



“Emmforce Autotech Limited
H1 FY '26 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day and welcome to Emmforce Autotech Limited H1 FY '26 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ashok Mehta, Chairman and Managing Director. Thank you and over to you Mr. Mehta.

Ashok Mehta: Hi, good afternoon investors and shareholders and our colleagues. So, I'm here to present the H1 FY '26 financial results to all of you and this is our first presentation on demand of all our investors. So I will try to keep it quick one though, you can already see what all has been published on the BSE, but just to give you a brief idea the type of products I would start with the type of products that we do.

So our primarily products are the type of products that we offer our rear axles, front axle shafts, power transmission shafts, cardan shafts, W joints, slip yokes, end yokes, flange yokes, hydraulic pump, hydraulic gear pumps, locking hubs, differential housings, spindles, gearshift towers, floater hubs, pro-lockers, intermediate shafts and forgings and in our agri-division rotavators and other agri-equipments and rotavator blades per se apart from the forgings.

So the type of customers that we deal are Dana in USA, Gorman USA, Ford Performance in USA, Manitow in USA, Powertrain Industries in USA, NIPCO in USA, TAFE in India and Case New Holland in India. So, these are our main big customers apart from other small as well there are many more.

So I think in my last presentation also I shared that this you know from portfolio to advantage the – as to the categories in which there is a growth. So, I would not like to take your time in repeating that.

I would like to come on to the main subjects for which you are here and another slide that I have added is basically, our core capabilities, when people basically a lot of why this is a important slide for us because a lot of people actually try to understand why are we not like the other automotive ancillaries and what makes us different and why do we say that we cater and we have a niche product range and you see in terms of our core capabilities what we are.

So we are basically, it is basically a precision engineering excellence that we provide and our products are like OEM grade, we follow OEM grade standards with strict quality checks, majority of our customers because our background has been that we started with the racing industry and we have like end-to-end in-house capabilities, where we see we have the least outsourcing.

So, we have our in-house R&D, 3D and 3M scanning, benchmarking, we have fully equipped metallurgical and metrological lab, press forging, machining, gear cutting, broaching, grinding, heat treatment and then add on to is the laser cutting, hydraulic bending, fabrication, surface treatment, powder coating, we can go up to even 10 feet long parts and then assembly, which is an end-of-line testing for ensuring quality control, cost efficiency and faster delivery.

Another unique feature is our scalable manufacturing. So we have Modern CNCs, robotic cells and agile production lines capable of both high and low volume batches which is rare. Generally, you would either see people on to the low volume or high, but mostly high but we are able to produce both on the separate lines.

And our focus has always been on R&D. Approximately 2% of our annual revenue is invested in R&D for product innovation and process efficiency and this is again very, very rare for a company maybe 10 times our size. Coming to the main slide, where we are going to present our results from H1 FY '26 this half-year versus the last half year first – H1 FY '25.

So, firstly, I would like to present the standalone financials, which is basically the Emmforce Autotech Ltd loan. So this half-year, the turnover adjusted 33.33%, which is reflecting an improved capacity utilization and continued customer confidence in our products, despite the tariffs and I'm very, very happy to tell you that within USA itself because a lot of investors had this concern that our businesses will get affected in USA.

So, specifically, I must mention that within USA, this half-year, our business vis-a-vis last year has grown 39.12% or say 40%. So, it was INR29.52 crores last year in the same half-year and now it is INR41.07 crores.

So, the EBITDA has increased by 9.69% supported by a continued focus on cost optimization, better product mix and operational efficiencies. The profit after-tax has recorded a strong increase of 12.5%. A lot of people were concerned whether a profit will be affected so it is up.

The fixed assets have witnessed a significant rise of 45.35% for the investment made for the new INR470 crores order expected to be started anytime now. So, a lot of people are anxious to see this order running in. So, we will discuss about it for sure in the coming time.

So, as you can see from the slides, so all these numbers and then I will come on the consolidated numbers. So, consolidated total income rose by 43.78% and EBITDA grew by 2.73% reflecting an operational improvement and a better absorption of initial ramp-up costs in the subsidiary.

Consolidated path declined by 16.64% primarily due to higher depreciation associated with new asset capitalization in the subsidiary company. However, the subsidiary's cash loss reduced significantly by 62.7% compared to FY24 reflecting an improved operational performance.

So, I must mention here that this year, we are now all the setup of our subsidiary is fully operational. Of course, there had been some delays but whatever was gone is gone and everything is now fully operational and we are working towards growing this business.

And coming to the client contribution again, it has remained, if you see all these charts, so it has remained more or less on the similar lines. The top one is now 47% of our business, same like last year and the top three are 71%, top five customers are 83% and top 10 are 93% of our business which is more or less aligned with the past performance and past numbers and this is going to change as our new business starts, the one that is about INR55 crores that we have already said.

So, coming to the major strategic wins with the new business that we have, we could get. So, despite the enforcement of tariffs by the U.S. government during the past six months, we have added three new U.S. customers who along with two existing U.S. customers have awarded an annual business which is expected to be about INR10 crores and this number is growing for your information.

The PPAP samples of hydraulic gear pump is approved by the customer, the customer is conducting field trials and once approved, the production POs will come. This will be hopefully in the next quarter which is the last quarter of this financial year.

Another good news is that we secured a long-term supply order of approximately INR10.5 crores annually for manufacturing and supplying drivetrain parts from a U.S. regional equipment company. So, this is something, a very, very good win for us and this business is also going to grow with more products which are being, which are lined up.

And coming to some more, major execution wins that we had, so now they are dedicated state-of-the-art greenfield manufacturing facility constructed and brought into production for executing this new OEM order is ready.

The product verification samples are approved, commercial production go-ahead is expected anytime once the initial technical issues or discussions are resolved. So, typically, whenever there is a new project of this size, there are a lot of, last minute hiccups and everything because the OEMs want to be very, very sure in terms of that there is not going to be even a single scope of any because their recall rate cannot really go high and their losses and resources are very limited. So, they do not really want those losses to happen tomorrow, they want a perfect product from day one.

So, but there is another good news to that also because the customer's volumes have really gone up and they are expecting some more business in the same line which we are working on that as well. So, that is also another hiccup that has been because customer wants about 20% more production from the same plant and that we are now working on to do it and the next one month we will add that as well. We will work through that without any capital investment.

So, production of agri-equipment project and rotavator blades in our subsidiary has started and deliveries have also started and this will also slowly ramp up. TAFE is the new customer that we added for rotavator parts and they are in full production now since July '25 and their business is also growing. And then rotavator blade samples are under approval with OEMs. We have about 30,000 square feet area for sub-assemblies and warehouse to take care of all the new

project demands. And in view of the new business awarded, forging plant is expected to run on two shifts by financial year end of this year 2026, which should add to their EBITDA margins.

So, all-in-all, I would say, this half year the strong momentum from the last year continues as the company advances its transformation journey with consistent growth and operational excellence. We have secured that order of INR10.5 crores and this is going to go up and we expect a big growth in our drivetrain components business.

All the production facilities are now fully operational so we do not really look into any major capex right now. And our focus is going to be again on R&D going forward and on the operational excellence.

So coming to the profit and loss account statement. So, our gross income has for this half year has been, I am talking about standalone first and then I will talk about consolidated. So, standalone has been INR49.64 crores in Emmforce Autotech and again INR37.23 crores in the same period last year.

And the profit before interest and deposition is INR11.07 crores against INR7.57 crores last year. Finance cost remains the same at INR0.98 crores. Depreciation is INR1.45 crores against INR1.28 crores and net profit before tax is INR8.64 crores against INR5.31 crores and PAT is INR6.43 crores against INR4.29 crores. And on consolidated basis, the gross income was INR53.63 crores this year and it was INR37.3 crores last year.

So, profit before deposition and interest was INR11.09 crores and it is INR7.51 crores against last year. Finance cost more or less remains the same from INR1.16 crores to INR1.26 crores and deposition has been the major thing since it is a new project and we do not work on a straight line. So, that is why you see a bigger deposition. But a good part about that is that we are working on written downs.

So, going forward you will see lesser deposition and more profit. So, it is INR3.17 crores this half year against INR1.97 crores last and the profit after tax is INR4.05 crores against INR3.38 crores.

So, this is primarily because of the deposition that has impacted us because in total if you really ask me, it's about INR1.72 crores worth of depreciation that has affected our profit and there is a cash loss of about INR30 lakhs in the subsidiary, which is going to get covered going forward in the next 6 months and then another INR36 lakhs is due to the liabilities -- deferred tax liabilities, sorry.

And coming to the balance sheet, as you can see everything is quite healthy. I think I would leave it for you guys to ask any questions if you have any doubts on this instead of taking your time. So, I will skip that and coming to the cash flow statement, some of the investors had a concern asking me when is it going to be positive.

So, the good news I told them by the end of this year, but within the half year, it is we are net cash flow positive and it is INR10.74 crores, which has been generated from operating activities against a minus of INR8.98 crores. So, you can see almost INR20 crores turned around.

So, I would leave this cash flow statement also to you guys and I think all those outlook that I have already shared with you guys, maybe you have any questions.

I would rather like to leave everything for you guys to ask any questions. So, Mr. Ishu, you can go ahead with the question-answer-session.

Moderator: Thank you. We will now begin the question and answer session. The first question comes on the line of Jatin Chawla with RTL Investments. Please go ahead.

Jatin Chawla: Hi. Good afternoon and thanks for the opportunity and congratulations on a really strong performance in especially the standalone business. My first question is on the subsidiary. So, when I look at the numbers, it seems almost INR18 crores of assets have gone live in the first half in the subsidiary.

In addition to that, there is a INR28 crores long-term loan in advance that is given from the standalone books. I am assuming that will also with this agri-subsiary and there is some debt also in that entity.

So, all-in-all, almost INR50 crores of investments in various forms in the subsidiary company. So, what sort of revenue can we get from this investment? How do we scale up in the second half of this financial year and FY '27 as we look forward on the subsidiary specialty?

Ashok Mehta: Sir, that is a very good question. No doubt. Yes, all these investments have gone into this and we really have very high hopes on this business. So, practically said, the only thing is since this business just started, so, of course, any new business and this is also a new line for us, so, it will take a little bit of more time to ramp up or of course, the response to our products has been very good.

And I would say this business is primarily right now into three divisions itself. One is the forging. So, -- second is the rotavator blades and third is the agri-equipment. So, this investment has gone into three parts.

So, in terms of the forging, now we have got orders and the toolings are being made. You know that new orders that we are getting in, they are all going to be using our own forging that we have in-house. And those samples, some of them are getting approved, some are being made.

So, this coming half year is going to -- by the end of this half year, we are going to see this plant being used on two-shift basis and next year, we are going to be on all three-shift basis for the forging. So, this is going to be related to our driveline business and this is going to add to the EBITDA margins of the driveline business as well.

And coming to the agri -- rotavator blades business, of course, this business is something, you know, where by the time we started, the season was a little off, but the products are already there on testing phase and once they are approved, even TAFE is also testing those.

So, they need to basically be very sure of the product quality and once these are approved, the business automatically will come like 100% of whatever TAFE is producing will immediately

come to us. Plus, we are in the process of making distributors. We already made and those distributors have also bought products and testing the products. And going forward, I think this business is also going to -- next year is going to be a good number for this.

Third is the rotavator business. So, we have like, as I said, TAFE is one customer where they have given us a very good business and we started billing them, you know, almost like, I think more than INR1 crores, almost or you can say average INR1 crores per month right now.

And this number is going to grow as they grow their business because this business came to their Parwanoo division only this year and then they are going to add to their product portfolio and our business size is going to grow considerably with them.

Apart from this, we have also tied up with another, you know, brand for which we are going to do contract manufacturing and their first order has already come and will be going this month. So, all-in-all -- plus our own brand, you know, we are, we put on those products and people are testing.

So, I think all-in-all, next year is going to be a good year for these. Of course, it may not be the best year because this is, you know, practically next year is going to be the first full year properly. But we expect like FY 2027, if you ask me, we are expecting anywhere, all complete, it should be anywhere about INR50 crores to INR75 crores business. And thereafter, this business is going to go big time up. I mean, I'm just trying to be conservative instead of giving you very aggressive numbers.

Jatin Chawla: Even INR50 crores seems like a very aggressive number, because first half, the revenue is only INR4 crores, right, on the rotavator side. And rotavator blades also, you mentioned that they are under approval or have you already received order for that also?

Ashok Mehta: We have sent, basically, whatever sales we have made, we have made some new distributors and those distributors are also trying to gain the competence on the product. So, they have put the product in the market, testing it, seeing what the market response is. And the OEMs, let us say, Tefe is already testing those parts for the last two months that we have sent them.

So, they are doing all those field testing. So, once that field testing is approved, then they will shift, immediately they will shift their business to us. There is a major saving that is coming to them.

So, immediately they will shift 100% of their -- because every rotavator they make, they're going to use about 50 blades. So, that business will immediately come to us on day one itself. And then there are others also, which are working through and whatever rotavators we will make, we will use the same blades. So, that's how this journey is going to be.

Jatin Chawla: Great, great, fantastic. I think on the forging side, you mentioned...

Ashok Mehta: Sorry, one more thing. Forging, when I was just talking INR50 crores, I was also talking forging as well, because that's a complete mobility business, subsidiary business.

- Jatin Chawla:** Right, right. And the forging side, you said the plant should be running at about two shifts by the end of this half itself.
- Ashok Mehta:** Yes, yes.
- Jatin Chawla:** So, what sort of margin benefit do you get by internal sourcing of forging, because I'm assuming otherwise you would be sourcing forging from outside?
- Ashok Mehta:** Absolutely, sir. So, typically these are new products that we have added. So, if I see on a combined basis, I would say it would be whatever business we do. I'm honestly, I've not calculated in terms of total impact on the EBITDA or on the profit. But, of course, I would say once we are into utilization of capacity, this is going to be a better product.
- And probably, some percentage minor, I would say 0.5 to 1 percentage. I would not really go aggressive on this also. But of course, the biggest thing is going to be the more reliable product that we're able to better deliveries and better EBITDA for sure, because whatever margins our vendor was taking, that margin is now at our home.
- Jatin Chawla:** Got it, got it. Sir, in the standalone business, when I look at numbers, your gross profit margins have been continuously improving. So, first half of FY25 was 40%, second half 42%. And this first half 2026, it is almost like 44.5%. So, what is driving this significant improvement in gross margins? I'm including other manufacturing expenses also, so which is right?
- Ashok Mehta:** So, I would say it is a mix of three. One good factor has been the currency, because the foreign currency, US dollar has given us some strength on this. Second would be the operational efficiencies, and third could be the product mix. Because when more profitable products, basically, when we try to add more and more, sell more and more value-added products that basically contributes to the margins.
- Jatin Chawla:** Got it, got it.
- Ashok Mehta:** And fourth thing is basically, because there is some business that we do trading, because – which is from our other group company, which make excel charts. So, that company, whatever order comes, we don't really take any big margins on that. We just keep 1% or 2% margin here. It is basically to help them. So, that business is more or less stable. And the other business is growing, so which is actually profitable. So, automatically, it adds to the profit.
- Jatin Chawla:** Got it, got it. Thanks a lot for answering my questions. I'll get back to the queue.
- Ashok Mehta:** Most welcome, sir.
- Moderator:** Thank you. Next question comes from the line of Rahul Misra, an Individual Investor. Please go ahead.
- Rahul Misra:** Yes. Hi, thanks for taking my question. Just on the CWIP, we still see a signal amount of about INR21.5 crores. What does this pertain to?

- Ashok Mehta:** Yes, sir. This is basically the new project that we have set up for the big order that we are talking, where the commercial production is yet to start. So, we like to keep the things very transparent. The day this product, commercial production starts, this will be capitalized.
- Rahul Misra:** Okay, okay. And just on this order, so you say that it should start anytime soon. I just wanted to understand how will this ramp up and what revenues should we expect in this year and next year in terms of that?
- Ashok Mehta:** Sir, we are expecting -- honestly, we are expecting anything about INR20 crores of revenue this year. The honest expectation is that this should basically -- that's because anyway, we cannot control the customer. But of course, the customers now also a senior team is already in India, and they are going to visit our vendors and us going -- starting forward tomorrow.
- And their senior -- very senior team is coming to us on 18th. So all those discussions are going on. It is just a matter of final nitty-gritties, final technical things and all those things which are taking place.
- And the moment they also get a go ahead because this is a product -- resource product, so they are being extra cautious because it is like switch on and switch off. So their existing vendor, they have to switch off and switch on. So all those modalities are being worked out and once they're done. But good part that has happened is that now they are expecting about 20% more business from the same line from us. So this has also been there.
- They want us to make those improvements right away because that business is already there. So they cannot really -- because they cannot really ask their existing vendor to cater to that as well because once they switch off, so we will be the only ones.
- So there are those improvements being made in our lines. And that's a good part. But of course, initially, everybody is anxious. We are also -- but then the realities of the world are the realities of the world, but they're all for good. That's all I can tell you.
- Rahul Misra:** Understood. That's helpful. So if all goes well, this could be INR65 crores for F '27. Do I read that right?
- Ashok Mehta:** Yes, sir. This is what they say. I would still say let us keep 55, let the real numbers come so that we stay conservative. And if anything better comes, which I hope will, but let that be a bonus for all of us.
- Rahul Misra:** Understood. And at this INR55 crores kind of number, what sort of margins will you have on this order?
- Ashok Mehta:** Same -- almost, I would say it will be on the same line, sir. I mean, honestly, we always target 20% or 21% EBITDA. That is our honest feeling that there we should keep our business at. So that's our standard feeling that in order to retain a good customer, we should stick to this as long as we don't really come to very high value-added products.

So we want to keep to this level, so that we are able to get more business than really getting more greedy on very high profits. But yes, of course, profit is there, and this profit is far above the industry levels that we have today.

Rahul Misra: Understood. Thank you for taking my question, Mr. Mehta.

Ashok Mehta: Thank you, sir.

Moderator: Thank you. Next question comes on the line of Deepak Poddar with Sapphire Capital. Please go ahead.

Deepak Poddar: Sir, Am I audible?

Ashok Mehta: Yes, Mr. Deepak.

Deepak Poddar: Yes. Just wanted to understand first upon this INR470 crores order that you mentioned. So this year, we are expecting some INR20 crores and from next year, the annual run rate of INR55 crores with some upside possible, right? Would that be a fair assumption?

Ashok Mehta: Absolutely.

Deepak Poddar: And from which quarter we expect this revenue to at least start?

Ashok Mehta: Sir, as I said, it can be any day. I mean, everything is going -- discussions are going on, all those nitty-gritties are going on. The moment they give us a go ahead, so our plant is ready. So it is within one week's time, we will be in production. So the only thing is it can be any moment. It can be maybe I get a go ahead tonight. It could be it might get maybe another 20 days. I maybe -- I don't know, maybe it could be one month.

So -- but that is something those minor things for which they stick on and you really don't have a control over the OEMs or the customers in U.S. But they are also aggressively because their teams are all working with us along because, as I said, their senior team is already in India working through, and this is the fifth visit they are having this time. So -- they are also working with the customers and everything to make sure they also want to be very sure that they don't really miss anything.

Deepak Poddar: Okay, I understood. Understood. And from the guidance perspective, I mean, at a company level, next two years, what sort of growth assumptions or outlook we would like to see?

Ashok Mehta: Sir, I think I've already mentioned in our presentation, if you see the Page 21. So we've already mentioned the drivetrain business, you know, what capacity that we have generated is about INR200 crores business at this time, without much of the further capex, I would say minor capex could be. And in terms of the agri business, you know, we have the capacities of about INR150 crores going forward in the next two years.

Deepak Poddar: Correct. So this total is about INR350 crores if you include drivetrain parts as well as your agri business. So this INR350 crores, you're looking to fully utilize by FY 2027, would that be a fair assumption to make?

Ashok Mehta: I would say we would like to keep ourselves to something closer to INR225 crores to INR250 crores in FY 2027 than going aggressive on this, sir.

Deepak Poddar: Okay, understood. And what about this year?

Ashok Mehta: This year, sir we are talking, just one second, sir, I think -- I, maybe I should not miss out those numbers. So this year, sir, we are looking into a business of about INR125 crores to 135 crores. And next year, we are talking about INR175 crores is something that we are anticipating and thereafter, INR250 crores to INR300 crores. That's how we are seeing, sir. So, maybe I...

Deepak Poddar: So I got a little confused now.

Ashok Mehta: Yes.

Deepak Poddar: This year, you're saying 125 to 135 and that 225 to 250, you're talking about FY 2028?

Ashok Mehta: Yes, that is right. I also, when I said, that is why I clarified that, sir.

Deepak Poddar: Okay. So, FY 2027, 175, 180 is what we are looking at.

Ashok Mehta: Yes, we are talking 175 to 100. It could be anywhere between 175 to 200. I mean, we're just expecting that. The idea is that we're just trying to keep ourselves a little conservative so that whatever happens is going to happen. But of course, what we see, we just don't want to put people on the over-expectation and then it would rather be a good thing to show something better than to have a bad face.

Deepak Poddar: Understood. And coming to the point on the forging side, you mentioned running on two-shift will improve your margins to -- will impact to margins maybe 0.5% to 1%. But that would be considered as a one-off margin. I mean, second half, you expect a better margin as compared to what we have seen in the first half?

Ashok Mehta: Sir I cannot really commit because right now it is the initial phase where we're utilizing the capacities where the overheads are a little higher. So the first thing is let us cover those overheads this year and then next year is going to show something better. So let us look at something what we are today. This year, let us look into, you know, on a standalone basis, of course, same, but on consolidated basis, for sure, there's going to be an improvement. Because...

Deepak Poddar: I missed your last point. Can you just repeat your last point?

Ashok Mehta: I said, look, consolidated. I would say, standalone basis, the profit percentage should remain the same. And on consolidated, this should improve with the better numbers of sales coming in. So that should basically help us, you know, improve the profitability on consolidated basis. And next year is going to be much better because the deposition impact will reduce because we're working on written down value. Okay.

Deepak Poddar: Correct. Correct. Okay. I got it. That's very helpful, sir. I mean, that would be from my side. Thank you.

Ashok Mehta: Thank you, sir.

Moderator: Thank you, sir. Next question comes to the line of Shashank Jha, an Individual Investor. Please go ahead.

Shashank Jha: Yes, sir. I have a couple of questions.

Ashok Mehta: Right.

Shashank Jha: One request I have is regarding quarterly updates. Six months is too long time. So at least you can give some update on revenue, EBITDA, PAT, and current order goods status. So it will be very helpful. And especially with this situation of tariff and uncertainty. So, it will be very helpful, sir?

Ashok Mehta: I understand your concern, sir. And we are just trying to equip ourselves to be -- because being a small industry.

Shashank Jha: Sir your voice is breaking.

Ashok Mehta: And in this growing pace right now, we are just trying to equip ourselves to be ready with all those things. And once we are ready, we also want because there is nothing that we would like to hide, as you can see from our numbers. So...

Shashank Jha: It's not about hiding. It's about retail investors to know that what's happening with the company. See, like, there was so much uncertainty regarding tariff. So, if you can give some highlight on orderable regularly, like at least quarterly, it will be very helpful. I'm not talking about whole results, just three or four numbers. It will be enough?

Ashok Mehta: All right, sir. I will definitely take your point into consideration. See whatever best we can do. I don't deny this, sir. But all I can tell you is when -- as a retail investor, all I can tell you is that we have credentials of three decades. And you can always have that faith that your money is actually growing. It's in the safe hands and it is never going to die. That's what the assurance I can give you, sir.

Shashank Jha: Great. Yes. Sir, one another question. So, what is the FY 2027 top line you are targeting? And is there some CAGR guidance you can give for medium-term, like three, four years?

Ashok Mehta: I think I just answered this question when Mr. Deepak...

Shashank Jha: Actually, I have joined bit a late. So, sorry if I missed it. Yes, Yes.

Ashok Mehta: No problem, sir. So, we are looking anywhere -- this year, we are looking anywhere between INR125 crores to INR135 crores top line.

Shashank Jha: Yes, Yes.

- Ashok Mehta:** And on a standalone basis, the numbers are going to -- percentages should remain the same. But on the consolidated basis, this is going to improve, because the numbers of the subsidiary are also going to add up. So, those numbers are now...
- Shashank Jha:** What about FY 2027?
- Ashok Mehta:** Sorry, FY 2027, I mean, we are expecting this number anywhere around INR175 crores. Maybe it could be plus or that, but just to be on the safer side, INR175 crores. And then year next to that, we are expecting anywhere close to INR250 crores.
- Shashank Jha:** Okay. Just a last question. Like, I was going through the PPT, and basically, I saw in one of the slides that total potential revenue is around INR650 crores. So, by how much years you are planning to have that and just...
- Ashok Mehta:** As I said, this is a long-term growth outlook. So, let's say about five years. Three to five years is something that we mentioned. So, depending upon how the markets are responding and everything.
- Shashank Jha:** Sir, one last, aren't we selling our product in India? Or is there some plan, like, I saw that majorly in US-driven.
- Ashok Mehta:** Yes, sir. Basically, past has been US-driven, because US has been giving us very good growth, very good profits. And we have been on this. But of course, next business that we are working is towards Europe. And India, all these agri business, a lot of it is going to be in India. And then going forward, we are working on some products.
- But right now, as I said, ultimately, you can do as much in a time in an engineering industry, you can't really push and the best is to put the best foot forward. So, right now, we're trying to see where all we can get better value addition so that we can have better profitability.
- But of course, India is definitely in our list and we are going to grow in India as well going forward. But not immediately, if you ask me, I don't see for drive-train parts, but of course, for our other parts, agri business, yes.
- Shashank Jha:** Okay, sir. That's great to hear. Thank you, sir.
- Ashok Mehta:** Yes, sir.
- Shashank Jha:** All the best.
- Ashok Mehta:** Thank you, sir.
- Moderator:** Thank you. Next question comes from the line of Shailesh Jain, an Individual Investor. Please go ahead.
- Shailesh Jain:** Thank you, sir, for giving me an opportunity.
- Ashok Mehta:** Yes sir.

Shailesh Jain: Can you hear me, sir?

Ashok Mehta: Yes, yes. I can hear you, sir.

Shailesh Jain: My question is regarding Emmforce Mobility, like most of the part has already been answered. Still, I would like to ask if Emmforce Mobility will be net profitable by this financial year end.

Ashok Mehta: I would say next year, sir.

Shailesh Jain: Next year.

Ashok Mehta: Net profitability next year, I would say if we are able to remove the cash losses this year, that will be a good number.

Shailesh Jain: Okay, okay.

Ashok Mehta: Because there is a good amount of -- as you see, there's a capex of about INR50 crores and there's a good amount of investment capex. So, that's getting covered through that. So, next year onwards, I think we should see net profitability.

Shailesh Jain: Okay. And so one more question, like, if companies participating into any incentive scheme by Government of India for agri-equipment manufacturers, like where can companies get benefited from? Like, I heard about some GI, incentive schemes for agri-equipment manufacturers. So, if companies thinking about participating or getting some benefit?

Ashok Mehta: I will check this out. I mean, if you can really be particular on any incentives, I would be happy to address that, sir.

Shailesh Jain: Yes, I'll share with you.

Ashok Mehta: Yes, please do share. I mean, if there's anything that we are not aware of, we would definitely love to hear that, sir.

Shailesh Jain: Sure. And one last question, like one of our major product is hydraulic pump. And hydraulic pump can have diversified applications. So, where exactly our company's hydraulic pump can be used? And any USP of our pump compared to other U.S. brand as our competition is with U.S.? So, what can you say about that?

Ashok Mehta: First of all, sir, hydraulic pump, as of now, is not our main product. Our drivetrain parts. Hydraulic pump is one additional business, an additional proprietary business that we started. And going forward, yes, of course, this may become a very good part of our business. But yes, the USP on this is that we have done a lot of trials and everything on this product, and made a lot of improvements for our R&D efforts. And we benchmarked it with one of the top brands in USA, which is a multinational brand, and we could get better results on that.

And now the customer is doing all those testings and everything, and once and it is their brand, so they are the ones who are going to publish it in terms of how they publish. But of course, our

product is performing better. And this hydraulic pump is for the dump trucks, which is much bigger.

If we see the applications, it is about 120cc pump. And generally, a tractor would use a 12cc pump in India. So, you can very well understand the size of the pump.

Shailesh Jain: So, are we expecting this to start like in the last quarter of this financial year?

Ashok Mehta: Yes, sir. Yes, sir.

Shailesh Jain: Okay, fine. Thank you very much, sir. This is from my side.

Ashok Mehta: Pleasure, sir.

Moderator: Thank you. Next question comes from the line of Ashish Khandelwal, an Individual in India.

Ashish Khandelwal: Hello.

Ashok Mehta: Yes, Mr. Ashish.

Ashish Khandelwal: Yes. Hi, sir. So, most of the question is already answered. Thank you for this. My another question is like, so I think that is also answered. So, I'm good. Nothing.

Ashok Mehta: All right.

Ashish Khandelwal: Thank you.

Ashok Mehta: Most welcome, sir. Thank you.

Moderator: Thank you. Next question comes from the line of Jatin Chawla from RTL Investments. Please go ahead.

Jatin Chawla: Yes. Hi. Thanks for allowing the follow-up. So, two questions. One is on the other income, you had like a INR2.2 crores other income, which has come down to INR6 lakhs this year. So, what did it pertain to last year? Was there a one-off?

Ashok Mehta: Sir, basically, there was one mistake last year. The currency -- whatever fluctuation in currency was actually taken in other income, which is not so. So, this has been corrected this year onwards, sir, because that is directly related to the revenues.

Jatin Chawla: Got it. Got it.

Ashok Mehta: Yes.

Jatin Chawla: And in the presentation, you mentioned that you have a large 30,000 facility for subassemblies and warehouse. That's a very substantial facility. So, what sort of products are you looking to assemble?

- Ashok Mehta:** Yes. You see, sir, there is, as I said, there is one business that we got for complete axle assembly, the one INR10.5 crores business that we recently have. So, that is for a complete axle assembly that we are going to do here. Then our locking house business is growing and we were really short of space.
- So, we created that space there. And then there are some more like hydraulic pump, as we are saying, is coming into the commercial production. So, that is also going to be some assembly is going forward to the product line and more models and everything.
- And apart from that, there are a few more businesses that we are looking into in terms of assembly, because that is the value added thing that we are going to do to add to the numbers. So, those will be added there and some more business that we are seeing.
- And then for warehousing, basically, we have put it at a centralized place, a much bigger warehousing, because assemblies would need a lot of warehousing, because there are so many parts which need to be bought and then assembled.
- Jatin Chawla:** Got it, got it. And on the subsidiary side, once it scales up, what sort of margin would the subsidiary enjoy? Are you also looking at 20% kind of margin in the subsidiary business also?
- Ashok Mehta:** I am, sir, of course. But of course, the subsidiary make a little more time, may take a little more time. Because once we get a grasp on this business, that is a time when we are going to add value and work towards our same strategy of adding value to the customers and getting more a bit of margin, sir.
- Jatin Chawla:** Got it, got it. Thanks a lot. This is very useful.
- Ashok Mehta:** Pleasure, sir.
- Moderator:** Thank you. Next question comes on the line of Ganesh with Dhana Laxmi Investment. Please go ahead.
- Ganesh:** Hello, sir. Thank you for giving this opportunity. I just wanted to know that there is a plan to shift the forging in-house for our drivetrain parts business. So, typically, what is the approval cycle, sir? If we take something in-house, do we need to do a part of the approval once again or is it good to go right from the start?
- Ashok Mehta:** Sorry, sorry. Can you just repeat the initial lines here? I probably missed something.
- Ganesh:** So, this is with regards to our plant to take some part of our forging to start sourcing it in-house, right? We are trying to shift from the outside vendors to manufacturing it in-house. Typically, I just wanted to know the way the industry functions. I guess that once the forging, you must have your own suppliers, approved suppliers, who the OEM must have approved, I guess?
- Ashok Mehta:** I tell you, sir, the business that we are right now doing, the previous ones for which the forging is being shifted in-house, that's not really those big OEM businesses. So, there it is in our hands. So, we don't really need to take any approval on changing the vendor.

Ganesh: Understood, sir. And typically, sir, I just wanted to know, in agribusiness, we are looking to start, I mean, start the domestic sales network. Is such an effort on the drivetrain part not necessary or do you feel that there is a great difference in margins to not necessitate such an effort...

Ashok Mehta: Well, sir, you see, I tell you, it is a matter of allocating your resources because when you really need to start a supply chain, new supply chain, there is going to be a lot of pressure on the resources that we have and our own bandwidth. So, right now, there is a lot of investment that we have done and we need to utilize our bandwidth to focus exactly on what we are doing.

Because the markets are always going to remain open and once we have the products, the optimum products will go there. But right now, we don't want to focus too much on generating a new supply chain where our time will go.

Our time right now is to basically utilize these capacities, create more business, big business for these lines so that we really have good -- once this number is generated, the numbers that we are talking about, we will have a lot of bandwidth.

We will have a lot of resources to hire where we can really say that, okay, this team has been hired only to do this supply chain. But right now, if we really, I don't really have time to question someone, everything will just go waste. That's the point.

Ganesh: Understood, understood. And similarly, sir, looking at the agribusiness, right now, will there be a difference in the margins that we can expect from the domestic and the export market?

Ashok Mehta: Well, sir, I would say initially, you may see so, because it is a new line. But as I answered Mr. Jatin's line also, because once we are in the line, once you understand the pulse of the market, then there's a time when you actually start giving them value-added products. And because agribusiness is also, it is not only the rotavators. It is far beyond rotavators. So, rotavator is an equipment. Let me just give you one small thing.

In terms of agribusiness, what if you look into a company like Shaktiman, which is Tirth Agro. So, they started with rotavators and today their smallest equipment is worth like INR1 crores and their most expensive one is actually INR3 crores, one equipment. So, that is the size of agri-equipment business.

So, there are many value-added equipments which need to be added. There is a big demand. So, rotavator is less, just like you know entry point in the market. And thereafter, there are many more which are going to add more value. So, I would say, yes, immediately, we don't really see bigger margins. But going forward, the margins are going to jump up drastically when we add those products, you know, in the market.

Ganesh: Understood, sir. And my final question was with regards to, say, rotavator itself. If you crack one, say, TAFE you have cracked, then are the subsequent clients easier to acquire? Can you quantify the easiness with respect to time and effort that you need to put the incremental thing?

Ashok Mehta: Absolutely, sir. What happens is when we crack a customer like TAFE, the biggest thing happens is, you know, when they -- initially, these guys take time because they want a setup to be of their level. I mean, every single thing, even if we really want a powder coating, so they need all those lines to have every single equipment that is required and then the testing, the life of the even coating, I am just giving one example, to be passing and then they start with you.

And now, once you have all those results and all those equipments in hand, when someone else is visiting you, they see the difference between us and the others and that line becomes very easy. And that goes for every single thing that we would do.

Ganesh: Understood, sir. Understood. Thank you, sir.

Ashok Mehta: Yes. Right sir.

Moderator: Thank you. Next question comes in the line of Deepak Poddar with Sapphire Capital. Please go ahead.

Deepak Poddar: Yes. Thank you once again for this opportunity, sir. So, just a few queries I have on the export. So, what is our current export mix and specific U.S. export?

Ashok Mehta: Export percentage?

Deepak Poddar: Yes.

Ashok Mehta: Right now, I would say out of total business, more than 80% is going to be in U.S.

Deepak Poddar: And what is the total export revenue out of the current revenue?

Ashok Mehta: 97%. I mean, in stand-alone basis, about 97% is export, sir.

Deepak Poddar: Okay. 97% is exports and out of that 97%, 80% of that export is to U.S.

Ashok Mehta: You may say so, Yes.

Deepak Poddar: Okay. So, this U.S. tariff impact, I mean, you did mention that we have added already -- in spite of this tariff, we are adding new customers. So, do you see any kind of impact on this tariff front for us?

Ashok Mehta: No, sir. I mean, I think this was a doubt, but now we have already proven everybody's doubt to be wrong, sir. With all these numbers, I don't think there's any question left. When we are talking that U.S. business itself is around 40%, the profit has really grown up. So, that means neither our margins got affected, nor our business.

I mean, business is growing, people are relying, and they're not really looking into, because the type of products we offer, they're not really looking into the tariffs, they're looking into the product that we offer. That is why we could get more projects. But now, the good news is, anytime we are expecting the trade deal to be signed, so the tariffs to be coming down considerably.

Deepak Poddar: And so, basically what we are able to pass it on, right? I mean, that would be a right understanding?

Ashok Mehta: That is right, yes. They are the ones who are paying for it. Little bit adjustments, little bit support is something that we have given to a few customers, but that's fine. We really had good margins in terms of our currency, so that is fine. So, we have given little support to them also on that side. But mainly, it has been taken care by them.

Deepak Poddar: Understood. And what's the tax rate we should look at? I mean, our tax rate is very high, right?

Ashok Mehta: No, it is not. It's standard only.

Deepak Poddar: I think this first half hour tax rate is close to what, 39%?

Ashok Mehta: That could be because, right now, because of the deferred tax liability. You see, what I would suggest you is to take from these standalone things, because this, ultimately, all this is going to be to all advantage of us, because depreciation can be carried on -- carried over. So, going forward, this is going to reduce the taxes considerably, as we move forward.

Deepak Poddar: Okay.

Ashok Mehta: So, this is basically, I would say these are hidden profits. I would say these are hidden tax savings for future.

Deepak Poddar: Okay, understood. And just one final thing, what's the capex amount that is involved for this capacity expansion?

Ashok Mehta: Now, if you really ask me, whatever capex was required, we have done that. And this is good for us to take us to whatever numbers we're talking about. Of course, if there is any new project that gets awarded and that needs a special equipment, then we would need it. Otherwise, our current equipment and everything is good enough to take care of further sales and everything.

Deepak Poddar: This is the last capex amount, I mean, that we have done?

Ashok Mehta: Yes, last capex has been going on. So, basically, we are, as I said, the new project, we are yet to capitalize it. There's another, like 21 crores plus of number, which is in the balance sheet shown as capital work in process. So, that is going to be capitalized in this half year, once the new business starts into the commercial production.

Deepak Poddar: So, in 2H, you will capitalize it?

Ashok Mehta: Yes, that's right.

Deepak Poddar: Got it. I think that's very helpful. That would be from my side.

Ashok Mehta: Most welcome, sir. Most welcome.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question and answer session. I would now like to hand the conference over to the management for closing comments.

Ashok Mehta: Well, sir, I would like to thank all of you for having this faith and all I would say is that there are much better days ahead instead of sharing too much of information, but we see good things ahead and let us look forward and keep watching on the new developments that keep coming, going forward in the coming months and quarters. And thank you so much for joining this call. Thank you. Thank you.

Moderator: On behalf of Emmforce Autotech Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.