





## “Belrise Industries Limited

*(Erstwhile known as Badve Engineering Ltd.)*

### Q1 FY’26 Earnings Conference Call”

**August 12, 2025**

**E&OE** - This transcript is edited for factual errors. In case of discrepancy, the audio recording uploaded on the stock exchange on 12<sup>th</sup> August 2025 will prevail



*Erstwhile known as Badve Engineering Ltd.*



#### **MANAGEMENT:**

- Mr. Shrikant Badve – Managing Director – Belrise Industries Limited
- Mr. Sumedh Badve – General Manager (Head – Strategy) – Belrise Industries Limited
- Mr. Swastid Badve – Chief of Staff (MD Office) – Belrise Industries Limited
- Mr. Rahul Ganu – Chief Financial Officer – Belrise Industries Limited
- Mr. Sunil Kulkarni – Chief Marketing Officer – Belrise Industries Limited

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY26 Earnings Conference Call of Belrise Industries 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 this conference call, please signal an operator by pressing star then zero on a touchtone phone.

Before we begin, a brief disclaimer, 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 the date of this call. These statements are not the guarantees of future performance and it may involve risks and uncertainties that are difficult to predict.

With this, I now hand the conference over to Mr. Shrikant Badve, Managing Director from Belrise Industries Limited. Thank you and over to you, sir.

**Shrikant Badve:** Thank you and good afternoon to everyone. I extend a warm welcome to all participants in our Q1 FY26 Earnings Conference call. I am joined today by my sons Sumedh and Swastid, our CFO, Mr. Rahul Ganu, our CMO, Mr. Sunil Kulkarni and our Investor Relations Partner, SGA. It's been just over two months since Belrise was listed on the stock exchanges and this milestone continues to be a source of pride and responsibility for all of us at Belrise.

The IPO proceeds have strengthened our balance sheet, enabling us to fully repay INR15,960 million debt in May month and giving us greater financial flexibility for growth investments. For those new to Belrise, we are one of India's leading integrated automotive system suppliers serving two-wheelers, three-wheelers, passenger vehicles, commercial vehicles and agri-vehicles.

Our portfolio spans safety critical products such as metal chassis systems, exhaust systems, polymer components, body-in-white structures.

**Shrikant Badve:** We are the largest player in the Indian two-wheeler component segment, holding a 24% market share and have built long-standing partnerships with 30 domestic and international OEMs. Nearly one out of four two-wheeler chassis on Indian roads or exported from India is manufactured by Belrise, a testament to our precision engineering capabilities.

We ended the quarter with total revenue from operations of INR22,622 million, which is up by 21% year-on-year, including manufacturing revenue of INR18,323 million, which grew 29% year-on-year, showcasing yet again an outperformance against the industry for the company.

This was supported by stable growth in two-wheeler, specifically in exports and premium vehicles, increasing content per vehicle, commercialization of the new Chennai facility and successful integration of H-One India into our basket of offerings. Our EBITDA stood at INR2,805 million with margins at 12.4%. This is in line with our guidance for stable EBITDA margins as compared to FY25, where we registered an EBITDA margin of 12.3%.

A significant highlight this quarter was the commissioning of our new facility in Chennai, which is now supplying to a marquee two-wheeler OEM and a marquee commercial vehicle OEM as a single source supplier across multiple components.

This adds to our ongoing capacity expansion initiative, with new plants in Pune and Bhiwadi on track to ramp up operations in the coming quarters. Last month, we declared our final dividend for FY24-25, amounting to 11% of the face value of our share. This marks our first dividend distribution since transitioning to a publicly listed company. We look forward to continuing our growth journey in partnership with our shareholders and creating long-term value for all stakeholders. With that, I now hand over the call to Swastid who will take you through our key order wins. Thank you very much.

**Swastid Badve:**

Thank you all for joining the call. Coming to the operational highlights for this quarter:

1. Number one, as my father mentioned, this quarter we commenced supplies from our newly inaugurated Chennai facility, which caters to two key customers. One, a leading premium two-wheeler OEM, and two, a leading commercial vehicle OEM.

For the two-wheeler OEM, we are now delivering 2,000 exhaust systems and 500 chassis systems per day, volumes achieved at a rapid pace and aided by strong customer demand. In addition, we have started supplying the ATS bracket to a leading commercial vehicle OEM, a product developed over 12 months and now poised for a sharp ramp up.

The Chennai plant is expected to continue scaling over the next two to three quarters with a targeted annual turnover of INR2,000 to INR2,500 million at its peak. We're also in discussions with a couple of other OEMs for nominations and new product supplies.

2. Moving on to the second order win. In quarter one of FY26, we made our maiden entry into the medium and heavy commercial vehicle segment with an order win for long members from a leading Indian commercial vehicle OEM. Long members are an integral structural part of the chassis system in a commercial vehicle. To cater to this business, we are setting up a dedicated plant in Pune, expected to go live by the end of quarter two of FY26. This facility will have a capacity of approximately 60,000 long members per year with an average content per vehicle of around INR23,000 per unit, translating to a peak annual turnover of close to INR1,500 million.

We're already in advance discussions with other large OEMs in the space and we expect this plant to also export to support their requirements as well.

The long member, just to give a brief, is a critical component of the medium and heavy commercial vehicle chassis, manufactured using high-tensile steel of up to 900 megapascals. The bending and forming of this structural part involve proprietary processes that require extensive validation and testing. Our acquisition of H-One was instrumental in completing this validation, leveraging the global expertise in high-tensile steel forming. As mentioned on the earlier call, this acquisition has enabled us to work with steel strength of up to 1,150 megapascals, almost twice the Indian industry average of 600 megapascals.

The high-tensile steel strength allows us to produce components with half the thickness, yet greater durability, resulting in light weighting benefits and improved compliance with crash

safety norms. Having worked on this product for over 18 months, this order win marks a significant milestone in strengthening our presence in the commercial vehicle segment.

With this win, we reaffirm our guidance to double our four-wheeler and commercial vehicle revenue within the next two to two and a half years compared to FY25 levels.

3. Third, we also signed a general purchase agreement and received a vendor code from one of the top four leading electric two-wheeler OEMs in India. We've been engaging with this OEM on multiple RFQs for over a year now and the signing of this general purchase agreement marks the beginning of a relationship that we expect to strengthen and grow through continued collaboration.
4. Fourthly, this quarter, we commenced serial production of our patented combination braking system or CBS for one of India's top four electric two-wheeler OEMs. This system, designed and developed in-house over the past two years, marks a key milestone in our braking technology portfolio. As we scale up with this OEM, we see strong potential to introduce a solution to other leading manufacturers, contributing approximately INR 2,500 to our incremental content per vehicle in our portfolio. We're currently supplying close to 5,000 braking systems per month across a couple of OEMs and we expect these numbers to go up based on increased demand from these respective OEMs.
5. Fifth, we've completed the development and approval process for the chassis system of an upcoming electric three-wheeler from one of India's leading two-wheeler OEMs. Production for this program is expected to commence in the second quarter of this fiscal year.
6. Sixth, coming to our new plant, our Bhiwadi plant is scheduled to become operational in the second quarter of FY26. This facility will cater to two leading passenger vehicle OEMs and two two-wheeler OEMs. The orders for these programs were secured last year with development ongoing and as we speak, the ramp-up is expected to commence by the end of quarter two of FY26. This will enable revenue generation shortly thereafter and we expect this plant to contribute considerably to our revenue going forward.
7. Lastly, as we mentioned on our previous call, we had highlighted that our capability to design complex engineering products with precision durability is highly applicable to high growth adjacent domains. In line with that, in the aerospace and defense segment, we received an additional order from an Indian defense OEM for its armored vehicle platforms.

We also secured our first confirmed orders from two new defense OEMs, one Israeli and one Indian, for their components again in the armored vehicle programs. While the current order values are modest, they signal a growing penetration in the segment, our precision engineering capability and also lay the foundation for deeper engagements ahead.

For the next two years, as we mentioned, we have guided for capex of up to INR8,000 million. We ended this quarter with a total capex of close to INR1,050 million, in line with the broad

guidance for the coming two fiscal years. The three new facilities in Pune and Bhiwadi and Chennai are set to enhance our footprint and support future growth.

In the Pune facility, we have begun trial production for our pilot hub motors for electric vehicles. We are currently providing samples for customers for their validation and testing. And we have already spoken about the progress at the Chennai and Bhiwadi plants and expect them to bring considerable revenue.

With that, I now hand over the call to Sumedh to discuss our growth strategy and the way forward. Thank you.

**Sumedh Badve:**

Good afternoon, everyone. Thank you for joining the call. I'm Sumedh here. Just to reiterate, our portfolio spans safety-critical products, such as metal chassis systems, exhaust systems, polymer components, body-in-white structures and proprietary engineering solutions like cross car beams, suspension systems, steering columns, air tanks, etc.

To drive future growth, we will focus on the following growth levers:

Firstly, in strengthening our expertise in the two-wheeler segment, we aim to increase content per vehicle from INR12,500 to INR17,300, driven by proprietary product offerings, such as steering columns, braking systems and air filters.

While we have already begun producing these components for select OEMs, our strategy will be to cross-sell these to other OEMs in the coming quarters. We will also continue adding new logos, as we did in this quarter, for a top EV two-wheeler player.

Secondly, on the four-wheeler front, we are sharpening our focus on expanding our footprint, both by bringing more OEMs into our fold and by deepening engagement with existing customers.

This includes:

1. Working closely with them on new model launches, such as the upcoming EV CNG chassis platform for a leading CV OEM;
2. Leveraging our growing design and development capabilities, as demonstrated with the long-member manufacturing facility in the M&HCV segment; and
3. Steadily increasing exports, as seen in our recent order win of 60 plus components for a luxury European OEM.

Lastly, Belrise is steadily transitioning from a Tier 1 component supplier to a Tier 0.5 system supplier. This means moving from delivering individual parts to providing complete, fully-integrated subsystems and systems that enable OEMs to simplify their supply chains and accelerate production rollouts.

While we have already executed this for two leading two-wheeler OEMs and a leading CV OEM, we are currently in discussion with another CV OEM to manufacture that complete chassis, a process currently managed in-house at their end. This will not only deepen customer entrenchment, but also increase value addition for us.

From a macro perspective, EV two-wheeler sales were in line with expectations for Q1 FY26. However, due to the ongoing rare earth metal and material shortage in India, we anticipate that the two-wheeler EV OEMs will scale down production over the current and upcoming month. This is likely to result in lower sales for certain components that we supply, including motor controller casings, motor casing parts, steering columns and suspensions that largely go into the EVs.

That said, we do not expect this to have a material impact on our revenues. Next, given the current geopolitical situation, we remain largely insulated from the U.S. tariff impact. Our exposure to U.S. revenues is extremely small, resulting in a negligible impact on our overall performance.

We expect our growth to remain primarily domestic, driven by strong demand from our core customers. Looking ahead, the output remains optimistic. The approaching festive season and improving credit availability is expected to lift retail sentiment in the coming months. Against this backdrop, Belrise aims to capitalize this opportunity on the back of OEM-driven outsourcing.

With that, I now hand over to our CFO, Mr. Rahul Ganu, to take you through the financial highlights of Q1 FY26. Thank you for your time.

**Rahul Ganu:**

Yes, thank you, Sumedh. And good afternoon to everyone on the call. We'll be sharing the Q1 FY26 consolidated financial highlights.

- Total revenue for Q1 FY26 stood at INR22,622 million, up by 27% year-on-year from INR17,810 million in Q1 FY25.
- Manufacturing revenue for Q1 FY26 stood at INR18,323 million, up by 29% year-on-year from INR14,247 million on the back of a stable growth in two-wheeler, especially in exports, increasing content per vehicle, commercialization of the new Chennai facility and successful integration of H-One India into our basket of offerings.
- EBITDA stood at INR2,805 million, up by 17% year-on-year from INR2,401 million in Q1 FY25. EBITDA margin stood at 12.4%. This is in line with our EBITDA margin for FY25.
- Manufacturing EBITDA stood at INR2,536 million, up 17% year-on-year from INR2,160 million and manufacturing EBITDA margin stood at 13.8%.
- Exports contributed 5.4% to our manufacturing revenue in Q1 FY26. That is INR985 million.
- Net debt as of 30th June 2025 stood at INR7,698 million after paying up debt to the tune of INR15,960 million from the IPO proceeds.
- As of 30th June 2025, ROACE stood at 14.4%.
- Coming to the segmental performance on the manufacturing front, two-wheeler and three-wheeler contributed 82.8%. PVs contributed 4.5%. CVs contributed 8.8% for Q1 FY26 and others would be 3.9%.

With this, we can open the floor for questions. Thank you. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question comes from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

**Manish Ostwal:** Yes, sir. Thank you for the opportunity and this is my first call of Belrise Industries. So, pardon me if I am asking the basic thing. So, sir, I was just looking at slide number 5 of our presentation where we mentioned the revenue from trading of goods around INR430 crores. So, can you explain what exactly we are doing in trading and I mean what are the activities we are doing in trading and what kind of trading margin we operate generally?

**Swastid Badve:** So, thank you for the question. I think we have covered this briefly on the last call, but just to give a very quick brief on it, we trade in commodities like again high-tensile steel, different grades of coils, some lithium-ion batteries and so on and so forth. And the trading margins that we have are of course, lower than manufacturing business, close to a 6% EBITDA margin.

**Manish Ostwal:** Okay. The second thing on the capex plan, which you mentioned on the call, INR800 crores of capex we have envisaged. So, how we are planning to fund that thing? Can you make a comment on that? Thank you.

**Swastid Badve:** So, yes, it is INR800 crores over two years. So, approximately INR400 crores per year. We will be largely funding this through internal accruals.

**Manish Ostwal:** Okay. Thank you, sir.

**Swastid Badve:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Abhishek Kumar Jain from AlfAccurate Advisors. Please go ahead.

**Abhishek Jain:** Thanks for the opportunity and congrats for a strong set of numbers, sir. My first question on the newly acquired business of H-One India so, if you can give the first quarter numbers, revenue and EBITDA of H-One?

**Swastid Badve:** So, in the first quarter, H-One had a quarterly revenue of close to INR35 crores. This was down in this quarter specifically because one of their largest Japanese customers had a pretty tough quarter with their volumes falling by more than 40%. That being said, for the remaining three quarters, we expect revenue to ramp up sharply.

And we expect this company to continue having a turnover of close to INR250 crores to INR300 crores around INR2,500 million to INR3,000 million. In terms of the profit after tax that this entity generated, as far as I understand, it was close to INR2.5 crores.

**Abhishek Jain:** And how is the operating margin of this business in the first quarter and how is the outlook going ahead for the full year FY26?

- Swastid Badve:** So, we'll not be commenting on the outlook for this particular business specifically. We are guided for stable EBITDA margins for the full business. And that's what we can commit to right now.
- Abhishek Jain:** So, my question was on the first quarter EBITDA margin. Is it in the same line of the existing business or it is currently lower and it will improve in the coming quarter?
- Swastid Badve:** It is slightly lower right now. And that was due to the drastic fall seen in the main Japanese OEM that H-One supplies to. We expect this margin to become better over time.
- Abhishek Jain:** So, despite this integration, we have seen expansion in the operating margin in this quarter. Is it because that lower trading business revenue and that's why the mix has improved in overall EBITDA?
- Swastid Badve:** So, if you see the last fiscal year, we had an EBITDA margin for the full business of close to 12.3% and this quarter we have ended at 12.4%. So, we're largely in line with what we did last year. No particular increase that we can attribute it to.
- Abhishek Jain:** Because ultimately, I see that other expenditure and employee cost has gone up. Despite that, we have seen an expansion in the margin. So, is it because of the lower trading business that attributed to?
- Swastid Badve:** The trading business, if you'll see on one of the slides, maybe Slide 8 was around 19% of our consolidated revenue. Last year, I think it was close to 20%. So, maybe 1% revenue decline, but I think it's there and thereabouts. It's not a material decline in terms of the trading volumes, it's a big change.
- Abhishek Jain:** Okay. And my next question on the overall business, in the sheet metal, you have a very strong market share of around 25%. So, I just wanted to how is the market share in the motorcycle versus scooter? You have a very strong presence in the motorcycle segment, but you are gaining market share in the scooter right now. I just wanted to understand how the market share is divided and how is the outlook ahead?
- Swastid Badve:** So, you said rightly, we have largely been a motorcycle player with the majority of our revenues coming from motorcycles as compared to scooters. That's also due to the customers we started working with initially. If you look at our largest customer, they're largely a motorcycle player.
- That being said, I think the parts that we make, the chassis and exhaust system remain quite similar, whether it is a motorcycle or a scooter. So, us winning business in either one of them is dependent a lot on what the OEM is prioritizing. So, it is not a conscious call we make on whether we want to remain in motorcycles or scooters or so on and so forth.
- It really depends on what the OEM wants to offer to us and what we feel is feasible. I don't know if that answers your question.
- Abhishek Jain:** Sir, actually, if we see the two-wheeler mix now that is shifting from motorcycle to scooter and just wanted to understand what are the key business means you have in the scooter segment and

what are the plans to gain the business in the scooter segment to just compensate or make a better mix in the coming years?

**Swastid Badve:** We already have a good exposure in the scooter segment. It's not like we're lacking in that segment in any way or form. If, say, an OEM wants to shift more towards scooter volumes, that will be directly shown into our mix also. So, just reiterating, we're not fixed on working on any of those particular segments.

It is only that our OEMs are working more in motorcycles up until now and now if they move into scooters, we'll follow suit. Maybe our Chief Marketing Officer can add more to that.

**Sunil Kulkarni:** Just to clarify, if you look at the largest scooter manufacturer in India, we have a very healthy market share over there. That's all I wanted to say.

**Abhishek Jain:** And who is your competitor, sir, in sheet metal?

**Swastid Badve:** So, in the sheet metal space, in the listed space, it would largely be JBM Auto.

**Abhishek Jain:** So, it's a Neel Metal or JBM Auto?

**Swastid Badve:** JBM Group.

**Abhishek Jain:** JBM Group, sorry. Okay. And my last question on that, what is our current cash position, sir?

**Swastid Badve:** So, current cash position, as of June 25, I'll have to get back to you on that, but I think we had mentioned our net debt position, which was close to INR750 crores.

**Abhishek Jain:** INR750 crores. Thank you, sir. That's all from my side.

**Moderator:** Thank you. The next question comes from the line of Sheetal Keswani from Shriram Asset Management. Please go ahead.

**Sheetal Keswani:** Hi, sir. Good afternoon. Congratulations for the great set of numbers. So, what I wanted to understand is, in your business verticals, is there an outlook that you have for the e-mobility business and the suspension division or is it that all of this is a part of your combined two-wheeler, four-wheeler, passenger vehicles and CVs? How is it?

**Swastid Badve:** So, thank you for the question. I think right now, we're largely a precision sheet metal company with, I would say, more than 90% of our manufacturing revenues coming from the space. We have a presence in the polymer segment, which is, say, another 3% to 4%. Then we have an *Others* segment where we cater to renewables, defense, consumer durables and so on and so forth.

And then, as you mentioned correctly, we're also in the suspension space where we supply to multiple different OEMs. We not only make front forks and rear shock absorbers, but we also make the steering columns that we supply to multiple OEMs. So, right now, to specifically answer your question, in the e-mobility space, the only bet that we have made is in the hub motor space where we set up a pilot manufacturing facility line in Pune.

That plan has just been set up recently. So, we are, as you speak, doing some sample validation and testing with some key customers, but no particular revenue that are envisaged in this business, say, over the next quarter because hub motors, again, being critically safety products will require a fair amount of safety and testing on the OEM's side.

To answer your question on suspension and steering column, I think suspensions have been seeing growth. We recently won an order – when I say recently, in the last year, won an order from one of the largest two-wheeler OEMs for one of their motorcycle models. And in the steering column space, we're working with four unique players.

So, we're working with a European player and we're working with three of the largest two-wheeler OEMs in India. So, again, both spaces we've had strong order wins in the past six months or so. And thus we expect this revenue to become material for us, say, in the next two to three years, on the back of these order wins. And maybe our Chief Marketing Officer can...

**Sheetal Keswani:**

So, just to understand, in the next three to four years, do we see the suspension in the e-mobility division, being at a substantial number or the sheet metal is going to be where as you mentioned, like it's 80%, 90% of the manufacturing business, followed by polymer just being like a single digit. And the others is like another 3% to 4%.

So, yes, the suspension division and e-mobility is more is where I'm trying to understand is, it's from the perspective of having presence as in your product portfolio or will that division be contributing or that vertical will be contributing substantially going ahead, even if not in the next one or two years, but probably, let's say, five years?

**Swastid Badve:**

So, e-mobility, I wouldn't be able to comment on, given that it's too early and it's just been set up, it's a completely new area for us. Suspension is something that I can say is something with a fairer bit of confidence, where we've already been working for in the past two to three years.

I think in the next three to five years, we would expect suspension to become a considerable revenue contributor for us. When I say considerable, kind of getting close to a plastic or even more than that is, I think, where we think it can be in the three to five years region.

**Sheetal Keswani:**

Okay, got it. Thanks, sir. I have one more question.

**Moderator:**

Ma'am, sorry to interrupt. May I request you to join the queue for a follow-up question, please?

**Sheetal Keswani:**

Okay, sure.

**Moderator:**

Thank you. The next question comes from the line of Vijay Pandey from Nuvama. Please go ahead.

**Vijay Pandey:**

Hi, thank you for taking my question. I have a couple of questions, one on H-One. So, just wanted to check, H-One is mainly a supplier of passenger vehicle, commercial vehicle or two-wheeler OEM because just want to check that decline is coming from which particular OEM or trying to get an understanding of where the decline is coming from and how it is expected to move forward?

- Swastid Badve:** Thank you for your question. We, unfortunately, cannot comment on the specific OEM, but H-One is a largely is a big player in the four-wheeler passenger car space, although it has contributions in the two-wheeler space as well and mainly working with the Japanese OEMs.
- Vijay Pandey:** Okay, sure. Thank you. Now, the second thing was on the margin side, gross margin also has declined Y-o-Y and EBITDA margin also declined? Is it primarily because we did integrate H-One and that could have impacted, but just want to check what is the other impact that is driving? Was there any raw material impact and how should we see it going forward like we did 13% Q1 last year?
- Swastid Badve:** So, couple of points that I would like to preface this by. One is that last year, we had an EBITDA margin consolidated of around 12.3% and quarter one we ended with 12.4%, which we think is in line with the guidance we've given. And the second part is that our raw materials are on a back-to-back basis, which means that usually on a quarterly or say four-monthly basis, we get the amendments in the POs from our respective customers.
- Nevertheless, there always is an increase or decrease in raw materials. And so the changes in raw materials does lead to a change in the percentage per se, but the absolute figures more or less remain the same.
- Vijay Pandey:** Just in terms of so when the steel prices come down, do we get in the same quarter or we get it in the next quarter, the benefit?
- Swastid Badve:** We get the provisioning in that particular quarter itself, but if there's a decrease, then there's a decrease in revenue also and there's a decrease in the particular consumption cost also. So, when both the numerator and denominator decrease, the EBITDA margin will of course change
- Vijay Pandey:** Within the same quarter, okay. And lastly, sir, our finance cost did go up to INR80 crore so we did, because we made the payment of debt, is it like when do we expect this to flow into the lower interest cost to flow into the P&L, will it be Q2, at the end of this fiscal year or is it we have....?
- Swastid Badve:** Yes, basically last year on a quarterly basis, our interest cost was around INR77 crores to INR78 crores, that has gone up to INR80 crores. The main factor behind that was that for the H-One acquisition, we had issued a non-convertible debenture, the interest of which was not captured in Q4, but is captured in Q1 of this fiscal year.
- And on your point on the IPO payment, the payments, say, started very late May when the IPO happened and went on to June. So, technically if you think about it, the impact of those payments was only for a couple of weeks, due to which that effect is not seen prominently. That being said, over, say, the next three quarters, there will be a significant reduction in interest cost going forward.
- Vijay Pandey:** Okay. And sir what is our expectation on the manufacturing side EBITDA margin like in the presentation we have mentioned, it has come down from 15% to 14% this quarter. So, just wanted to check on that?

- Swastid Badve:** So, we will guide only on a company-wide basis and that is for stable EBITDA margins.
- Vijay Pandey:** Okay. Thank you.
- Moderator:** Thank you. The next question comes from the line of Niyati from Bhavya Growth Advisors. Please go ahead with your question. As there is no response from the participants, we will move to the next participant. The next question comes from the line of Shrinarayan Mishra from Baroda BNP Paribas. Please go ahead.
- Shrinarayan Mishra:** Hello, sir. Good evening. Congratulations for the great set of results. So, my first question was on rare earth impact. So, are we seeing our customers delaying their production plans and as a result, we are getting impacted? And was it also the reason for H-One revenues to be not in line with previous year?
- Sumedh Badve:** So, firstly, on the rare earth impact we cannot comment on our customers behalf. But as we mentioned during our presentation, what we mentioned was there is a slight impact there. It will not materially impact our revenues because our contribution there is relatively low. And we expect that the Indian government will figure this out in the coming days because it's an issue of national importance for us.
- Shrinarayan Mishra:** So, then what will be our share of revenues through pure play EV OEMs?
- Swastid Badve:** Pure play EV OEMs in terms of percentage of manufacturing revenue would be closer to 5%.
- Shrinarayan Mishra:** Okay. My second question was on this merger of group companies. So, has there been any progress this quarter?
- Swastid Badve:** No progress as of this quarter. That being said, we are working on it internally and as and when we have an update, we'll let you know. .
- Shrinarayan Mishra:** So, even till date, so as of today, there is no update, right?
- Swastid Badve:** The only update remains is that when we had filed for the RHP, we had acquired a 14% stake in Badve Autocomps that is the only update that remains. Again, there's regulatory requirements and there's different types of approvals that are required before we go ahead with these acquisitions. We are working on it and we will look to complete the Badve Autocomps acquisition within this fiscal year, subject to the regulatory approvals.
- Shrikant Badve:** Okay. Thank you, sir. We just like to reiterate, we have given commitments to our RHP. So, it is very, very clearly committed from our side and it will happen. So, nothing to worry on that part.
- Shrinarayan Mishra:** Okay, sir. Thank you.
- Moderator:** Thank you. The next question comes from the line of Avi from Ocean Finvest. Please go ahead.
- Avi:** Good evening, sir. Congratulations on the good set of numbers. So, sir, we have recently incorporated a new subsidiary to cater the defense and aerospace industry. So, sir, are we looking

at, we are seeing opportunity in this space, like we have on-boarded two new OEMs in this space. So, are we looking for active opportunities in the defense and aerospace industry?

**Sumedh Badve:**

So, as we've mentioned in our previous calls as well and as we like to believe that we are fundamentally a process engineering company and we can make multiple different products because of our expertise in this space. We are looking at expansion diversification. This is a new entry segment for us, which is largely defense and aerospace.

It's a segment that requires long gestation periods and approval timelines. We're hopeful our journey has already started on a positive note. As we mentioned in the call today, we have received a couple of orders already, including export orders, which are coming in. So, that is a very positive sign. And we are aligning our resources to work on new projects in this segment and we believe there is an opportunity here that we'd like to capitalize on.

**Swastid Badve:**

Just one point I would like to add to that is that the defense and aerospace segment was something we have been working on for the past two to three years. So, this first order has been three years in the making. So, we feel it's the first positive step, as in again reiterating that while the first order may be modest, we expect this to further grow from here based on these three new customers that we'll now be working with.

**Avi:**

Yes, sir. So, the follow-up question would be, what are the R&D expenses you are doing on the defense and aerospace to develop products for the aerospace and defense industry?

**Sumedh Badve:**

So, in terms of the R&D, this, so we are largely a process engineering driven company. For defense specifically, the designs are floated by the customers. And we use our engineering capabilities to manufacture to the best possible accuracies for them. So, it's more of process engineering in which we focus more on the dyes, tooling, fixtures and the lines that we create for manufacturing.

**Swastid Badve:**

Just to add to that, it's a built-to-spec product, not a built-to-print product.

**Avi:**

Okay, sir. Thank you so much.

**Moderator:**

Thank you. The next question comes from the line of Dhiral Shah from Philip Capital. Please go ahead.

**Dhiral Shah:**

Good afternoon, sir. Thanks for the opportunity. Sir, if I look at our manufacturing revenue, that has grown almost 29%. And I can understand that our four-wheeler and three-wheeler contribution have grown up looking at the acquisition that we have done. So, what kind of growth we have seen on the two-wheeler side?

**Swastid Badve:**

So, we have the percentages that are there in our investor presentation. We don't have them handy at the moment right now. But we can do a simple comparison based on the percentages mentioned on Page 8. And with the exact numbers, we can get back to you.

- Dhiral Shah:** Okay. And, sir, our other expenses have grown higher than our revenue growth. So, it was up 40% on a Y-o-Y basis and maybe that is the reason why our margins are lower on a Y-o-Y as compared to last year. So, any particular reason for, you know, other expenses going up?
- Swastid Badve:** So, one key reason for that was repair and maintenance expenses in quarter 1 were higher. I think they were higher by almost two and a half times as compared to the same time last year. And as you would imagine, repair and maintenance expenses are not really calibrated equally throughout the year, due to which they may seem higher. Second is that H-One has also been consolidated in this quarter and it was not there in the quarter before, due to which some other expenses of theirs have also been added.
- Dhiral Shah:** Okay. So, going ahead, sir, are you confident of maintaining at least 14% kind of EBITDA margin on the manufacturing side? This is including the subsidy that we are, you know, receiving across maybe a few plants?
- Swastid Badve:** So, to answer your question, subsidy, yes, the subsidy we will continue to receive in the quantum of INR100 crores to INR120 crores, say, over the next decade. We will for now only comment on the consolidated EBITDA percentage, for which we are guiding for a stable EBITDA margin going forward.
- Dhiral Shah:** Okay. Thank you so much, sir.
- Moderator:** Thank you. The next question comes from the line of Bharat Gulati from Dalal & Broacha. Please go ahead.
- Bharat Gulati:** Could you quantify what if the defense revenue has started to come in from this quarter and if not, then what would be the percentage that it would be of our total revenue?
- Sumedh Badve:** It's still very early stages. So, it's, these new orders have been received. At this moment, we cannot comment on where this will go, but we're hopeful and we look at this as a new growth opportunity for us.
- Bharat Gulati:** Okay. And out of the INR800 crores capex that is planned over the next two years, which segment of that revenue is it focused towards, if you can mention please?
- Swastid Badve:** So, I think, of course, there would be a larger indexation on four-wheeler and commercial vehicles since we want to double our revenue in the space in the next two to two and a half years. And apart from that, I think two-wheelers also will be something that we'll closely look at because I think, as we mentioned, we're starting work with a couple of new OEMs.
- And when you usually start work with new OEMs, it kind of entails the setting up of new facilities. In that sense, I think we should stick to the INR800 crores over the next two years. The mix of it will be opportunistic.
- Bharat Gulati:** So, would it be right to say that four-wheeler passenger and commercial will grow faster in like a segmental revenue as compared to two-wheelers?
- Swastid Badve:** Of course.

- Bharat Gulati:** So, is there some margin breakups that you can give us for that, if it's possible?
- Swastid Badve:** We don't give segmental margin breakups.
- Bharat Gulati:** Okay. And out of the INR800 crores capex, is H-One also there in it or is it purely, I mean, what is the breakup between the H-One and our traditional?
- Swastid Badve:** Yes, it includes H-One. And the good part about H-One, and maybe Sumedh can talk more about this, is that when we acquired the facility or even now, the capacity utilization that we have in H-One is not even more than 40%. So, there's a huge scope to increase our revenues in H-One with the current machinery and assets. We don't think H-One as a company or as an asset will require a lot of capex for us going forward.
- Sumedh Badve:** That's right. Obviously, in the automotive industry, the time of commercialization for certain products and gestation period is a little longer. So, we expect that in the coming quarters, we can possibly leverage that operational capability by leveraging our available capacities and expand that with little additional incremental payments.
- Bharat Gulati:** So, when can we see H-One ramp up? I mean, when can we see the capacity utilization reaching a higher number?
- Swastid Badve:** We've just taken over the company. It's been just a couple of months. We still continue to understand the company, integrating the company with our core operations. I think for us to come up with a definitive business plan will still take a few more months. We'll get back to you on that when we have a clear picture on it.
- Bharat Gulati:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Shreya Tewari from VT Capital. Please go ahead.
- Shreya Tewari:** Thank you for giving me this opportunity. So, my first question is, as you mentioned in the presentation, there's a company in Israel and even in Israel defense OEMs. So, could you share more details about the company...
- Moderator:** Sorry ma'am. We still can't hear you. May I request you to join the queue again.
- Moderator:** The next question comes from the line of Deepesh from Maanya Finance. Please go ahead.
- Deepesh:** Yes, hi. Firstly, my first question was regarding the debt only. Since we've reduced the debt and the interest cost has remained the same, can you just guide on what should be the expected interest cost going ahead and since we are also planning an INR800 crores capex where most of our internal accruals will go for this capex?
- Swastid Badve:** So, the reason the repayment of debt has not affected interest cost is because it happened mostly at the end of May, some in June. So there's just a couple of weeks of interest saving that happened. Of course, that was offset by the non-convertible debenture that we took for acquiring H-One. That is to answer your question. Is there anything additional?

- Deepesh:** No. Going ahead, what should be the interest cost that is what the latter part of the question was?
- Swastid Badve:** So interest cost for us should be around 9% to 9.5%.
- Deepesh:** Fine. And also on the capex which we are doing, will we be working on a similar kind of ROE or will it be a better ROE?
- Swastid Badve:** So, our endeavor and initiative is to take us from say a mid-teens type of ROCE company to a high-teens ROCE company. And largely, that will be to do with taking on projects which have a higher RNIC (Return on New Invested Capital). So, in fact, the plans that we are setting up in Pune for the long members, we expect to have a higher RNIC than what we have as a company and the higher capacity utilization that we endeavor to continue to get. So, today we are around 65% capacity utilization. We want to get to a 70% to 75% capacity utilization over the next two years. So, we also feel that will bring in some advantage and will lead to higher ROCE as a company.
- Deepesh:** Right. And when we mentioned that there is a transition from a Tier 1 supplier to a Tier 0.5 supplier. Now, can you just stress how is this going to be beneficial and exactly what will be a system-supplier mean? Do we set up factories at our OEM factories also? Is that the kind of work we are doing?
- Sumedh Badve:** To answer your question, if you look at the parts that we manufacture, they are from a weight perspective and volume perspective, they are very big. So, traditionally, we have been setting up factories very close to our OEMs. Now, regarding Tier 1 to Tier 0.5, the advantages are very clear because when we talk about a Tier 0.5 concept, we are doing sub-assemblies.
- That means apart from the parts that we do, like chassis or frames, we also add on a lot of other bought out parts on the chassis and which is then directly supplied online to the OEM. This has helped us to increase our stickiness with the OEMs. We become their preferred supplier whenever any new programs come up because of the kind of investments that we've done for them.
- And the confidence that we've built over the past many years by supplying almost a very large sub-assembly to them, which goes defect-free, which goes as per their requirements. And we have not had any issues up till now. So, there are inherent advantages that we get.
- Deepesh:** Okay. Great. Thank you so much, guys. All the best.
- Moderator:** Thank you. Ladies and gentlemen, we will take this as the last question for today. I will now hand the conference over to the management for closing comments.
- Sumedh Badve:** I would like to thank everyone for their time, interest and questions. I hope we've been able to address most of the queries. We remain confident in our growth trajectory, both near-term and long-term, driven by strategic investments and a commitment to advancing products and the economy. For any further questions, please reach out to us or to our IR partners, strategic growth advisors. Thank you once again for joining.

**Moderator:** Thank you. On behalf of Belrise Industries Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your line.

**Management:** Thank you.