order to optimize your production, you do your production in one go, keep it into WIP and finished goods. And also, we are considering ourselves as a local supplier, local vendor to the European guys.

So therefore, what happens in certain cases in automotive, you have to keep vendor-managed inventory at the warehouses, but this is our own inventory. So therefore, actually the working capital in this business gives you more connection, more binding with the customers in Europe and Americas.

And I think that is something which we want to continue. And we are very clear in this business, there is a certain working capital which will be compared to other kind of businesses, it will be higher.

But truly it is a strength than a working capital blockage. And we are very cognizant of the fact that we continue to maintain the inventory, the freshness of the inventory so that if something goes obsolete, we know we have to manage that. So therefore, it is a very important aspect in

this business because you're dealing not 1, 2, 3, 5 SKUs, you're doing 1,200 to 1,400 SKUs in a small business in aerospace.

Balasubramanian A.: Sir, my final question is I think we are still in single-digit margins. And what are the initiatives we are taking to reach double-digit rates over next few years?

Gautam Maini: At an operational level, we are all in double digits. So I think we'll have to separate the nonoperating and maybe Amit can explain more on that. But at an operating level, as you saw, we are in double-digit margins. We are at 22.4% in the H1 for Aerospace, and we are at, if I remember correctly, it's about 12.3% in the automotive business. So we are in double-digit growth.

And we've grown the EBITDA at over 30% in both businesses from last year in the first half. So we are in a good position, I would say, and we should not mix that with the non-operational, which Mr. Amit will explain.

Amit Agarwal: No, I think there may be slightly a confusion. I think if I look at the quarter two numbers, we have delivered on a consolidated basis 14.1% margin. In quarter one, we had a 15.7% margin. So as a business, I think all of our businesses are in that 14%, 15% range. And I think that is a fair margin, which we have also given the guidance also always that we would be in that 14%, 15% market range.

So I think maybe there is some confusion. You might have looked some other line items. But just to give you the perspective, it is in the 14%, 15%.

Moderator: Next question we have is from the line of Mr. Mohit from Value Wise Advisors. Please go ahead.

Mohit: In the aerospace business, you've sequentially degrown and the margins have also come down. So, can you explain that?

Gautam Maini: Well, in any business, as you're growing, your product mix keeps changing and the way you produce will keep changing. So, you have to evolve. So, we are making new parts every day. So, as you go up the complexity of parts, it takes you a longer time to get the new processes in place, plus all of the development cost is written off. So therefore, there will always visually look as if there is a there's a margin decline, but you're actually creating new products for the future.

And as you are scaling and making more and more products, that pressure will always be there. So, I believe that a good mix of products, which is what we have of less complex, but the future products, which are more complex, and you have a mixed bag across all of the engine segments, which you know is a very difficult and high-precision segment.

We believe it is a healthy margin, and it will get better as you develop those complex products in those segments and get more and more used to it. So, it is a continuous learning process in this business, like Amit was saying, it's not a one part you make of millions. Every part has to be ramped up, then you reach a certain level like a 35% market share or something.

When you are stable, then the customer gives you a 65% market share. So, when you move from 35% to 65%, that's the time where your margin will also improve. So, this is happening, you can imagine, continuously over 200 parts, new parts every year. So, it's a very complex situation, but I can assure you that the direction is absolutely in the right way. And I think the learning curve towards high complex parts is on track.

Amit Agarwal:

Okay. And just to add, I think, again, maybe there is somehow maybe our presentation maybe there is a slight confusion. If I look at the aerospace quarter 2 last year to quarter 2 of this year, we had last year 18% EBITDA margin and it has moved up to 21%. Similarly, in the first half, which was 21.4% has moved up to 22.4%.

So maybe there is some confusion. I think the way it has been read out or such things very clearly, we are focused on if you see the revenue growth is going to deliver, the optimization of the capacity is going to help us. Operating leverage kicks in and is going to help you in the EBITDA increase.

Mohit:

Yes, correct, sir. So, I wanted to understand the Q-on-Q decline and also the sales Q-on-Q decline. Quarter-on-quarter, it's there in the results.

Amit Agarwal:

Quarter 1, quarter 2, because again, the way he explained Gautam and myself also that what happens because you have different products different customer segment. And you will not exactly see month-to-month same supplies because some aircraft supply component, which we have supplied in the month of May may not happen exactly in the month of July again. It may happen, something goes in May, may not be going till September, October.

So therefore, what happens is every component customer will have a different supply mechanics. And you would see some products because you will never have same margin for every product. Some margin, you will have very high, some products you will have lower margin.

So therefore, it is a basket. But our whole focus is to see that on a broad-based basis at a decent level in that range of 22% to 25%, we have been targeting to go out and deliver the margin on a consistent long-term basis in the aerospace.

Mohit:

Understood, sir. And can you give your aerospace portfolio breakup of, let's say, products with 35% market share, below 35% and products that have reached 65%?

Gautam Maini:

So let me take that. You see you have to understand how the aerospace industry works. When it's very rare that you get a 100% market share of any product and especially when you talk about the engine segment where we are more than 70% present, which is a very complex and critical segment. So generally, the customer would give you a 35% market share.

And then once you prove yourself, you stabilize your product, the customer is very happy with your product, you're competitive in the market in terms of quality, price delivery, they then negotiate a 65% market share. The 65% would be 70% or 60%, the 35% would be 30% or 40%, that's a reference point. So, the idea of companies to grow would be to make sure that you do a good job so that ultimately, you can reach a much higher market share, which is when all of the margins start to improve.

And this for each part could be a 2- to 5-year process because the market shares could have already been given to somebody else. And even if you're very good, you'll have to still wait until that contract ends with that customer relationship with your competitive supplier. So, this is a long-term business. So over 20 years, we have understood this business and how to grow it and how to increase with the market share.

And that's how this explanation is. So, it's not in your hands fully. You can do a good job and you can keep everything ready. And when there's an opportunity, then the customer will increase your market share. And our job is to make sure that we execute well, we do a good job. And when the time comes, we can take the additional market share.

Mohit: Got it. Understood. And in the precision business, your segmental EBIT that you reported in results has gone up quarter-on-quarter from 5.7% to 9% but your EBITDA margin quarter-on-quarter is flattish and 100 basis points, 200 basis points down. So, I wanted to understand that as well.

Gautam Maini: Navin, can you take that?

Navin Sharma: It was very simple now that this is there, we had mentioned there was a onetime gain on account of certain land which we were there, additional land, which we have been able to sell and that gain has contributed some INR13 crores, and therefore, the margin you would see reflective in the Precision business.

Mohit: Got it. Got it. Understood, sir. And also, this business of job processing and non-scheduled airline operations, I see it is losing money at a run rate of INR1 crores or INR2 crores a quarter. So, I want to understand how to look at that business.

Navin Sharma: So basically, see, we have a small helicopter in the company, which are being rented out or chartered. Some quarters, you get some charters, some quarters you don't get chart, and it is primarily used for running the business. And that is one that you will have a small loss here and there. But I think broadly, over the years, it goes through and it is not such a large cost.

Mohit: Got it. So how should we look at it going forward, like it stays in this range or.

Navin Sharma: Yes, it will stay in this range.

Moderator: Next question is from the line of Guru Darshan from Kitara Capital. Please go ahead.

Guru Darshan: Sir, as I understand, you are among the leading players in engine components. Who would you consider your key competitors in India for your current product range? And let's take a long-term strategy. Five years down the line, what would be your strategy to move up the value chain from being a precision machine company?

Gautam Maini: Well, let me answer one by one. So first of all, I think we've had a head start over everybody. We started 21 years ago, and most of the other companies started much later. So in this business, the entry barriers are very high. It takes a long time for you to get the confidence of the big

OEMs to know that you can supply engine parts globally that fly on aircraft. So to that sense, we've had a huge head start on everybody else in this country.

Secondly, we have always followed the policy of a horizontal situation where we've developed capability across materials, across processes, across machines. And that, having that experience for more than 52 years in our precision machining business, that has created a massive foundation for us to be ahead of the curve.

So, unlike many other companies that go vertical, like many of our competitors are in 1 or 2 segments, we are in maybe 50 or 60 segments across the engines, families. So therefore, our ability to be more flexible to grow at a faster pace but also to match complex parts with less complex parts because the cycle times and the turnaround times are different.

So for instance, if you take a simple part, sometimes in the engine, we can turn it around in 3 to 4 months, whereas a medium complex part could take 6 to 8 months, maybe even 10 months. And a complex part could even take 1.5 to 2 years. So it's very important that for a growing company, you must continuously turn out new parts in all of these categories so that there is a continuous growth quarter-on-quarter.

And that, I think we have been able to master better than all of our competition, simply because of the fact that there have been 52 years in precision machining and a lot of our precision machining, especially our exports that we did in our fuel injection sector, our engine sector was so much ahead of what was being manufactured in India that the expertise in those manufacturing processes and those toolings, when we brought them to aerospace, we are -- we remained ahead of the market. So I would say the aerospace business being a low volume, high mix, you needed this capability strength, which we naturally developed over 50 years.

And therefore, I would say we will hope to continue to remain ahead in the market. The relationship now with most of the OEMs in the world puts us in a very good position to look at the future strategies, and we are continuously evolving plans to move towards much more complex parts and complex modules in the future. So we see a good overall future. But the main thing is the market is available. It's an execution strategy that is very important for us to continuously go.

It's a high-precision business. You have to be on top of the ball. You have to make sure that everything from your quality to your delivery is clear, your supply chains are clear, and that will help you to execute the strategy.

Guru Darshan:

Just have a question regarding debt and cash position on the balance sheet. Please elaborate how the funds are planned to be utilized or deployed in terms of capex or working capital?

Navin Sharma:

So there are 2 parts of cash in the balance sheet. One is at the Raymond Limited and one is at the engineering business from the cash flow generation of the business in the engineering business, we will definitely deploy it into the growth capex, which you know that we are envisaging a big growth in this business. So therefore, that will be deployed.

As far as the cash which is lying in the Raymond Limited, obviously, the purpose I don't know how much you are aware that the whole reorganization was done. We sold our FMCG business and so on and so forth.

And the idea was to evaluate the opportunities and see when there is some good opportunity available either to invest into the business directly or some inorganic opportunity comes up, we will evaluate. And that's the way we want to keep that cash on the Raymond balance sheet so that it could be a possibility for future organic or inorganic growth in any of the businesses.

Moderator:

We have next question from the line of Darshil Jhaveri from Crown Capital. Please go ahead.

Darshil Jhaveri:

Firstly, congratulations on good results set of results. Sir I just wanted to know, that we are saying that our aerospace businesses that we are investing in highly complex parts, which can maybe pay dividend later on.

So currently we are at 22%-25%, so can we go further in this because we are going to go for highly complex parts, and also want to know what is the new opportunity in the aerospace business, that we are looking at, considering the new specifications that business can also start growing faster, so -- as we -- there are lots of tailwinds in the industry, how do you plan to get yourself in that?

Gautam Maini:

So there is a huge pipeline of business that we have. We have to continuously maintain a pipeline of new business that we need to quote for. Plus we have a huge pipeline of what we call FAI in this industry, which is a First Article Inspection, which means a new product development based on the customers' drawing. So we have very healthy pipelines on both of them. It's very important, like I said earlier, to have a good mix and not only in one direction.

The reason is when you have very complex products, you also need to have more expensive machines to make those products. And there, the EBITDA can be higher, but you need, you end up with a lower ROCE. So it's very important for a company like us to make sure that we have the right mix, the right balance. And as we grow up the value chain, we make sure that, that balance and mix continues to be there to optimize both the EBITDA and the ROCE. So Amit, if you want to add something, then please feel free.

Amit Agarwal:

No, I think that's fine. That's absolutely fine.

Darshil Jhaveri:

Okay. Fair enough, sir. So just wanted to know like in terms of our vision for aerospace, like where do you see it in the next 2 years? Can we cross INR500 crores annually in this business? Or how do you see, sir, this growth for Aerospace?

Gautam Maini:

I would not like to commit on a number. Rather, I would say that the opportunities are tremendous. The market is very large. We've talked about backlogs in both Airbus and Boeing, which ultimately drive the business. We've seen Boeing do very well.

We have a lot of parts on different aircraft, both by Airbus and Boeing. So it puts us in a very strong position. It is up to us to put our execution together. And we believe that we've, over the

last year, we've put good teams together. We've continuously enhanced our systems, our processes.

Our baselines are very good. So we will execute. And obviously, I would not like to comment on a particular number, but I think we see healthy growth in the business over the next many years.

Darshil Jhaveri: So just from my understanding a bit new to the business. So how does the order book in this work like because I don't think we mentioned the order book or the pipeline. So how do we understand that, sir? If you could help us what is our order book the bid pipeline and any kind of execution that we're planning for this year or next year, that would be really helpful, sir.

Gautam Maini: So basically, if you look at the order book, most of the order book in our businesses run with a five-year contract in aerospace business in general. And therefore, if you say on an average, if each contract is coming up on an average every fifth year, right? So, 20% every year. So, you would end up having that kind of an order book. The schedules could change a little bit up and down where the customers give you huge visibility on what to procure.

But the long-term contract helps you to make sure that you buy raw materials. Certain raw materials have lead times of up to two years. So therefore, this whole business of aerospace is a very long-term business. Also, since all of the OEMs run with huge backlogs and the design changes are minimal, this business is very different from the rest. So the visibility, the long-term order books, the pipelines are all very healthy and in multiples of years.

Darshil Jhaveri: Okay. So can we quantify what's our current order book and what's the pipeline if we could do that?

Gautam Maini: Well, it's not an easy question to answer. But if you want to have an understanding of the order book, typically, if you, you have a five-year order book on your orders and let's say, you have an average of the revenue that you look today, you would end up with an order book of close to 2.5x, 3x of what you have on a yearly basis.

So that would be approximately a good way to see your order book position, which is more or less confirmed. You have a pipeline. We make almost new part every day. So we have a pipeline of about 150 new parts in the pipeline just on new product development. And we have another 2,000 drawings or part numbers in RFQ that we have to quote to customers and negotiate with them to convert to business.

So we have to manage all of these pipelines in a healthy manner to ensure that we take the right businesses. We don't just go after any business. And we have a good product mix, like I said, to improve EBITDA and ROCEs over a period of time.

Moderator: We have next question from Pranjal Mukhija from GrowthSphere Ventures.

Pranjal Mukhija: I have a couple of questions. So just following up on the previous participant's question on the, like how we're imagining the aerospace business to be. So on similar lines, sir, I just wanted to

understand like how are we seeing this business 3, 4, 5 years out in terms of like our facility like to what it is right now and what we're imagining to it to be like maybe 3, 4 years out?

And in terms of customer, I just wanted to understand, given that we've recently started tied up with an American-based engine OEM, like how does the ramp-up look like here? And how does the ramp down happen on the alternate suppliers? So just wanted to understand from a capability point of view, how does the business look like maybe 3, 4 years?

Gautam Maini:

So like I said, we are continuously enhancing capability on a continuous basis. So it's not like in any other plants where you do one capability and you wait for years, right? Here, we are making a new part every day. So you can imagine we are enhancing capability on a daily basis. For each kind of project or process, we handle about 110 different grades of material, which is very highly complex, right?

And when you handle materials like titanium, Inconel, super alloys, these are very difficult to machine materials. So you have developed over the last 20, 21 years, a huge amount of internal knowledge and capability on processes and on quality systems and how do you inspect check.

We have internally approved, we have five internally approved quality people from our customers, which means we make a new part we send it on self-certification today. We have reached those levels. And that's how we are able to rotate the business much faster. So we have five customers with which we have self-certification. They do not check our parts even if it's the first time.

We just have to submit paperwork, they put it straight on the aircraft. So that's the level of confidence that we've built over the last 20, 21 years. And now because of that confidence having built, the customers are looking at us for far higher precision in our products. And as those requirements come in, we will continuously enhance the level of investment and the level of complexity of machines that we will buy over a period of time.

So it's an evolving process as you encounter these. But in the direction, we will definitely go up the value chain. We will go into more complex parts. We will continue to be dominant in engines, but we will also access the systems and structures part like we supply products to landing gears, we supply products to fuel, we supply products to hydraulics. These are also very complex parts.

The idea is to have a broad band of customers, which we have over 25 customers. These 25 customers opportunities come at different times. So we should always be in a position to grow on a continuous basis, having kept this in mind. So we will evolve into a much higher level into subassemblies, into main assemblies and hopefully into modules. So that's a journey, which will steadily take place over the next few years.

Pranjal Mukhija:

But like when, like how do we see that inflection point hitting in terms of like scaling up with the customers in terms of volumes and meaningful scale up happening on the customers end or like a particular project end? I just wanted to understand a bit.

Gautam Maini:

So I'll tell you it's unlike automotive and our hybrid business that we talked about where we get a business and then suddenly, you put lines and you grow them, aerospace is not like that. Aerospace will grow continuously and steadily on a daily basis. So if I make even new part to day and that converts into business, that will have to ramp up to a 35%, then you wait for two, three years, depending on when the option comes, then that goes to 65%. And we are talking about volumes that are mostly sub-1,000, right?

So it is not like an automotive business. Here, it's very steady. You aim to get to do a good job, get the maximum market share and keep improving your processes, learn from that and go up the value chain. So this is a very different kind of a business from a general automotive type of business. It's a different mindset.

It's a different way to look at it. And you cannot mess up on the quality, right? So you have to be very sure of what you do.

Pranjal Mukhija:

Right. And sir, I mean, I was just researching and I mean I understand, I mean, in the engine part, we're operating under like hard section, some of the components. So I just wanted to understand how many people or players in India are working in the hard section part of the engine?

And just wanted to understand, I mean, these technologies, and just wanted to understand, I mean, these technologies, EDM and brazing that we're using, how tough is it for a new player to sort of acquire these technologies and make these products, like just some clarity on that?

Gautam Maini:

Well, it is very tough because like I said, there are entry barriers. First, you should have a product that is complex, then you have to decide how you're going to get the technologies. In our case, we were supported by our customers. Technology was given to us by them. So it helped us to move.

And even though technology was given to us on one of the very critical parts, it still took two years. And that is the point I'm trying to make. This is a business where you have to have a mix of different varieties of products, varieties of customers because each product could have a different lead.

The more complex it is, the longer it will take to actually implement. So there's no very big ramp-up that happens because once you implement it also, the volume is going to be a much smaller volume and not like automotive. So it's your ability and your speed to develop new products continuously.

Pranjal Mukhija:

Right. I was just like looking at our company's LinkedIn and I think we mentioned that JK Maini Precision has recently tied up with CTC. Like upon doing some research, I got to know that CTC is doing some carbide cutting toolings. And I think they're specializing in micro tooling dealing with nickel and aluminum alloys like maybe Inconel as well. So just wanted to understand like the whole rationale behind this business.

And my follow-up with this question is like because we have some history in the tooling segment, right? So are we also looking at MRO as a space to develop something there over there?

Gautam Maini:

So right now, we are just working together because we have experience in our Tools and Hardware division. We're trying to figure out all the synergies possible. And this is exactly what we've been doing over the last period with many other items within our company is to see on one side how to add value, how to bring our knowledge of aerospace into those tools and how our tools and hardware division can then leverage this knowledge.

So it's a very big win-win situation and a huge synergy effort that we've put together. Similarly, we have done this in many other areas. To give you an idea, when we make a fuel pump for a customer in the automotive, we make 0.5 million fuel pump bodies, which are very, very critical and export it. Till today, nobody even makes it in India, nobody assembles in India. So that's the kind of work. Those materials are as difficult to machine as Inconel and titanium.

Now when you make 500,000 pieces versus maybe 1,000 pieces, you can imagine the learning curve. So the learning curve we have in machining complex products of high precision because of the export-oriented nature of our business in automotive that we've had over 50 years has helped us to speed up all of our engine manufacturing business in the aerospace. And that's the advantage we have over the others, which is why we are probably ahead.

Pranjal Mukhija:

Right. Sir, two quick questions. I'm sorry, I'm asking a lot of questions. But the second last question I had, I mean, I was just doing some research. And you can correct me if I'm wrong, but is there any other player in India who's working with all three engine OEMs apart from us right now?

Gautam Maini:

Well, there are more than three engine OEMs. So, I believe...

Amit Agarwal:

I mean 85%, 90% of the market. I mean, these players come also.

Gautam Maini:

Yes. I believe we are the only one working with the range we have, but maybe your research might find otherwise because we've had a head start. To get an engine OEM approved takes a couple of years on the engine side. And we've been at it for 21 years. So obviously, we've had the head start.

We've had time to work with more of them. And therefore, I believe we continue to have a lead in that area.

Pranjal Mukhija:

Right. And sir, finally, just wanted to understand a little bit on the defense piece. So this French company that we've been working for a long time now, they've also announced plans of developing a lot of these engine technologies for maybe AMCA, they're also like wanting to scale up and help India to sort of make it in India.

So I'm just like trying to understand like would we also be a beneficiary of this because we've been working with them for a long period now. And again, they are also like seeming to scale up in India now?

Gautam Maini: I mean, definitely, all these relationships, that's what the importance is. They know how good we are. They know what kind of parts we make. And therefore, it puts us in a very good advantageous position to be in all of the programs in some form or the other, some in a larger form, some may be in a smaller form. But in the end, we have the knowledge, we have the technology, we have built the businesses, we have the relationships. And therefore, it puts us in a good position to take the right businesses for us.

Now every business may not be right. So we have to choose. We are today luckily in a position where we can choose the businesses we want because we believe that the market is far bigger than what we can possibly deliver even by extending all resources. So therefore, we are in a good position, and we will continue to choose the right businesses and deliver value to our shareholders.

Pranjal Mukhija: And if I may, one small last question. Just on the business development side, I mean, what has changed post this, post mainly becoming a part of Raymond? And how are we approaching customers? How are they reacting to us? Like what are we doing to sort of build a team on the business development side, especially to sort of approach customers? Like just some color on that.

Gautam Maini: Well, we've got, before the merger, we always had the customers, we had the vision, we had the knowledge.

Pranjal Mukhija: So sir, just wanted to understand like how are we, how has our approach changed or like what is new to our approach when approaching customers now business development side and how are we trying to win bigger pieces of the pie?

Gautam Maini: Absolutely. So I think Raymond brings in that huge strength, which we didn't have just as a stand-alone Maini. And I think Maini always had the customers, the REIT had already developed the business. So I would say it's a great partnership where 1&1 is 11, where we have the large strength where today, we can quote large businesses, we can quote strategic initiatives. And all of our customers have recognized that.

We were also present at the Paris Air Show earlier this year, and we had some very good strategic meetings. So I feel that the whole positioning of the JK Maini business with Raymond as part of it gives us a massive opportunity to pitch for very large initiatives and large strategic businesses for the future in aerospace.

Moderator: We have next question from Mr. Sanjeev Zarbade from Antique Stockbroking.

Sanjeev Zarbade: Sir my question was regarding the aerospace business. So just wanted to understand, is there any cyclicity in terms of quarterly revenue in the business because we had INR107 crore revenue in fourth quarter, and then it has come to INR87 crores in first quarter, and now it is at INR81 crores. So do we expect the revenue to ramp up again to fourth quarter of this fiscal, somewhere around INR1,100 crores, INR1,200 crores. Is that kind of pattern is prevailing in the segment?

Gautam Maini: Well, I would say that there is always a good situation in the first quarter simply because all the global OEMs in quarter 3 have their year ending. If you know in Europe and U.S., they mostly

closed in December. And when they close in December, what they do is they bring the safety stocks and inventories to the absolute lowest levels. So in general, it's not that the consumption goes up. So it's not seasonal from a consumption point of view.

But because the December month is a holiday season, they reduce their inventories and then they have to catch up because they always have backlogs in aerospace. So it so happens that Q4 ends up with the largest number. And this year also, the same thing will happen. It will end up with a larger number.

Sanjeev Zarbade: Okay. And sir, segment margins in Aerospace has also followed a similar trend. Fourth quarter was at 16%, then 13% in first quarter, and now, I think, 8.9%. So do we see the margins bottoming out over here? And because I believe that the Precision Products business in Aerospace should be a much higher margin than this 8%, 9% level.

Gautam Maini: I'm sorry, I think you've got the numbers wrong. Navin and Amit, can you explain?

Navin Sharma: Your voice is very soft. Can you please say it again?

Sanjeev Zarbade: Yes. I was talking about the segment margins, sir. We had very good margins in the fourth quarter. in the aerospace business. And then after that, on a sequential basis it has been softer...

Moderator: Sorry for interrupting, Sanjeev, sir. Can you please speak a bit louder?

Sanjeev Zarbade: Yes. Is it good now?

Navin Sharma: Yes, it is better. Please continue.

Sanjeev Zarbade: I was talking about the sequential trend, sir, in segment EBIT margins for Aerospace, which has been softer in recent months. Can we consider it to bottom out at these levels because, given the Precision Products business, this type of manufacturing typically deserve much higher margins, so just wanted to understand the future?

Navin Sharma: And if you are comparing to quarter 4 last year, this goes in the ratio of how our top line is performing. So that operating leverage will anyways come if we are operating and have delivering a larger quarter, then the margins will look.

And then current quarter, you only just raised it a couple of seconds back that these quarters were a little softer. So hence, you see these kind of margins. But then, of course, it will go into the upward trajectory because most of the cost remains at a constant level, and we'll get the operating leverage as we go into the subsequent quarters.

Sanjeev Zarbade: Right, sir. And sir, in the auto components business, I believe there was some legacy business of earlier, which was kind of weighing down our segment margins in the auto components segment. When do we expect that legacy business to phase out so that our overall margins start looking much, much better?

Gautam Maini: So, first of all, our margins are already starting to look better in that area. We have got some price increases on the legacy business. We are pushing for making sure that we are making them

more sustainable. So, the efforts will be on, and these are relationships with customers over 50 years. So, we have to also watch what our new business opportunities are.

And sometimes we have to look at these relationships as a whole. And we are trying to optimize to make sure that we keep the relationship also, but also optimize our EBITDA in the right way. But yes, some legacy businesses do have lower margins, but businesses coming in the future continue to have higher margins. So you will definitely see quarter-on-quarter improvements unless there are seasonal variations. But as a percentage, they will go up over a period of time, yes.

Moderator: We have next question from Mr. Rupesh Tatia from Long Equity Partners.

Rupesh Tatia: I am actually getting to the company of my questions will be very basic. So first question is, sir, this gross block you have, can you give rough split between aerospace and defense and then the other precision components and auto business? Rough split will do, sir.

Gautam Maini: Yes. Navin?

Navin Sharma: One second. We have, if you will look at our segmental result, we already have it in our segmental result. In precision technology business INR152 crores and in aerospace you can see this is INR86 crores.

Rupesh Tatia: Is it total?

Navin Sharma: This is total.

Rupesh Tatia: Our gross block is only INR250 crore. That number doesn't sound right.

Navin Sharma: INR1500 crores and INR800 crores.

Management: INR2300.

Rupesh Tatia: So this INR800 crore gross block, I mean, I don't know how much is land. If I remove the land, what kind of asset turns can we see in the aerospace and defense business, just on plant and machinery, some rough ballpark, just for modelling?

Gautam Maini: Well, if you just look at machines, because your land and building can be either rented or bought, or your own. So if you just look at businesses, which are, for instance, what our current mix, I would say it would average 1:2 ratio of capex roughly. But as you go up complexity, that could come down. And that's what I was talking about earlier, that we have to manage the product mix so that we can optimize EBITDAs and ROCEs.

Navin Sharma: We'll get that breakup. That breakup doesn't come.

Rupesh Tatia: What is like our capex plan for FY '26, FY '27? And then I think we have announced some capex in Andhra Pradesh I think in the media articles number is INR510 crores, would it be over 1, 2 years, 5 years? Some quantitative color around that will be very helpful? Capex, how are we looking for capex in aerospace and defense?

- Navin Sharma:** INR100 crores is the capex that we think that we shall be doing each year because we may aim to double this business in the next 4 to 5 years.
- Rupesh Tatia:** And all of this will be in Andhra Pradesh other than capex?
- Navin Sharma:** All in our existing facility, but yes, largely, it's the new location.
- Rupesh Tatia:** So then this INR500 crore outlay, if I take 2x asset turn, that comes to around INR1,000 crores, right? So even if I assume I don't know, should I assume like INR750 crores of new revenue can come from AP eventually in 5 years...
- Gautam Maini:** Well, again, like I said, there's going to be a product mix involved. So we'll have to see how much of that remains in the old plant, how much of it is in the new location. So the ballpark will move depending on the complexity of parts that will come in, what other investments we will do with that in terms of surface treatment, heat treatment.
- So it's a more complex question because that would all change the dynamics. But in the end, it's just what we've understood very clearly, is as you go up the value chain, you need more investment, your ratios will fall, your ROCE will be slightly lower, but your EBITDA will be higher. So that's the compromise that one has to do. So it's best to have a good mix, like I said.
- Rupesh Tatia:** And then the third question, sir, I mean aerospace and defense, you said roughly 3x of annual revenue is generally what our order book is. But how are the other business segment, Precision Technologies and auto, what sort of order book do we have there?
- Gautam Maini:** Well, in Precision Technologies, also 80% of your order book, if you look at the OEM business is, again, long-term contracts of 5 years or 6 years, et cetera. It depends on each contract. Obviously, we have a business that tools and hardware, which is more dealer-driven, a domestic business. So those have different kind of pulls. But in general, in all the OEM type of businesses, we do have long-term contracts like in aerospace.
- In aerospace, sometimes we have contracts going up to 10 years, whereas in automotive, generally, it's restricted to 5 years. Aerospace companies give you a 12-month visibility on a monthly basis for their schedules.
- So that's how you plan your materials and everything else because you have to export the containers all over the world. And therefore, you need visibility in terms of what they need at the location, which would be 3 to 4 months in advance, you have to probably manufacture it. So there is a lead time there that you need to take care of.
- And therefore, the visibility is very good for that, and long-term contracts is the way to go. So you can predict your sales and the rest of your numbers over a period of time.
- Rupesh Tatia:** And my final question, sir, if I look at the reported numbers, the gross margin is roughly 65% in Q1, Q2. But by the time we come to EBITDA, it's 15% blended, maybe 15%, 16% blended. So, is there a scope to take it to maybe 20%, 25%? And I understand employee cost will always be

high because it is an engineering business, but how about operating leverage from the other lines?

Gautam Maini:

Well, first of all, we are putting all the synergies together in all of the businesses. That is going to give us definitely some gains going forward. We do have some businesses, as you know, it's 52 years old. Therefore, the cost structure in those businesses are different, and we are trying to make sure that we are finding a strategy of how to work towards the direction in which you're talking. Obviously, you can't commit to numbers.

But for sure, we have benchmark factories within us, and we are working on a long-term plan of how we bring increased operational efficiencies and much better Opex conditions, and much more low-cost automation into the businesses. So there's a lot going on now, and you will hopefully start to see results over a period of time.

Moderator:

Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to management for closing comments.

Gautam Maini:

Thank you so much for taking out time to be part of the call and a very interesting conversation. We will remain available to respond to any questions. You can send us on e-mail if you have. Thank you and look forward to talk to you again in the next quarter.

Moderator:

On behalf of Antique Stock Broking Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.