

4th August, 2025

To

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

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

Dear Sir/Madam,

Sub: Transcript of the Earnings Conference Call on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 30th June, 2025:

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and our intimation and outcome letter dated 3rd July, 2025 and 30th July, 2025 respectively, we are enclosing herewith the transcript of the earnings conference call organized on Wednesday, the 30th July, 2025 at 4.00 P.M. (IST) on the Unaudited Financial Results (Standalone & Consolidated) for the quarter ended 30th June, 2025.

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

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

Thanking you.

Yours faithfully,
for CRAFTSMAN AUTOMATION LIMITED

Shainshad Aduvanni
Company Secretary and Compliance Officer

Encl: As above

CRAFTSMAN AUTOMATION LIMITED

Transcript of the Earnings Conference Call held on 30th July, 2025
for the quarter ended 30th June, 2025

This document might contain forward-looking statements that involve a number of risks, uncertainties and other factors that could cause the actual results to differ materially from those in the forward-looking statements. We do not intend or assume any obligation to update any forward-looking statement, which speaks only as of the date on which it is made.

Moderator: Ladies and gentlemen, good day, and welcome to the Earnings Conference Call, hosted by Craftsman Automation Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the opening remarks. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Srinivasan Ravi, Chairman and Managing Director of Craftsman Automation Limited. Thank you, and over to you, Mr. Ravi.

Srinivasan Ravi: Good afternoon, everybody. Thank you for joining this earnings call for the quarter ended 30th June 2025. As in the interest of time, all the financial numbers have been published, and we also have put up a PowerPoint presentation explaining some segment details a little more. So, I will straight away skip to certain data, which is not there in the presentation or in the annual report.

So, I will first talk about consolidated financial ratios. We are at an EBITDA margin of around 15%. And what is very heartening is the net debt to EBITDA on a consolidated basis is 2.27 on an annualized basis compared to Q1. So, we will keep on improving as we move on going forward in spite of the capex.

ROCE pre-tax annualized is 14%. Still the plants are not fully operational, and this will improve. And again, return on equity annualized is around 10%. This is an indicator of the trend which has happened because after the consolidation, all numbers are going for big changes. It is not a Q-on-Q -- quarter-on-quarter comparison in general.

In the stand-alone net debt to EBITDA is around 2.87 because we have borrowed in Craftsman for the acquisitions and even for the capex, which has been done major. So coming to the subsidiaries, DR Axion has been accelerating on revenue. It has been around INR408 crores on the first quarter. Sunbeam top line has been INR291 crores and Craftsman GmbH for Germany has been INR67 crores on the top line.

And Sunbeam has a positive EBITDA, but I think still it is work in progress as we move forward. The milestone is that the Gurgaon operations have ceased as of the end of May and also all labor has been settled, paid off on the matter. So the biggest challenge has been overcome. So, we are still working on the other plants and the equipment has been shifted. So, this is an update on the Sunbeam. So now, I'll open the floor to Q&A.

Moderator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and 1 on their touch-phone 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.

You may note that some of the statements, which may be made by the management team during this earnings conference call, may contain certain forward-looking information, which are not guarantees of future performance and are subject to a number of risks and uncertainties. We encourage you to refer to the disclaimer in the investor's presentation of the company. Further, the management will not be addressing any customer-specific queries owing to confidentiality obligations. We kindly request that you avoid mentioning any customer names in your questions.

Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in this conference, please limit your questions to two per participant. We will wait for a moment while the question queue assembles.

The first question is from the line of Mumuksh Mandlesha from Anand Rath Institutional Equities.

Mumuksh Mandlesha: Congrats on the strong results for this quarter. Sir, starting with just on the Kothavadi plant, sir, any update on how is the order book shaping there? And how do you see the revenue target of \$100 million in next 4 to 5 years? Do you see intact? Or do you see further upside to that number, sir?

Srinivasan Ravi: I'll answer the second part of the question first. 2030, this 100 million target is intact, that is both for the casting and machining of those particular parts. The castings will be done at Kothavadi. Machining will be done at the Arasur plant of Craftsman. So, we are ready and the order intake, I think we are -- our order book has almost crossed 50% of the 100 million target, projected for the annual basis.

Of course, this comes into production in various phases. The prove-outs will be happening in FY '27 mainly and FY '28, and production will start a little in FY '27. And peak production, I think, will be touching in FY '29. This is also in line with the end-market requirement of our customers who are mainly catering these products to the data center customers totally.

So currently, we are doing some engineering parts and the capacity utilization is hardly 5% or something like that. So, we are incurring some minor cash losses, of course, depreciation loss. So, this is why we prove-out the other engineering parts as well as the engine blocks. Some trials have already been taken of one particular part.

So, now the strategy has been in cooperation with the customer that some of the parts are already being produced in Fronberg and there is an increased requirement of volume, the Craftsman Fronberg Guss GmbH. And the same customer is asking for increased volume. So, we are getting the duplicate tooling from there and the prove-out will be happening along with our German team.

And new customers who are coming in who are not customers of Fronberg, they expressed a lot of confidence in Fronberg after visiting them, they have visited Fronberg some of them. And they have mandated that we complete the development in Germany before we shift it.

So we expect that -- there are a few challenges in this sort of business, but we are fully equipped to meet the challenges because of our preparation, our investment and our thorough study from 2020 and careful understanding of the project and customers and also the acquisition of Fronberg, which has allowed us to have a first-hand view of the technology available. And the Craftsman team and the German team are working together. This is the update for Kothavadi.

Mumuksh Mandlesha: Great, sir. Great to see a strong order book there, sir. Sir, coming to this quarter results, sir, we've seen a good sequential growth in the aluminum segment and despite the lower production Q-on-Q for the PV and the CV segment. Can you just explain, sir, will in stand-alone, the growth will be largely driven by the alloy wheel ramp-up, sir? And also margin improvement there also being seen. Is it because of alloy wheel business getting more profitable, sir?

Srinivasan Ravi: As we speak today, whether it's Q1 or going forward in Q2, Q3, the alloy wheel portion of the business is today even very small compared to the entire aluminum business holistically as a stand-alone itself totally, let alone the consolidated portion. So, I would rather put up, I think, less than 15%, 20%. 15% on the alloy wheel. Let me get back to that number. So now the other customers, whether it's domestic and export, there ramping up has happened.

So in spite of the market being slow, our orders, which we won a few years back, started to ramp up. So, we will see the ramp-up continue in the coming quarters for stand-alone Craftsman aluminum business in spite of a little slowness in the domestic industry. So the alloy wheel business is around 13% of our revenue in the stand-alone. So on a consolidated basis, it doesn't make any significant change.

Mumuksh Mandlesha: Got it, sir. Any, sir...

Moderator: Sorry to interrupt, sir, but I may request you to rejoin the question queue for follow-up questions. The next question is from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: First question is on Sunbeam. Now that you mentioned that the machinery has been moved out of Gurgaon. And could you kind of give us some sense on what we can expect in terms of ramp-up there in the next, say, 2, 3 quarters? Will we require any more investments now that you are now running it for the last 2 quarters? You have probably more insights into how we are going to see things ramp-up there.

Srinivasan Ravi: So, you may be aware that what we invested and what labor settlement happened and what capex has been reported in the last year that is already published, I think. So, now let us compare to the challenges. There is a modernization requirement because I think there's not -- the equipments are little -- some of the equipments are obsolete. And now the other portion of the capex is the building requirements and other things, which may come up because of the shifting the Gurgaon plant has left it very congested.

The third aspect is some of the process have been manual. We like to semi-automate it in the view of the -- even today, the cost towards manpower is quite high. From the time we negotiated the deal today, around 50% of the manpower cost has been brought down to 50%. So, there is a long way to go.

That headcount reduction has to happen with better processes in the layout, better productivity, better equipment, which is more productive. That means some of the less producing equipment, I think we have to use it for small volume production. Then it's also some little of automation is required. So, this will have -- it's a trade-off between long-term manufacturing cost versus the capex. So, we are doing it carefully on this matter.

And anyway in the next year, the land will be sold, if not in this year itself, that's what we have already started and we've not put up for sale, but I think that will also reduce the debt going forward. So, our net outflow towards acquiring Sunbeam has been quite reasonable.

And Q2 will be better than Q1 on the revenue side, but profitability side because of the huge ramp-up and the shifting, which has happened, we are still not certain of the margin improvement in Q2. But I think Q4, we can see some reasonable margin improvement. Going forward for the next year, I think it should be far better off.

Mukesh Saraf: Got it. So I mean, as of now, we are not expecting this modernization capex to be a significant number. We're working with what we have already planned.

Srinivasan Ravi: Yes, we have planned, not a significant number.

Mukesh Saraf: No incremental addition to that basically?

Srinivasan Ravi: Yes. So, we are assessing whether the order inflow is going to be there in the future or not. So it will be -- unless the revenue grows in a big way, then there's no necessity for any huge capex there. It may be marginal.

Mukesh Saraf: All right. And my second question is on the alloy wheel facilities. Could you give some sense -- I mean, I think we started production last quarter in Bhiwadi and Hosur will probably come in the second or third quarter. So number one, on Hosur, will we see some one-off costs initially when the plant starts like we saw it in the third and fourth quarter last year? And number 2, on Bhiwadi, how is the ramp-up there?

Srinivasan Ravi: Compared to Q4, I think we have a 20% increase in revenue at Bhiwadi. We have just crossed around INR50 crores on the revenue on Q1. So we will be - quarter-on-quarter, I think the run rate of the same percentage of increase will happen for the next few quarters, barring Q3. So, I think the plant should be more mature in the coming, say, 3, 4 quarters.

Now, we will not see that sort of shake up, which has happened at Bhiwadi, in Hosur. For the simple reason, it was the first alloy wheel plant and we took a short-term decision within a month, and our preparation time was only a few months. We wanted to hit the festive season. We decided in December, started in January and then we started producing in August.

So in this case, the parts are already proved and some production, we are already supplying from north to south a little, and we are going to also -- whatever needs to be proved out will be done before the start of production. So it will be maybe 1 quarter, there can be a small impact. And again, the aluminum segment, but per se of Craftsman itself has become bigger stand-alone. So, that impact might not be visible much.

Moderator: The next question is from the line of Abhishek Jain from AlfAccurate Advisors.

Abhishek Jain: Congrats for a strong set of numbers. Sir, my first question on the Powertrain business. So in a stand-alone basis, what kind of the growth are you predicting for the full-year basis given the muted growth in the CV construction, tractor business? And in the Craftsman Germany, we have seen that revenue run rate is around INR70 crores. How do you see ramp up in the coming quarter in the Germany business?

Srinivasan Ravi: I'll answer the second question first. Germany business is not a growth business. There would be a marginal adjustment. And it's a small plant, and it is quite an old plant and the existing customers and customer base. So, we will be expecting the same thing. We have 140 people, 160 people there with the variable people also. So as hand molded process, and these are very low volume, high-variety parts. So, there is no question about ramp-up per se in Germany.

So the second point on the Powertrain is we will see a high single-digit growth. And maybe in the Q4, we may -- on 1 quarter, we may see double-digit growth on Craftsman stand-alone on the Powertrain. This is in spite of commercial vehicle not doing so well. As you may be aware that many multinationals first in the tractor segment and then a little in the industrial engine segment. And now you can see a lot of news coming today for medium and heavy-duty trucks. India is also going to ramp up in a very big way.

We have the German major announcing that India will become a hub for medium-duty trucks in the future. That means for other markets, they're going to ship out of Chennai. And we have seen the Indian biggest commercial vehicle manufacturer announced an acquisition plan in Europe, which I saw in the news today. So, this means that as I've been mentioning earlier also that India is the right place for the Powertrain manufacturing for whether it's a small tractor or medium duty to medium-duty -- our heavy duty is actually medium-duty trucks.

Then light commercial vehicles, and also construction equipment of the type which is being used in India, which is required in other parts of the market, India is becoming a perfect fit for being a manufacturing base for the multinationals. So the export of these products will happen through the multinationals. So, we will find more investments coming into India from the multinational companies and also Indian companies becoming really large corporate multinational companies, Indian names also.

So, this is the growth trajectory for the conventional powertrain of Craftsman, which I have mentioned a few names about tractor manufacturers and engine manufacturers in the past. And we are going to expect more and more of this. On top of this, we have added now the large stationary engines, mainly driven by data centers for the AI, which is a growth story for the next at least 7, 8 years. So the Powertrain segment is set to grow in total.

Abhishek Jain: And my next question is on the aluminum side. So, we have seen a very strong revenue growth in the DR Axion in past 2, 3 quarters. What is the key reason? Is there any price hike? And will INR400 crores quarterly run rate to be continued in the coming quarters in DR Axion?

Srinivasan Ravi: No, I don't want to comment too much on that because there are only a few customers there. Some customers we have already added now, but that's still not -- revenue is far away, but we'll be continuing to add more customers there for DR Axion also. But stating that, we are first focused on our key customers. I think there, we are very, very, I think, extremely focused on giving them very good quality service and products -- for their products for the Powertrain.

There can be a little movement up and down on the alloy price and the alloy price is a pass-through. So, there may be some fluctuation on the top line. And we had a little of exports going to back to Korea, which is going to continue for a few more quarters. So, there's no doubt about that or maybe more than a few more years. Let us see how it comes.

So, you may be aware even in Korea, EV has slowed down a little. So, we expect the sort of ICE cylinder blocks, cylinder heads, whatever maybe, which is required in the market to continue to be stable or grow. And we also see a new trend coming into the picture on passenger vehicles. It is not the Indian number 1, number 2 companies, which are basically Japanese, Koreans and also we have 2 large Indian players doing very well in the Indian market in passenger vehicle.

The small passenger vehicle market, I think the other European players and other even Japanese players may make India as a hub for the small engine manufacturing in the future. For the similar reason of the -- whatever India requires in Indian market, we will be able to export also because there is a good -- even in the 2-wheeler, we see the same trend.

Moderator: The next question is from the line of Mitul Shah from DAM Capital.

Mitul Shah: Congratulations on a very strong operational performance in this challenging environment. Sir, first question on utilization, if you can help with broader numbers on various segment-wise utilization?

Srinivasan Ravi: On Powertrain, on the commercial vehicle portion of it, utilization is very low. I think it is around less than 60%, depending on the customer, depending on the product, even maybe at 50% level. On the farm sector in the current quarter, it has been at a higher level, I would say, around 70%, 80%. And in the SUV segment, I think it is around 70%, 80%. On the construction equipment on the Powertrain, it has been quite poor because of the emission norm change, which has -- there has been some lot of pre-buy. So, I think I hope I answered the question on Powertrain.

And I'll move to the aluminum. Aluminum, there is -- yes. On the aluminum side, we are looking at a diverse customer portfolio in Craftsman. And the -- whatever is the growth/degrowth of each of the customers in the DR Axion, it is already mirrored in, but that has been a little offset by -- you know that May is always a weak month. There is a shutdown of one of the auto players for 2 weeks for their annual maintenance. So that is a seasonal effect, but I think we had some exports. We have done okay in DR Axion.

Similarly, on Craftsman side, the capacity-wise, plant-wise, when we look at it, the variety of parts what we are getting in and the other direct, indirect exports have been growing. So, capacity utilization is already touching around 75%.

And going forward, it may enter the critical mass of 80-odd percent, which is a little risky on a few months on the festive season. So, we have good visibility going forward. So, we will be adding capacity in the coming quarters also for - in view of the next year's festive season.

Mitul Shah: And second question on margins. The Powertrain margins are at a highest in last 4 quarters, 15.2% despite more or less production but by a few players as well as industry-wide slowdown in terms of the PV and CV production. What could be the reason for reasonably good margins on this segment?

Srinivasan Ravi: Earlier, post-COVID, the ramp-up was very steep, and we had no chance to do repair and maintenance for a long time. And we had undertaken a lot of improvement activity, repair and maintenance, modernization, many things in the past and there's a lot of expenses were booked in the many quarters, I think around 5 quarters on almost a continuous basis. Now that is behind us, number one.

Number 2, with that, we optimized all our costs. We have not added, per se, any manufacturing plant in the Powertrain. In the past, we added one more plant last year adjacent to the current plant in Faridabad that had a cost strain for us on this matter. But as things are very stable and no expansion is planned there other than the large engines, the expense has been controlled. So, this is the real state of affairs.

But in the future, let us say, in 1 year later or 2 years later, we again go for an expansion because our order book is very high for some reason. We may see again production margins for 2 quarters because the expenses will precede the revenue coming in. That has to be factored in, in the future. But I think now any revenue increase will even further help us for the operating margins.

Moderator: The next question is from the line of Joseph George from IIFL.

Joseph George: Sir, I have 2 questions. One is in relation to the aluminum segment margins -- aluminum segment within the stand-alone entity. So this quarter, we have seen that margins have shot up. So, one is what are the drivers? Second is, how is the sustainability as you see it? And third is, as the alloy wheel business continues to grow and becomes a larger piece of aluminum, do you think these kind of margins will sustain?

Srinivasan Ravi: I'll answer the questions in a sequence and please come up with follow-up questions so that clarification is complete. One thing is the traditional aluminum business of Craftsman has got only 2 locations fundamentally. One is in Coimbatore and one is in Bangalore. And we are operating at optimum capacity already now. So, this is giving good operating leverage that is helping our profitability.

Now the Bhiwadi plant, which was a drag on for almost 2, 3 quarters, I would say, 3 quarters, and now at least it has been EBITDA positive, but not EBIT positive, I would say, but EBITDA positive. So that drag has stopped. And now that we expect Bhiwadi, aluminum alloy wheel also to start giving some margins at EBIT level. So, still the portion of the -- even though alloy wheel has been ramping up, the portion of the alloy wheel business has been only around INR50 crores in the last quarter when compared to the top line revenue on the aluminum business, which has been around INR377 crores. That means it's around less than 15 -- 14%, which I mentioned, 13%, 14%.

So the plant of Bhiwadi has been placed in a bigger location where Sunbeam Gurgaon plant also has been shifted and the adjacent plot and building have been allocated to Sunbeam. So, our overheads are reasonably well controlled because the Tapukara plant of Sunbeam is also hardly 10 minutes away from the current Bhiwadi plant, totally.

So, this sort of better operating leverage will lead to the alloy wheel margins also being improving steadily as the revenue growth in alloy wheel happens because the entire overhead of the plant is not a stand-alone alloy wheel plant. So, that is an advantage there because now we have pressure die casting.

We are also contemplating in the future whether large tonnage machines of Craftsman high pressure die casting, we want to put it up there or not. So as a composite plant, we are confident about the alloy wheel project.

Joseph George: Understood, sir. Just one question -- rather the second question was on relation to capex. So, what's the guidance for capex for FY '26 on a consolidated basis?

Srinivasan Ravi: On a consolidated basis, we are looking at around INR800 crores for, say, around 20%, 25% -- 20% growth rate, which we have factored in, in our capex plans. So the way I look at is that it depends on what happens in the near future. For example, we have announced the plant in Nagpur way back in, say, '21 and it still is in the land stage. So, there is opportunities which are coming, we are not really concerned about doing a little capex. But I would say that we are very careful with the group debt. So now when the land sale happens at Gurgaon and then we see visibility of debt coming down quite dramatically, then we may undertake capex if the opportunity is there. Otherwise, we may

have to let go the opportunity also. So, this will be a function of the market and our performance.

Moderator: The next question is from the line of Mumuksh Mandlesha from Anand Rath Institute Institutional Equities.

Mumuksh Mandlesha: Sir, on the storage side, we had a target about 20% growth for this year. We maintain guidance and also for the margin over 5% should be achievable, right, sir?

Srinivasan Ravi: I think we can look at an EBITDA margin of around close to 4%, up and down. I'm not sure exactly because it depends on project to project. It's not an order book, which is there when we can have our margins very stable, but we are gaining traction there and more visibility in the market. And even today, if you look at the revenue portion, it looks big, but I think the amount of capital employed is negligible there. So when you look at the valuation portion of it as a whole of Craftsman stand-alone itself, it is very less. So, I think we will be giving it a little more time to look at, but it's a scalable business. That is one advantage that without capital, we can scale the business. So, since now we are now 5 years into this business, I would rather give it another 6 months to 1 year and then look at it how we will be able to scale it to the next level.

Mumuksh Mandlesha: And for the top line growth, sir, how would be the growth, sir?

Srinivasan Ravi: Top line growth, just give me a minute, please. Around 15%, sir. 15% is the top line growth.

Mumuksh Mandlesha: Got it, sir. Sir, and on the full-year target, which we earlier shared about INR70 billion revenue and INR11 billion EBITDA and INR6.5 billion to INR7 billion EBIT, do you see any change in the guidance, sir, in the full year? Or any upside, sir?

Srinivasan Ravi: No, nothing changes. I have given these numbers even before all the tariff wars started, it was much before that. And this is the first time we have given guidance. And why we've given the guidance is that there's a big change in our business model, per se. So for everybody to understand where it look like after 1 year we have given.

And we are at that run rate, and there may be some headwinds in the global markets or anything. We had also a near-war situation, which was stopped at least. So, we stick to the guidance. I don't see any change to downgrade the guidance. There can be an upside depending on how Q4 behaves.

Mumuksh Mandlesha: Got it, sir. And sir, lastly, can you share what is the absolute net debt number for this quarter -- end of this quarter, sir?

Srinivasan Ravi: Pardon?

Mumuksh Mandlesha: Net debt number end of June.

Srinivasan Ravi: Debt number? Okay.

Mumuksh Mandlesha: Yes, net debt number.

Srinivasan Ravi: Net debt. Okay. Net debt consolidated is around INR2,400 crores.

Moderator: The next question is from the line of Ajox Frederick H from Sundaram Mutual Fund.

Ajox Frederick H: Congrats on a good set of numbers. Sir, my question is on Sunbeam. If I'm right, you mentioned the quarterly revenue to be INR291 crores, right, for this quarter?

Srinivasan Ravi: Yes.

Ajox Frederick H: And what was this last year and last quarter, sir?

Srinivasan Ravi: Last quarter, because the previous year, we are not in operation.

Ajox Frederick H: In the last quarter?

Srinivasan Ravi: Yes. Q4 was around INR300 crores.

Ajox Frederick H: Okay. Okay. And sir, incrementally, will we be increasing our client base here? Or what is the visibility we have, particularly on Sunbeam's case, let's say, 1 year out?

Srinivasan Ravi: One year is too short a period for us to look at it because you know that we are -- the next 6 months or 9 months will be on a consolidation basis. So, we might not be very keen to add clients in Sunbeam. Of course, there are clients are being added in Craftsman. We have an overlap there on this matter, but we are more on the high tonnage. Their end tonnage and our start tonnage is more or less matching.

So, we will address it either from Craftsman or from Sunbeam as the time comes totally. Our idea is how to satisfy our existing clients on delivery and quality, which is most important going forward and also reduce the operational cost in the plant and improve operational efficiency. So without that, we don't want to really expand the Sunbeam operations until we are very sure about the stability in the financial results and also our deliverable to the customer.

Ajox Frederick H: Got it, sir. And secondly, sir, on the land, we were supposed to sell it sometime this year, right? Now it's getting shifted to next year? Or what is happening there?

Srinivasan Ravi: So, nothing is happening there. See, we just got the AGM through and we got the approval only last week. So, we cannot jump the gun and start trying to do that activity. And you are aware that the process -- there is some portion of the land, which will be acquired by the Haryana government for some expansion, which we have received some notices last month. So, we are analyzing that. We know that it's coming. So it's around 10% of the land.

So after that, what is the residual land, what's the value? We are trying to analyze the value. We know that we have put a number of INR350 crores. It was earlier looked at around INR275 crores, then it was INR350 crores, which is in our Sunbeam annual report also on this matter. We are trying to maximize the value. Trying to sell land in a hurry also is a problem that we might not get the right price. What is on public domain is INR350 crores, but our aspiration is to go much higher.

Moderator: The next question is from the line of Kumar Saurabh from Scientific Investing.

Kumar Saurabh: Sir, earlier we used to work around 20%, 21% margin, and we have come down to 14%. And I know in previous con calls, you have told that we may go back to 16%, 17%. But what is it which is stopping us from moving back to 20%? Is it like earlier we used to do more machine and that the mix will decrease? The question is what is the gap? Where is the gap between 16%, 17% to 20%? And is there a way to fill this gap or 17% is where we would stop? Or I mean, you will take it as time progresses rather than giving guidance?

Srinivasan Ravi: Sorry, I will try to answer that in a different way where everybody can understand very easily. Stand-alone on the Powertrain business, today, we buy more castings than we used to do in the past. Even then our Powertrain business is showing much more than the 20% margins, much higher than the 20%. So, aluminum business was non-existent around 10 years ago, and it was a small portion of the aluminum business. So, that means predominantly Powertrain was determining the EBITDA margins.

The product mix has changed. Aluminum has become quite big now. The revenue on the aluminum is quite big. So, that means that the aluminum is a pass-through. So, our margins do not come from top line at all. Our margins come from the derived from the gross profit. So tomorrow, aluminum prices increased by 50%, our margins optimally will further come down totally. So, please look at our gross margin and then derive from the gross margin, where margin, I think we have been pretty stable over the number of years.

Moderator: The next question is from the line of Abhishek Jain from Alf Accurate Advisors.

Abhishek Jain: Sir, in this quarter, we have seen that the finance cost has gone down quarter-on-quarter basis. While you have mentioned that the net debt has increased from INR1,900 crores to INR2,400 crores. So, just wanted to reconfirm that net debt has INR2,400 crores or it is lower than that?

Srinivasan Ravi: 3 acquisitions happened in the last year. The balance 24%...

Moderator: Sorry to interrupt, sir, but your voice dropped. Could you please repeat your answer?

Srinivasan Ravi: Yes. Last year, we did 3 acquisitions, the 24% of DR, the Sunbeam acquisition and also the Fronberg acquisition. And we had 2 greenfield projects coming up last year, and we had capex in almost all the plants. So it is a question of how much outflow has gone for acquisitions and how much capex we have incurred. So the debt has been a function of that.

Abhishek Jain: So then at the end of the year FY '26, what kind of the debt reduction we can expect?

Srinivasan Ravi: See, debt we measure with the level of net debt to EBITDA. I think that ratio will keep improving.

Abhishek Jain: Okay. So, do you have any target for the debt reduction for the next 2 years?

Srinivasan Ravi: So the aspiration is, from our side, we are doing a fine balancing act between customer growth expectations. And if you say no to customer, customer will find another supplier who will also take away, over a period of time, all the new businesses, which will lead to degrowth in Craftsman. Second thing is to maintain all the, I would say, the key personnel and things like that. We need to have growth.

The third portion is that we have an inflation of 6% in the country. So, growing at 6% to 8% means standing at the same still. So, we'll be on a declining level of margins as and when we do. Second thing is there is expectation of shareholders that there should be a growth in profitability going forward. So, I think the net debt and everything will be -- always we'll be looking at net debt to EBITDA. It's not the absolute debt we are looking at it.

See, suppose the EBITDA drops to half, then I think we will stop all capex, all acquisitions, everything like that. At the same time, if EBITDA grows quite significantly in the coming year, so we may keep the debt level at the same level or maybe lesser because we might not do capex, then the debt will also reduce further. So, I think we have mentioned in our earlier earnings call also at what level we will be comfortable. I think 1, 1.5 is very comfortable. I think 2 is not a bad number. All financial institutions, all lending institutions look at 3.5, 3. So, I think we are on a reasonable traction.

Abhishek Jain: Okay. And next question is on the revenue target for the aluminum segment when all plant would be operational in FY '27 with full listing? So, just wanted to understand how would be the revenue growth in FY '27 because all plants will be operational and plus the serving will be with a full listing.

Srinivasan Ravi: We will be outgrowing the Powertrain in the aluminum segment. Aluminum segment will outgrow the Powertrain. That is very clear on this matter, stand-alone as well as consolidated. And aluminum, we have been always saying that the growth potential is quite high. And we have shown from the past as the stand-alone number on the aluminum, what has been the growth for aluminum quarter-on-quarter? 56% has been the growth compared to Q1 of last year to Q1 of this year that means stand-alone, I mean. That is without -- with a small contribution.

Even when you remove that INR50-odd crores of the alloy wheel business, even then we look at it, the growth has been -- around 34% has been the growth in the stand-alone aluminum business, apple-to-apple. So, I think around 15%, 20% growth on the stand-alone aluminum business without alloy wheel and alloy wheel itself will be another growth story, which we are looking at. So the growth will continue, yes.

- Abhishek Jain:** That means the 20% growth will continue for the next 2, 3 years in the aluminum business?
- Srinivasan Ravi:** I mean without alloy wheel itself, we will continue at 20%. Alloy wheel adding will lead to some surges in some quarters, then it should stabilize. So overall, I think when you look at the CAGR for 4 years, then I think 20% to 25% is okay.
- Abhishek Jain:** Okay. And my last question is tax rate. So, what would be the tax rate for FY '26, sir?
- Srinivasan Ravi:** Everything will be same as Craftsman and DR is concerned, which is for all companies. Sunbeam, we have some tax shield, which is there. We have some unabsorbed depreciation. I think the tax portion will be around INR100 crores, INR140 crores, something like this. Yes.
- Abhishek Jain:** So, that means that tax rate would go below 20%?
- Srinivasan Ravi:** No, for DR Axion and Craftsman, it will be the same as applicable for all companies. For Sunbeam alone, we have a tax shield for some few years, which will be around INR100-odd crores tax will be available on unabsorbed depreciation of around INR400 crores.
- Moderator:** The next question is from the line of Mitul Shah from DAM Capital.
- Mitul Shah:** So, only one question on global macros based on our discussion with a few key global OEMs. Do you see any near-term deferment of the projects or capex for next 2, 3 quarters? Of course, we are betting big on the FY '28 onwards for us. But in general, just to understand the global environment of the auto OEM side.
- Srinivasan Ravi:** See, we have to look at specifically the weather forecast for Craftsman, I would say. I think our -- even though we are connected to the global business fraternity, how our customers perform is the key and what is our customer strategy and whether they are winning in the marketplace.
- We have one German truck manufacturer who is also a customer who has announced in the public domain in the global platform itself that India is going to be a growth story and a few thousands of people are going to be hired here, and they are going to use the medium-duty platform across the rest of the world. This has been a listed company giving a public statement in the global environment. So, this means that the customer is going to grow. That means there can be an opportunity for us.
- Similarly, we may have a few customers, whether it's in the 2-wheeler or passenger vehicle, which are growing. So when they're growing, we need to do that. I mean, they are growing in despite of the global headwinds. So, we follow the current customer base and we follow our instinct on exactly how the market is going to play.

We are not taking any long-term just a strategic bet, just like investing for the future. Everything is based on hard reality. There can be upside, there can be downside because there can be changes in the market environment. But if we don't follow the customer, I think we'll default on our supplies.

Mitul Shah: So conclusively, we can say that our key customers are outperforming or outgrowing the industry situation of slowdown?

Srinivasan Ravi: Not all customers. Commercial vehicle in general has been down. So it is not that we have done. Tractors, almost everybody is doing well. Construction is not doing well. But I think wherever there is a need on that particular segment, that particular plant, that particular product, we need to invest. It is not about capex available in our Coimbatore plant, cannot be used in our plant in Jamshedpur, not in Pune. We may then have to move the machines up and down. Yes, we have done that in the past. But I think this depends on actual demand only.

Mitul Shah: Yes. Understood, sir. Sir, as you just highlighted in terms of this sale of land at Gurgaon, but what timeline roughly you as a company internally expect to get it done in FY '26 itself or it may take nearly 1 year type of time frame to maximize the fair value?

Srinivasan Ravi: See, sorry, I'll decline on this matter. If I put a timeline, you know very well how it works in this business that we may lose on the value of the land. So, we are not desperate to sell the land and we know that we can delay it as long as we get the right value. It's not a problem. It's a question of value -- time value for money. And if we think that by delaying, we'll get more than the interest what we are paying to the bank, I think we will delay it.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I now hand the conference over to Mr. Srinivasan Ravi for closing comments.

Srinivasan Ravi: Thank you very much for joining the call and staying with us for this time. Thank you.

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

(This document has been edited for readability purposes)