Technocraft Industries (India) Limited

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June 05, 2025

To,

National Stock Exchange of India Ltd.	BSE Limited
Exchange Plaza,	Listing Department
Bandra Kurla Complex,	P.J. Towers, 1st Floor,
Bandra (E),	Dalal Street, Fort,
Mumbai- 400051	Mumbai – 400 001

Ref: Script Name: TIIL **Script Code: 532804**

Dear Sir/ Madam,

Sub: Transcript of Conference Call held for discussion of financial performance of Fourth Quarter ended March 31, 2025

Pursuant to Regulation 30 and 46 read with clause 15 of Para A of Part A of Schedule III of the SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the Analyst / Investor Conference Call held on May 30, 2025 regarding the audited Standalone and Consolidated financial results for the quarter / year ended 31 March 2025.

The said transcript has been uploaded on the Company's website at the following link https://www.technocraftgroup.com/investor-meet-and-presentation/

Kindly take note of the same on your records.

Thanking you.

Yours sincerely,

For Technocraft Industries (India) Limited

NEERAJ RAI

Digitally signed by NEERAJ RAI
Date: 2025.06.05 17:45:54 +05'30'

Neeraj Rai
Company Secretary

Encl. as above

"Technocraft Industries India Limited

Q4 FY25 Earnings Conference Call"

May 30, 2025

MANAGEMENT: **MR. NAVNEET KUMAR SARAF – DIRECTOR AND CHIEF EXECUTIVE OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED**
MR. ASHISH KUMAR SARAF – DIRECTOR AND CHIEF FINANCIAL OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED
MR. ANIL GADODIA – GROUP CHIEF FINANCIAL OFFICER – TECHNOCRAFT INDUSTRIES INDIA LIMITED

MODERATOR: **MS. ANSHIKA PATNAIK – SYSTEMATIX SHARES & STOCKS LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Technocraft Industries Limited Q4 FY '25 Earnings Conference Call hosted by Systematix Shares & Stocks Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the 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 Ms. Anshika Patnaik from Systematix Shares & Stocks Limited. Thank you, and over to you, ma'am.

Anshika Patnaik: Thank you. On behalf of Systematix Institutional Equities, we welcome you all to the Q4 FY '25 Conference Call of Technocraft Industries India Limited. From the management side, we have Mr. Ashish Kumar Saraf, Director and CFO; Mr. Navneet Kumar Saraf, Director and CEO; and Mr. Anil Gadodia, Group CFO. I'll now hand over the call to the management for their opening remarks, followed by the Q&A session. Over to you, sir.

Navneet Kumar Saraf: Thank you. Good morning, everybody, and I would like to extend a warm welcome to everybody on this quarterly earnings call of Technocraft Industries. This call is to discuss our March 2025 results, which we just declared yesterday. Overall, it's been a fairly decent quarter for the company with most of our divisions performing quite well.

I would now look forward to more detailed discussions and Q&A with everybody on the call. Thank you.

Moderator: Thank you very much. The first question is from the line of Riya Mehta from Aequitas Investment. Please go ahead.

Riya Mehta: Congratulations for good set of results. My first question is on the line with Drum Closure division. Hello?

Moderator: Yes, please go ahead.

Riya Mehta: Yes. Sir, we've made exceptional margins this time around. And what segment or was it China or was it India where this growth has come from?

Navneet Kumar Saraf: Yes. The growth has come mainly on account of very good delivery to all our geographies. It's not just China. There's been a good offtake and good quantity in sales in this quarter, and that's reflected in the revenue. And because of that, our net profitability has also been record in this quarter. So it's actually been overall across all the geographies like the U.S., Europe, rest of the world and of course, China, not just one particular geography.

Riya Mehta: Got it. And do we expect this momentum to continue?

Navneet Kumar Saraf: No, that's very difficult to say. It's like I have said earlier, Drum Closures, 30% is our baseline EBITDA margin, which always continues, but we do have exceptional quarters like this where we did 39%. And so unlikely that this will be the case in every quarter, certainly not this kind of result every quarter.

Riya Mehta: Got it. Is there some amount of it preponed because of the tariff and hence, the incremental exports or something on those?

Navneet Kumar Saraf: No. No, no, no, no. The tariff has not yet actually become applicable also in case of Drum Closure because Drum Closure is subject to reciprocal tariffs, which are, as you know, paused for 90 days. So I don't think this has got anything to do with additional purchases in anticipation of tariffs.

Riya Mehta: Okay. Got it. So maybe just because of raw material...

Navneet Kumar Saraf: Seasonality and it's quarter-on-quarter, there can be increases in demand by Drum customers for various reasons.

Riya Mehta: Got it. Got it. And in terms of Scaffolding, so basically, what I understand is scaffolding almost 50% goes to U.S. So how is the tariff scenario there impacting us?

Navneet Kumar Saraf: The tariffs became applicable on Scaffolding in the U.S. since March, 25%. And it's actually not impacting us at all. We are able to pass it on freely to the end customers. And our main competition, as I had said earlier, is China. The tariffs on Chinese Scaffolding is much higher. That's about 70%. So we have that advantage so long as we have that advantage, we are quite comfortable even with the 25% tariffs.

Riya Mehta: Got it. So China would be 25%, which is across for steel and aluminum plus the 30%, which is there, right?

Navneet Kumar Saraf: No, no, no, no. You see China had a 25% tariff on steel and aluminum from 2018. That didn't go away. On that, there was an additional 25% that was imposed, which was added in February this year for all countries. So China, as a result, became 50% plus there was additional 20% ad hoc tariff added on China. So that's how specifically for steel aluminum, the tariff on China has become 70%.

Riya Mehta: Got it. And whatever tariff 25%, which we have, we have been able to pass it on entirely to the customers end, right?

Navneet Kumar Saraf: Yes.

Riya Mehta: And how is the freight impact we are seeing? What is the scenario in terms of freight? Are we seeing any uptake in freight?

Navneet Kumar Saraf: We are seeing a slight uptick in freight at the moment, but nothing significant.

Riya Mehta: Okay. Got it. And then I think in formwork, we've done amazingly well in Mach One and this quarter also. So how are things over there? Like are we seeing any real estate slowdown? Because I think we've been hearing that inventories have been piling around for some time in India specifically. So are we seeing any lesser inquiry or something or any directionally, anything if you can tell us?

Navneet Kumar Saraf: Mach One is largely been a domestic India business, as you know. And no, we are actually not seeing any slowdown in inquiries. We are sitting on a fairly healthy order book and order pipeline also. The pipeline is quite strong. The slowdown in real estate that we are hearing is mainly in the very, very high-end luxurious real estate segment, which is actually not a target market for Mach One.

Mach One is more aimed at affordable housing and mid-income housing. And there continues to be acute shortage in the country and the prospects are that there is going to be continuous increase in supply happening in that segment. Also now we are looking at the export market for Mach One. We've already started Saudi Arabia.

We've started South America. We've also started the U.S. And with our new capacity getting commissioned in Aurangabad, where we see good supply coming in this year, that will also open up. So I think overall, we are very comfortable in Mach One. It's an important segment for us.

Riya Mehta: Right. I think that's reflected in the numbers as well. I think we're doing amazingly well there. Also, exports is how much for us in Mach One?

Navneet Kumar Saraf: Right now, it is very miniscule. It is only 1% or 2%, but that will increase. Our target is over the next 3 years, we want to build up at least 40% exports. But right now, it's miniscule.

Riya Mehta: Got it. And how much order book are we sitting on for Mach One? How much months of order book?

Navneet Kumar Saraf: We are currently sitting on about 6 months.

Riya Mehta: 6 months of order book. Okay. And our Aurangabad facility is fully operational for this year. So we will be seeing another 400 net incremental there.

Navneet Kumar Saraf: Not 100% operational. It is currently operating at about 75%. We expect it to be 100% by September this year.

Riya Mehta: Currently, it's operational at 75%. Got it. And in terms of steel formwork, how are the scenario like how is the macro environment looking like to you?

Navneet Kumar Saraf: So that business, actually, we are not so bullish about. We have maintained that business. We have actually not focused on ramping up that business. It's a business that's sort of not very scalable. And in fact, we are going to probably ramp down this business in the next 2 to 3 years because we find that it's too specialized and it's not something that fits our overall formwork segment. It's only about INR40 crores overall. And so it doesn't constitute big, so we are actually going to utilize the space to increase more of scaffolding there.

Riya Mehta: Got it. In our current mix of revenue, how much will be coming from Mach One?

Navneet Kumar Saraf: About 45%.

Riya Mehta: 45%. And in terms of Technosoft, are we planning to look at something like a demerger because I think the size is also growing in the business with an increased focus on the business in Technosoft. What is the outlook there?

Navneet Kumar Saraf: The outlook is good. The company is growing even though this year, the profitability was lower than last year, but that was because of investments we have done for which we'll see results next year. But no, we are not looking at demerger right now. We don't think at the current size, there's any value and it makes sense. We are very much planning to keep it part of Technocraft.

Riya Mehta: Okay. Are we seeing any slowdown in U.S. or other clients in terms of IT because other IT companies we are listening. I understand we are into designing and all. So are we seeing anything on those lines for that?

Navneet Kumar Saraf: Not for Technosoft because it's not IT focused, it's engineering focused. And actually, engineering, there is a strong uptake, mainly driven by shortage of engineer. The engineering labor availability in countries like U.S., Europe continues to be very tight. And there, in fact, unemployment is almost 0%. And so therefore, there is a large shift towards outsourcing to countries like India. So we are seeing the demand environment quite robust there.

Riya Mehta: So Technosoft, almost 70%, 75% would be U.S.?

Navneet Kumar Saraf: 75% is U.S. That's right.

Moderator: The next question is from the line of Chetan Kirti Vora from Abakkus Asset Manager.

Chetan Vora: Just wanted to ask that the Drum Closure is doing quite exceptionally well. So for the full year, as you have been guiding out that full year the margin should be in the range of 30% and the growth should be in 5%, 10%, but we have beaten that quite by leaps and bounds. So how do you see the Drum Closure for the next year, sir, for the full year as a whole?

Navneet Kumar Saraf: So we see the Drum Closures growing at mid-single digits like it has grown in the last 2 to 3 years. China continues to be quite robust. And I think there, we'll grow by about 10% to 12%. Rest of the world will grow by 4%, 5%. So I think we are looking quite comfortable because of the diversity to grow next year at about 5%, 6%.

Of course, there are some disturbances in the U.S. on account of tariffs, which keep changing. There is a 90-day window and July 8, we'll come to know whether reciprocal tariffs kick in or not. There is talks about the interim trade deal, which is likely to be announced between India and the U.S. by end of June, how that may impact the tariff specific to India. So there are all these unknowns.

Yesterday, you all must have heard about a court in the U.S. putting a temporary stay on all tariffs, whether that gets challenged and gets into effect or no. So those kind of things are there, which can sometimes affect demand. But at the moment, we are not seeing any such trend. So that's why I think 5% to 6% is something we should be quite comfortable.

Chetan Vora: Right, sir. And what about the Scaffolding again, both on the growth and the profitability wise? Because now this year, we will be seeing the new facility getting fully utilized and hence, the operating leverage benefit should also trickle down, right, sir?

Navneet Kumar Saraf: Yes, absolutely. Yes. So Scaffolding also, I mean, this year, we will see close to 90% utilization from the new facility in Aurangabad. So we should see a good close to INR400 crores incremental revenue coming on account of that. And that will certainly improve the profitability. This year, the profitability was a little stretched because of heavy depreciation.

We had about INR15 crores of additional depreciation cost that's come in this year without full utilization of the facility. So actually, if we don't consider that depreciation, this year, the margins were actually quite good of the Scaffolding segment. Next year, we should see getting the margins closer to the 20% level, which is what our target is. And we should see an incremental INR400 crores revenue coming in.

Chetan Vora: And the incremental INR400 crores revenue from Aurangabad, how much it was this year, sir, FY '24 - FY '25?

Navneet Kumar Saraf: This year, it was roughly about INR20 crores, INR25 crores.

Chetan Vora: But you told that it's operational at 75%, right?

Navneet Kumar Saraf: That happened only from February onwards.

Chetan Vora: Okay. Got it. Got it. Okay. So that from last year, it was nothing miniscule. So incremental INR400 crores and the X of that will be the steady state, whatever growth rate, X of that, what growth rate should we expect?

Navneet Kumar Saraf: X of that, we should expect a growth rate of at least 10% -- 10% to 15%.

Chetan Vora: Okay. Got it, sir. And sir, similarly on the engineering and the Technosoft front, we have been making the investment and we have increased the bank size also. So can you elaborate how many people we have recruited in last one year? So what's the bank strength and whether we see the margins to improve to the previous level of 20%, 21% from current 14%?

Navneet Kumar Saraf: This year, we have firstly recruited a lot of people in the sales and marketing teams overseas across various verticals. Then we've also added some new disciplines like plant engineering. So across those disciplines, we've recruited about 50 people plus we've recruited on the sales front. Yes. So that's in terms of the number of people.

Chetan Vora: Okay. And in terms of the profitability, whether it will be getting restored to the previous levels of 20%, sir, this year?

Navneet Kumar Saraf: Sorry?

Chetan Vora: The margin, what we used to make 20% in engineering?

Navneet Kumar Saraf: Yes. So next year, we are targeting that we should be close to the 20% margin, maybe even higher.

Chetan Vora: So meaning FY '26 or '27?

Navneet Kumar Saraf: FY '26.

Chetan Vora: Okay. And sir, lastly, on the textile front, the losses have increased from INR17 crores to INR39 crores this year, EBIT loss. Any comments on that front, sir?

Ashish Kumar Saraf: There is a heavy depreciation in this financial year because of the new unit. The depreciation value is about INR26 crores. And also, the second unit was not fully running at full capacity because we faced severe labor shortage throughout the year. And I think we our sales was not to the extent that we expected. It was only about 60% of what our target sales were.

Chetan Vora: Okay. So this year, we should see a reduction on the losses accordingly, right?

Ashish Kumar Saraf: Yes. With the production going up, we will see reduction of losses. And hopefully, we should see some positive only cash positive.

Chetan Vora: And sir, what is the gross debt as of now as of March '23?

Ashish Kumar Saraf: Gross?

Chetan Vora: Debt.

Ashish Kumar Saraf: Gross, sorry?

Chetan Vora: Debt.

Ashish Kumar Saraf: I think about INR400 something --for the full company, debt, long-term debt?

Chetan Vora: Yes, for fiscal the current.

Ashish Kumar Saraf: 400-something –

Anil Gadodia: long-term debt, we don't have.

Chetan Vora: Term loans

Ashish Kumar Saraf: In Aurangabad

Anil Gadodia: one second, one second. Chetan, the term loan is INR193 crores overall.

Chetan Vora: And working capital, sir?

Anil Gadodia: Around INR650 crores.

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Capital.

Rahul Kumar: Sir, just on Scaffolding, I think you mentioned some time back that the margins you are expecting for this segment is close to 20%. Was that EBIT margin you were mentioning about?

Anil Gadodia: Yes, it was EBIT margin that was mentioned earlier, correct.

Rahul Kumar: Okay. Okay. Sir, even for FY '25, if I just adjust for the depreciation, which you mentioned, adjusted for that also, I think EBIT margin was close to 15% for the year. So was there any other impact other than the depreciation as well in this year?

Navneet Kumar Saraf: No, EBIT margin this year was actually, when you adjust for depreciation, INR15 crores is only the incremental depreciation. Total depreciation is actually much higher.

No, I understand that. So what figure are you catching? I'm not sure what figure are you catching when you say adjusted for the depreciation, it's 15%.

Rahul Kumar: No. I think you mentioned that for the new capacity, you have incurred INR15 crores depreciation, which is not adding to any output, right? So if I just add the EBIT for the year and add the INR15 crores, that gives me a figure of 15% EBIT margin for the year, right?

Navneet Kumar Saraf: Okay. Yes, yes.

Rahul Kumar: So I was saying I mean, was there any other factor other than the depreciation as well on this front?

Navneet Kumar Saraf: So other than depreciation, there is a couple of things do come in. For example, when we look at our consolidated results, we have consolidated with the U.S. subsidiary. The U.S. subsidiary runs on a different period, which is calendar year and this runs on fiscal year. So due to different periods of consolidation also, the percentage margin in EBIT can vary. There have been previous quarters where the EBIT margin has actually been 26%, 27% as well. Our guidance is close to 20%.

In addition to that, sometimes there have been a couple of quarters. I think this year only in the second quarter, there was a sharp increase in freight cost. So that reduced the EBIT. I think it was September quarter, if I'm not mistaken. So there was a sharp increase in freight cost. We had discussed this also in our investor call. So that also has made some impact. So combination of these things would have been there. Depreciation was the most significant part. That's why I mentioned it. The others have been there.

Rahul Kumar: Okay. Got it. Understand. And sir, for the Drum Closures division, for the, let's say, month for the May, I mean, is there an impact because of the tariffs on your margins for the Drum Closures division?

Navneet Kumar Saraf: Currently, there is no impact because like I said, the tariffs have not come into effect yet. So currently, there is no impact. We have to see whether going forward, there will be. But currently, there is nothing.

Rahul Kumar: No. I think there is a 10% baseline tariff which has been implemented.

Navneet Kumar Saraf: Yes, but that 10% has not made any impact.

Moderator: The next question is from the line of Shriram, an individual investor.

Shriram: Just one clarification. When you say your margins will be 20% next year, is it for Scaffolding business as a whole or only for Mach One?

Navneet Kumar Saraf: So this is the average -- average -- for the whole sector.

Shriram: So for the whole segment.

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Capital.

Rahul Kumar: Sir, for the Scaffolding business, I think we got the approval in the Europe as well. What are the developments over there?

Navneet Kumar Saraf: Yes, we got the approval. And accordingly, now we have started ramping up our distribution facility in Poland, where we have started also keeping inventory of system Scaffolding for which we got approval to sell. We've made some breakthroughs. Although I would say substantial progress is yet to be seen, the market in Europe is still quite soft. So the demand there is still quite muted, and it's still reeling from the Russia-Ukraine crisis.

And so I think once the construction markets improve there, which we are expecting in the latter part of this year, then we'll see more momentum. But at least now we are fully approved to sell. There are no barriers for us, which is good. And we are waiting for the markets to pick up and demand to pick up.

Rahul Kumar: Okay. Okay. And is the leadership team finalized over there?

Navneet Kumar Saraf: Yes, absolutely. We've already got that in place fully.

Rahul Kumar: Okay. And sir, do we have a Scaffolding business in India as well for the industrial segment? And is there -- are there any positive developments over there?

Navneet Kumar Saraf: We do have, although it's quite a small part of our overall portfolio. Unfortunately, in India, there are no regulations for Scaffolding even on the industrial segment, but that is changing. So what we've done is we've embarked on a distributor program.

And we've already got 2 distributors in India now who basically sell, lease as well as erect our Scaffolding systems to industries like Reliance and Tata Steel and other petrochemical companies, etc. We are pushing that. And I think in the next couple of years, we do see some good traction happening in India as well. Currently, it's a small part of the business. But there is good potential for that. So there is potential there.

Rahul Kumar: And sir, just on Mach One, I think you have the old capacity at Murbad, right? You're also trying to consolidate that business in one place? So is that consolidation happened or...

Navneet Kumar Saraf: No, not yet. We actually don't plan to consolidate it this year as well because right now, we are in the ramp-up phase in the new facility in Aurangabad. Until -- unless -- until we get to where we want to be in Aurangabad and that stabilized, then we'll look to consolidate and shift it there because so we are not in any hurry. Right now, the Murbad facility is still running in addition to the Aurangabad facility, and it will continue for at least the next 12 months or so.

Rahul Kumar: Okay. Okay. And the capacity of the Murbad facility is similar to what we have in Aurangabad?

Navneet Kumar Saraf: It's a little lesser. So Murbad, we are doing Murbad, actually, there are 2 units. So the 2 units combined, we are doing 45,000 square meters a month. And Aurangabad, the capacity that we have is 50,000. So it's a little more than that.

Moderator: The next question is from the line of Shriram, an individual investor.

Shriram: I mean you mentioned that China's tariff is at 70%, and we are at 20%. So that's a lot of advantage for us. So what is the tariff level at which we'll become uncompetitive? And let's say, tariff becomes equal, what will be our plan B? Like are we open to look at nearshoring or things like that?

Navneet Kumar Saraf: So we don't look at tariff as a competitive advantage. We don't think that's a good healthy business model to have. In fact, in 2021, 2022, when the Biden government had come in, there was a period of time when they had actually paused the 25% tariff, which Trump had introduced on China in 2018. So there was a 12 month period where we were actually at par. And we were able to sell.

We were able to compete. Our sales really didn't drop or decline even though steel prices in India are 15% higher. So price is not the only determining factor. What we are focused on doing in the U.S. is built our brand, built our distribution network, having a good quality product available locally when the customer needs it is actually the most important factor that influences buying decisions.

And then the confidence in the quality of the brand, in the fact that it is all manufactured by one company because other distributors that we compete with, they don't have their own manufacturing facilities. They are buying from multiple vendors all around the world.

So over the last 7, 8 years, we have focused very heavily on making ourselves well positioned and known in the market, which we now are. So while yes, right now, we have that tariff advantage and that's a good, great commercial advantage to have. But we have built the business in such a way that tomorrow, if the tariffs were to be equalized or something, we don't want that to affect our business. And I think the last 12 months experience during the Biden administration validates that theory. So we are quite comfortable that way.

Shriram: So basically, we are prepared, right, prepared for the worst.

Navneet Kumar Saraf: Yes, absolutely. We are prepared for the worst.

Moderator: The next question is from the line of Lakshmi Narayan from Tunga Investments.

Lakshmi Narayan: This is with regards to your engineering design services business. I want to understand what kind of clients do you have in that particular business? Is it domestic or international? And what percentage of our projects are time and material and what is based on fixed price contracts there? And what kind of visibility you actually have in this particular business?

Navneet Kumar Saraf: It is a 100% export-oriented business. There are no domestic clients. We are servicing 4 verticals. The verticals are transportation, industrial machinery, plant engineering and high tech. And so within these verticals, companies who are, let's say, making machinery, heavy industrial equipment like cranes, earthmoving machinery, consumer product manufacturing companies, pharma companies, those are typically the kind of companies that we are servicing.

Territories are U.S., U.K., Western Europe. And all the work is 100% time and material based. We don't do fixed price projects. So because of that, these are long-term contracts with good visibility because once we sign a contract, we have dedicated teams working for that customer over multiyears. That's all.

Lakshmi Narayan: How many customers you would actually have for this particular business?

Navneet Kumar Saraf: So we would have close to about 80, 85 active customers at any given point in time.

Lakshmi Narayan: Got it. And I assume that these projects are smaller in size because if you have 85 customers and you have total revenues of INR 210 crores, I just want to understand they are all like less than 1 million, 5 million projects. What kind of project are those you have?

Navneet Kumar Saraf: So yes, we are targeting midsized companies. Our strategy in this business thus far has been to target midsized companies doing revenues of $250 million to $500 million a year. For such type of companies, the engineering budgets tend to be $1 million to $2 million a year. Our average customer size engagement, therefore, tends to be under $1 million a year, let's say, $0.5 million. So therefore, yes, we do have multiple customers divided within them.

Now having said that, in the last 2 years, we've also changed our strategy wherein while we continue to service this segment because this was a niche segment that was not touched by some of the big players in India. So we found that attractive to enter and develop our company from that. But after we developed a good-sized team of close to 1,000 people with multidisciplinary capabilities, in the last 2 years now, we've started targeting larger multibillion-dollar type of customers.

That is where we've made the investments that I talked about last year in sales and marketing and new verticals. And now this year, we've actually signed up some good logos of companies like Pepsi and Henkel and Kimberly-Clark, which are all multibillion dollar logos and their engineering budgets are $10 million, $15 million a year.

So we expect once you sign up with them, what happens is that the first year or 2 years, it tends to be very small because they are testing you and they are working with 1, 2, 3 people kind of thing, and then it gradually ramps up. So we expect that next year and the year after, ramp-ups will start to happen in these large logos. So that's how it is.

Lakshmi Narayan: And what kind of growth you actually expect in the vertical? Because last year has been literally underwhelming, right?

Navneet Kumar Saraf: Yes. The year before, we grew at 38% and that was because of what I explained to you that it takes 2 years for new logos to ramp up. This year, obviously, the growth has been about 10%, 15%. But because of the investments we've made this year, next year, that is FY '26, we should see a much higher growth.

Moderator: The next question is from the line of Rahul Kumar from Vaikarya Capital.

Rahul Kumar: This whole tariff uncertainty, which has been caused, how has been the demand environment over April and May and you move into June? Has there been any uncertainty or deferral of orders during this interim period? Or it has been largely business as usual?

Navneet Kumar Saraf: It has been business as usual. As I said, the tariffs have not created any kind of uncertainty right now as of now.

Rahul Kumar: Right. And if you look at the end market for where your product goes, maybe you can go by product by product, how are they placed? Is it more industrial, more construction? When you look at U.S. and I think for Drum Closure, it would be more about oil and gas, if I'm not wrong.

Navneet Kumar Saraf: So for Drum Closure, the end markets are industrial products, industrial chemicals. Basically, drum barrel manufacturers are the ones who use Drum Closures. Barrels are used to fill oil, chemicals, even pharma products, food products. So a wide range of industrial as well as consumer goods, okay?

So Drum Closure, the end segment is actually very diversified. For Scaffolding, it is industrial services, which includes refineries, power plants, petrochemical plants, steel plants, cement plants, shipbuilding. Then it includes commercial construction, which is buildings, infrastructure projects, then events. So these are some of the end-use segments.

Rahul Kumar: Right. And Drum Closure, how much of your volumes are going to U.S. versus outside U.S. in the Drum Closure?

Navneet Kumar Saraf: Roughly about 30% goes to the U.S.

Rahul Kumar: Okay. And rest would be to like the Middle East and rest of the world or domestic.

Navneet Kumar Saraf: Distributing. I mean, Europe is a big segment. Europe is about 26%. Asia is about 24%. So China is about 10%.

Rahul Kumar: Right. In your engineering business, do you work on an order book basis or TCV basis, the way IT companies work or it's a bit different in terms of business?

Navneet Kumar Saraf: No, it's time and material based, dedicated resource, time and material based, and that's how most IT companies work. So that's we don't work on fixed price projects.

Rahul Kumar: Right. And you mentioned about various kind of engineering work you do under this. Roughly, which are the largest segment, like maybe X percentage going to that segment kind of work? Any split you internally monitor or...

Navneet Kumar Saraf: Our largest yes, out of the 4 verticals, currently, transportation and industrial machinery is our largest segment. This includes companies that are making heavy equipment, special purpose machines, specialty vehicles like buses, coaches, tractors, luxury vehicles, etc. So yes, those are the largest segment right now. And plant engineering is a new segment that we started last year. And that, I think, in the next 2 to 3 years will also become a dominant segment because we're seeing good traction there.

Rahul Kumar: And this transportation segment, is it seeing some sort of softness or weakness because that's what we are hearing from sort of auto exposed companies in general?

Navneet Kumar Saraf: We are actually not in the passenger car segment. We are more in the specialty vehicle segment. And actually, that's not going through slowdown. That's actually increasing because electric mobility is a big thing, smart vehicles. Those are all the factors that are driving innovation in that segment. And we work with a lot of companies that are in that ecosystem, suppliers, component suppliers to the OEMs and all of them require digital product development services.

Rahul Kumar: And what is your value proposition compared to these large ER&D companies out of India, which basically have a larger team strength and all kind of capabilities. So how do you win business? What is your USP to drag your business?

Navneet Kumar Saraf: Frankly, nothing really. I mean, we don't have some unique USP compared to like a Larsen & Toubro Technology services or Cyient. In fact, our portfolio of Technosoft is very similar to a Larsen & Toubro Technology Services. We compete with them in the U.S. and I think it's just that the demand environment is very strong, and there is, therefore, a need and space available for more vendors to come in, and that's where we fit in.

Rahul Kumar: Okay. Great. And your margin structure in this segment, do you think does it normalize at some level? Or you're already at that normalized level, which you are operating at?

Navneet Kumar Saraf: We are close to that level. We have always in this business, we have always been at 20%. But it varies. This year, it was 14% because we made investments in capacity increase and SG&A, and that we could do in a growing company year-on-year. So I think at a steady-state basis, this is a 20%, 22% margin business, but it could vary between 15% to 20% year-on-year.

Rahul Kumar: Right, right, right. And amount of investment of talent you require to execute on your plans, you have already done that or more is required to be done in fiscal '26?

Navneet Kumar Saraf: No, we have done that what we wanted to do this year. But this is something that's ongoing, right? I mean you are always front-loading capacity increase investment first before the revenue follows. So for a growing company, we will always be doing some amount of investment every year.

Moderator: The next question is from the line of Anand Jain, an individual investor.

Anand Jain: I have 2 questions. One, in the current presentation, you haven't mentioned anything about defence. But in the previous one, we had mentioned about LRSAM and the work that we have been doing in completer shell of LRSAM design project, a partnership. In the last con call also, we had mentioned about a partnership with a defence -- with the French and an Israeli defence company. Can you give some light on this as to what's happening now on this?

Anil Gadodia: Yes, Anand, basically, there was one slide earlier on the defence because there was no development. So we thought that, okay, let us wait for some time, let some development happen in defence side, and then we will come back to the shareholders. Frankly speaking, defence as such, takes a lot of time.

We have developed the product and which has been informed to the shareholder earlier. And we'll definitely come back as soon as new products or anything comes back from commercial point of view. As of now, it is going at a slow pace. So hence, nothing was covered in this presentation.

Anand Jain: Okay. Makes sense. The second question I have is like on the textile and the yarn division. What we are seeing is like across companies, the margins have gone up in this division, whether it's a South-based yarn companies or textile garmenting companies/north based. What's happened in our case, we don't see that?

So a, it's been a pain point for our company for the last, let's say, 5 years from the time we got into this. And we haven't made anything significant or we haven’t financially, we haven't shown any significant improvements here. When do you think this division can turn profitable? Even in the yarn decent scale yarn and the entire textile because

Ashish Kumar Saraf: In yarn, I don't think the margins have increased in the industry last year. They are still at single digits only from what I have seen. And we are also in the same single digits. This year, in unit 2, we had a loss because of the low capacity utilization because we could not run the full mill at 100% we ran. We sold only about 60% of what we had budgeted to sell.

So that is a huge loss to us. Yarn, I don't think you can expect very good returns. So it's a very highly competitive business. And I don't see margins improving also much in yarn. It can only get a little bit close to double digit, but not something substantial.

So what we are trying to do is we are trying to convert all our yarn and fabric into the finished product. And so we are consciously trying to increase the garmenting business and take that up forward. Like last year also, we doubled our sales. But due to some inefficiencies in the operations, we could not realize the profits, which we are trying to plug now with some good operational efficiencies. So we are trying to consume more and more of our yarn and fabric and not sell that as a commodity and sell it as a garment. This is our strategy going forward.

Anand Jain: Okay. But as of now, we don't I mean, I'm talking of yarn plus fabric plus garmenting that we are doing, all 3, and I'm not specifically talking of yarn division alone. I just and we also see a lot of this shift towards India, especially on the garmenting side. My question is that when I see all these 3 businesses combined, when can I see some kind of profitability, even better results from these 3 divisions combined, maybe this year, next year? Do you have any visibility around the same?

Ashish Kumar Saraf: This year we are bullish on the garment side this year because of 2 things. One is there is that India and U.K. FDA has been announced. We don't know when that will come in effect, but it should happen early, it should happen in the second half of this year. So that will give a big, big boost to the garment business in India. And even from U.S., India as of now stands to have the highest advantage in terms of the duty as compared to the other Asian countries that are supplying garments to U.S. India has the lowest tariff.

So at the moment, this quarter is bad because the buyers in U.S. are holding on to orders. They want to see what happens after that 90 days and what is the final duty announced. But chances are that India will stand to gain. So we are bullish on the garmenting side. We are not very bullish on the yarn side.

Fabric, we are trying to convert, we're trying to increase the garment capacity, not by our own capex, but trying to tie up with other units and create a kind of a joint venture and then thereby getting more orders of garment and utilizing our fabric. So then we stop selling fabric.

Anand Jain: Okay. Next question I have is on the Scaffolding division. So last year, we did a total sales of around INR 1,245 crores. Now with our increased capacity, what is the sales doing the current prices that we can do for the whole year?

Navneet Kumar Saraf: So for March '26, considering that we will be having close to 90%, 95% utilization average of the Aurangabad capacity, we should be able to do and some increase in the Scaffolding segment, we should be able to do close to INR 1,700 crores in March '26.

Anand Jain: Okay. So like if I were to say that if we reach 90%, 95% utilization levels in March, in the March quarter of '26, -- FY '26, then Scaffolding should be like around INR450 crores kind of a run rate quarterly. Is that like a fair estimate?

Navneet Kumar Saraf: Monthly run rate, yes.

Anand Jain: Quarterly run rate?

Navneet Kumar Saraf: Sorry, quarterly run rate.

Moderator: The next question is from the line of Lakshmi Narayan from Tunga Investments.

Lakshmi Narayan: Sir, if I just look at the Scaffoldings business, it is in Scaffoldings, Formwork and Mach One. Now which part of the business is actually also has domestic element to it? So it is only the Scaffolding business is actually domestic or you also have formworks and Mach One is domestic?

Navneet Kumar Saraf: It's reverse. Mach One is currently 100% domestic. Formwork is 100% domestic. Scaffolding is 95% export.

Lakshmi Narayan: Got it. And Mach One, what kind of volume growth you actually expect in Mach One? Is it already there is a waiting list for people to actually buy from you?

Navneet Kumar Saraf: Yes. So because there is a waiting list, we have added this new capacity in Aurangabad. Our total sales Mach One is sold on a square meter basis. So our total sales in this last fiscal year, March '25 was about 470,000 square meters. And our targeted sale for next year is 9 lakh square meters based on the increase. So therefore, that's the volume growth we expect.

Lakshmi Narayan: Got it. And I think one of that people actually reuse it, right? So Mach One or formwork or scaffolding, which people actually reuse and where people it is a consumable that people cannot reuse?

Navneet Kumar Saraf: No, they don't. Formworks, Scaffolding are not -- are all reusable. They are capital items that are reusable. In Mach One, there are specific components. There are certain standard parts which get reused. Then there are -- so it's 50-50, about 50% of the total supply to a particular project gets reused and 50% is special.

The special gets scrapped after the project is completed. The standard can be reused on another project or it requires modification. Mostly, the developers buy for certain project specific. And after the project, they like to scrap the whole system since the scrap value of aluminum is quite good.

Lakshmi Narayan: Got it. So moving on to textile. Among the 4 verticals, can you just tell me what is the production numbers for spinning, for knitted fabrics for dying and finishing and garments for the year FY '25? And what has been the growth when compared to the year FY '24?

Anil Gadodia: Yes, I have the figures. So quantity-wise, gray yarn is around 13,500 metric tons in FY '25. And dye fabric is around 3,300 and the garments are around 62 lakh pieces.

Lakshmi Narayan: Okay. So knitted fabric and dyed yarn?

Anil Gadodia: Yes. Basically, it's a mix of both, 3,300 is dyed and grey yarn and grey fabric, both included. If you want to break up that, we can dig out and give it to you.

Lakshmi Narayan: Fair enough. And also in this, what is your sourcing advantage in cotton? And do you actually import any yarn here?

Ashish Kumar Saraf: No, no, we don't import any cotton. Cotton has a 10% import duty. So it's not viable. We are actually having good advantage in the cotton purchase because we are in Amravati belt, which is in the heart of the cotton growing belt. That's mainly from where we buy cotton. So we have a logistical advantage in cotton raw material.

Lakshmi Narayan: And what do you actually export out of this entire thing? Like do you export yarn or do you export knitted fabric or garments?

Ashish Kumar Saraf: All 3, we export yarn, fabric and garments.

Moderator: As that was the last question for the day, I now hand the conference over to the management for closing comments. Over to you, sir.

Navneet Kumar Saraf: Yes. Thank you very much, and thank you, everybody, for participating in this investor call, and it was a good engaging Q&A session. I hope you all have all got a good insight on the company's performance and future prospects. We would like to reiterate that like we discussed on the call, we are quite positive on the future prospects in spite of some uncertainties with the tariffs in the U.S.

But overall, the demand outlook is strong in the construction industry, and we expect, as a result of the new capacities added in Aurangabad, the Scaffolding segment is on a strong footing. The Engineering Design Services segment is also on a strong footing. And we do expect losses to come down in the fabric segment and growth in the yarn segment. So thank you very much.

Moderator: Thank you. On behalf of Systematix Shares & Stock Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.