

[00:00:00] – Opening Music

(Intro music playing softly in the background)

[00:00:19] – Shripada Patil (CFO)

"A very good afternoon to everyone present here. Firstly, thank you for joining the earnings call for the half-yearly results of FY 2024–25. Myself, Shripada Patil, CFO at SKP Bearing Industries. I'll be presenting the earnings call today."

[00:00:37] – Shripada Patil (CFO)

"Our agenda today includes:

1. A brief introduction of the company
 2. Financial highlights
 3. Operational highlights
 4. Market overview
 5. Strategic initiatives
 6. Our MD's message
 7. Outlook and guidance
 8. And finally, a Q&A session."
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[00:00:49] – Shripada Patil (CFO)

"For those who are unfamiliar with SKP — SKP Bearing Industries Ltd. is a renowned manufacturer of rolling elements. We were established in 1991 and have been serving clients across a diverse set of industries for over three decades."

[00:01:04] – Shripada Patil (CFO)

"Our rolling elements are widely used in sectors such as automotive, textile, electronics, pharmaceuticals, and more. We have an in-house team of experts who specialize in designing and manufacturing high-performance rolling components tailored to client needs."

[00:01:18] – Shripada Patil (CFO)

"In July 2022, we launched our IPO, welcoming investors into our long-term growth trajectory. And in February 2024, we acquired a 95-year-old French company — **Valet et Guillet Industries**, located in La Clayette, France — a significant milestone in our international expansion."

[00:01:40] – Shripada Patil (CFO)

"Our product range includes everything from small to large-sized needles and balls, spanning multiple chemistries. We manufacture miniature balls, copper balls, and several other specialized rolling elements."

[00:01:52] – Shripada Patil (CFO)

"Our board of directors remains unchanged and includes:

- Mr. Shrinand Palshikar – Chairman and Managing Director
 - Mrs Sangita Palshikar (Non-Executive / Non-Independent Director)
 - Mr. Rajeev Vinayak Lokare (Non-Executive / Independent Director)
 - Mr. Kishorbhai Chhanalal Parikh (Non-Executive / Independent Director)
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[00:02:10] – Shripada Patil (CFO)

"Now moving to our **financial highlights** for H1 FY2024–25."

[00:02:16] – Shripada Patil (CFO)

"On a **Standalone basis**:

- Revenue stood at ₹27.40 crore — a **7.65% growth** over the same period last year.
 - EBITDA was ₹10.18 crore, marking a robust **EBITDA margin of 37.7%**.
 - Profit before tax is at **36%**, and net profit margin stands at **26.98%**.
 - Employee cost is at **8.05%**.
 - Cash conversion cycle remains at **202 days**, similar to the previous year."
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[00:02:56] – Shripada Patil (CFO)

"On a **Consolidated basis** — including the French entity:

- Revenue is ₹34.85 crore
 - EBITDA: ₹3.87 crore (margin: **11%**)
 - PAT: **2.88%**
 - Cost of goods sold: **25.7%**
 - Employee cost: **24.3%** — higher due to French workforce integration
 - Cash conversion cycle is at **60 days**."
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[00:03:42] – Shripada Patil (CFO)

"Our **current and quick ratios** are also shown in the shared presentation and remain healthy across both standalone and consolidated structures."

[00:04:01] – Shripada Patil (CFO)

"Let's move on to our **operational highlights**."

[00:04:06] – Shripada Patil (CFO)

"Our **ground-mounted solar project** under **PM-KUSUM Yojana** was commissioned on **19th June 2024**.

- It is a **2 MW AC plant**.
 - This is the **first solar project under the Yojana** in our category."
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[00:04:20] – Shripada Patil (CFO)

"Our **continuous furnace**, commissioned last year, has completed validation.

- A **new ERP system** has been rolled out this year.
 - The **trial run at Plant 3** is complete, and commissioning is planned in the current half."
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[00:04:43] – Shripada Patil (CFO)

"Let's look at some sector-wise market trends."

[00:04:46] – Shripada Patil (CFO)

"In **automotive**, due to the shift toward EVs, the component chain is experiencing pressure. Demand is slightly muted here.

In **pharmaceuticals**, customized and smaller batch manufacturing is pushing costs up. Larger manufacturers are at an advantage due to economies of scale.

In the **cosmetic industry**, intense competition is driving volume growth through scale, which is favorable for us."

[00:05:17] – Shripada Patil (CFO)

"**Other industrial sectors** remain stable — no major increase or decline in demand."

[00:05:22] – Shripada Patil (CFO)

"Here is our **segment-wise revenue distribution**:

- Bearings: **33%**
 - Magnetic clutches: **21.85%**
 - UJ Crosses & Others: **15%, 13%**, respectively."
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[00:05:43] – Shripada Patil (CFO)

"And by **industry vertical**:

- Two-wheeler industry: **26%**
 - Bearings: **24%**
 - Commercial vehicles: **18%**
 - Passenger vehicles: **15%**
 - Aftermarket: **13%**
This ensures that we're **not overly dependent on any single industry**."
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[00:06:01] – Shripada Patil (CFO)

"Our **strategic roadmap** moving forward includes:

- Streamlining plant operations
- Enhancing cross-functional synergies
- Starting operations and revenue generation from Plant 3

- Developing new value-added product lines
- Expanding our global customer base"

[00:06:43] – Shripada Patil (CFO)

"I would now like to invite our MD, Mr. Shrinand Palshikar, to share his insights with us. Sir?"

[00:06:51] – Shrinand Palshikar (MD)

"Good morning. I'm speaking to you from **France**, where it's about **six degrees Celsius** right now.

First of all, I would like to extend my sincere gratitude to all our shareholders and investors for joining today's earnings call."

[00:07:08] – Shrinand Palshikar (MD)

"This is a **milestone year** for us. I'm very pleased to share that our acquisition of the **95-year-old French company — Valet et Guillet Industries** — is already starting to add value to our organization."

[00:08:12] – Shrinand Palshikar (MD)

"We are also working on new value-added products, and I'm happy to share that we're getting very encouraging responses from the market. This initiative is going to set a **new benchmark** and shape the future of SKP in the years ahead."

[00:08:28] – Shrinand Palshikar (MD)

"I again thank all our shareholders and investors for showing faith in us. Just to reflect: since our listing in 2022, in a span of just two years, we have taken Plan 3 from **concept to operational execution**, rolled out multiple capex projects, and now we are preparing to **streamline all of it** across FY25, FY26, and FY27."

[00:08:50] – Shrinand Palshikar (MD)

"We are confident that the coming years will see us rise to a new level altogether. Thank you again for your trust, and thank you for joining this meeting."

[00:09:02] – Shripada Patil (CFO)

"Thank you, sir, for your valuable insights. With your permission, I would now like to open the forum for the Q&A session."

[00:09:10] – Investor

"Yes sir, am I audible?"

[00:09:12] – Shrinand Palshikar (MD)

"Yes, you are."

[00:09:14] – Investor

"Great. First of all, regarding the domestic business — can you share the status of the new plant? When is it expected to be commissioned?"

[00:09:22] – Shripada Patil (CFO)

"Sure, I'll take this one. The new plant is expected to be commissioned in **Q3 of FY 2024–25.**"

[00:09:35] – Investor

"Alright, and how do you see the ramp-up happening post-commissioning? Given that you mentioned there's been some slowdown in the automotive sector, how are you planning to approach capacity utilization?"

[00:09:46] – Shripada Patil (CFO)

"Yes, the automotive sector is definitely experiencing a slowdown — which did affect us somewhat in Q2. But, importantly, **no single industry accounts for more than 26%** of our revenue mix. So we have a well-distributed exposure."

[00:10:04] – Shripada Patil (CFO)

"That's why we don't foresee any major issue in ramping up production or achieving revenues from the new plant. For **Plant 3**, we expect revenue contribution to begin in **H2 of FY24–25**."

[00:10:25] – Investor

"Do you already have demand visibility for this additional capacity — either from existing or new customers?"

[00:10:31] – Shrinand Palshikar (MD)

"Yes, absolutely. I'd like to elaborate here. The **strategy for Plant 3** is distinctly different. We're not targeting customers who are already being served by other local players."

[00:10:47] – Shrinand Palshikar (MD)

"Instead, our **focus is on import substitution**. We are targeting customers who are **currently importing** their requirements. That gives us a strong and unique positioning."

[00:11:05] – Shrinand Palshikar (MD)

"This approach is helping us accelerate capacity allocation. Stage 1 of Plant 3 is planned for **200 tons per month**, and we've already identified customers for this entire volume."

[00:11:20] – Shrinand Palshikar (MD)

"Commercial discussions are underway, sample submissions are completed, and line occupancy planning is in progress. This is **not speculative demand** — it's confirmed engagement."

[00:11:37] – Investor

"So would it be fair to say that by **H2 of next year**, you'll likely hit a good utilization rate at Plant 3?"

[00:11:43] – Shrinand Palshikar (MD)

"Yes, exactly — that is the plan."

[00:11:49] – Investor

"Understood. Now, there's quite a significant gap between standalone and consolidated profitability. I assume part of that is due to the initial burn from the French subsidiary?"

[00:12:00] – Investor

"Can you give us some insight into how the ramp-up at the French entity is progressing? Where are you in that journey?"

[00:12:09] – Shrinand Palshikar (MD)

"Yes. See, **any European acquisition comes with its complexities**. Europe, unlike India, is **not a manufacturing economy** — it's more consumer-driven."

[00:12:21] – Shrinand Palshikar (MD)

"The **operating cost in France is high**, and the first priority for us has been to **restore customer confidence**."

[00:12:30] – Shrinand Palshikar (MD)

"Secondly, we're repositioning ourselves as a **global supplier with dual footprints** — India and France — to support global supply chains."

[00:12:42] – Shrinand Palshikar (MD)

"We're already shipping products from France to **Mexico, Brazil, China, Poland, Thailand**, and even to **India**. Imagine — despite having a factory in India, a customer would only accept parts from France for a decade. Now, they accept from both. That's a huge shift."

[00:13:07] – Shrinand Palshikar (MD)

"This dual-approval, dual-manufacturing strategy has **opened doors both ways** — and that's a major breakthrough."

[00:13:16] – Shrinand Palshikar (MD)

"Of course, employee costs in France are significantly higher, as Shripada already highlighted. So we are now working aggressively on **synergies and process optimization** to bring those costs under control."

[00:13:47] – Shrinand Palshikar (MD)

"FY25 will be a tough year — we will be investing heavily to revamp the French setup. But in **FY26**, we foresee a meaningful turnaround and believe the French unit will move toward a **strong, self-sustaining position**."

[00:14:08] – Investor

"And what is the current capacity utilization at the French unit?"

[00:14:12] – Shrinand Palshikar (MD)

"That's a tricky one. See, the French facility was **designed for massive scale** — it used to manufacture **16 million pieces annually** at one point. That's the available capacity."

[00:15:54] – Investor

"So currently the French entity has a capacity of 16 million units, right?"

[00:15:58] – Shrinand Palshikar (MD)

"Yes, when the company was in its prime, they were doing around 16 million. But when they hit a rough patch, output dropped to 8 million. And right now, we are operating at around **2 million annually**."

[00:16:10] – Investor

"So there's a lot of headroom to grow?"

[00:16:13] – Shrinand Palshikar (MD)

"Absolutely — the opportunity is huge."

[00:16:15] – Investor

"Now with domestic capacity ramping up, and the French operations in motion — plus you're incurring some costs in France — how's the balance sheet holding up? I believe surplus cash was deployed in the solar project?"

[00:16:34] – Shrinand Palshikar (MD)

"Yes, that's right. But we're comfortable. There's **no challenge** on the balance sheet front. In fact, until last year, we were completely **debt-free**, even post-listing. We aim to **return to debt-free status** in another two years."

[00:17:10] – Investor

"Understood. You reported around ₹34 crores in consolidated revenue this quarter — what's your revenue outlook for H2 and beyond?"

[00:17:22] – Shrinand Palshikar (MD)

"I want to be very transparent with our shareholders. Internally, we've set targets of ₹100 crore, ₹200 crore, and ₹400 crore in the next three years. FY25 is targeted at **₹100 crore**, FY26 at ₹200 crore, and FY27 at ₹400 crore — this is **consolidated**, India + France."

[00:17:51] – Shrinand Palshikar (MD)

"To achieve this, we are aligning both operations under one team — **one global team** with a unified strategy."

[00:18:09] – Shrinand Palshikar (MD)

"And it's not just about top line. We're also working hard on **cost control and profitability**, with fresh thinking and discipline."

[00:18:26] – Investor

"Sir, earlier you said SKP France did 2 million euros in business — is that for the whole year or half year?"

[00:18:34] – Shrinand Palshikar (MD)

"That's **for the full year**. We acquired the company in **February**, so in Indian financial terms, this was a partial year — but for France, which works on a calendar year, it's full year."

[00:18:52] – Shrinand Palshikar (MD)

"We are also in the process of syncing their accounting year to match ours, which will make reporting **much more streamlined** going forward."

[00:19:08] – Investor

"So out of the ₹34 crore consolidated revenue, about **₹9 to ₹10 crore** (i.e. ~1.1 million euros) came from France?"

[00:19:15] – Shrinand Palshikar (MD)

"Yes, approximately **₹9–10 crores**."

[00:19:18] – Investor

"Which means there's slight degrowth in the domestic business then?"

[00:19:24] – Shripada Patil (CFO)

"No — could you go back to the slide please... yes, so standalone revenue actually **increased by 7.65%**, and consolidated by **32%**, year-on-year."

[00:19:45] – Investor

"Great, just to reconfirm — you're targeting ₹100 crore topline in FY25, and possibly ₹200 crore next year as capacity expands?"

[00:19:51] – Shrinand Palshikar (MD)

"That's correct."

[00:19:55] – Investor

"And on France, how is **customer interaction** progressing? I understand several clients had moved away due to service issues — are they returning?"

[00:20:14] – Shrinand Palshikar (MD)

"This is **our single biggest focus** right now. My full marketing team is working on **customer revival**. You're right — it's very easy to lose customers, and incredibly difficult to **earn back trust**."

[00:20:31] – Shrinand Palshikar (MD)

"Our first objective is to assure them that **we are reliable**, present in **India and France**, and that we bring **next-generation solutions** with better technology and service."

[00:20:50] – Shrinand Palshikar (MD)

"We are already in discussions, sharing proposals and volumes. Some customers are coming back, some are evaluating. It's not instant — this takes time, but we are confident."

[00:21:09] – Investor

"So in a year or two, you believe even customers lost 5–10 years ago may return?"

[00:21:15] – Shrinand Palshikar (MD)

"Yes, that's our belief — with consistency, commitment, and staying power, we'll **rebuild confidence**."

[00:21:27] – Investor

"Understood. Also, the **product portfolio** in France is quite different from India, right? Can you elaborate on the kind of **value-added products** you're introducing?"

[00:21:43] – Shrinand Palshikar (MD)

"Shripada, can you show the photo? Yes, the new products."

[00:21:49] – Shrinand Palshikar (MD)

"So we are introducing a **completely new product line** — would you like me to continue with the explanation and description of these product types?"

[00:23:06] – Shripada Patil (CFO)

"Sir, if you see the top-left corner of the slide — those large rollers — this is the product traditionally made at our India plant."

[00:23:18] – Shripada Patil (CFO)

"With the addition of the France entity, we've significantly expanded our portfolio. Now we also produce miniature balls and high-value niche variants."

[00:23:29] – Shripada Patil (CFO)

"India plant's typical size range was **1 mm to 40 mm** for rollers and **3.5 mm to 22.25 mm** for balls. But now, in France, we're producing **miniature balls starting from 0.6 mm** — like those used in pens, cosmetics, and medical devices."

[00:23:48] – Shrinand Palshikar (MD)

"We also now make **plastic balls for pharma, glass balls, gold- and silver-coated balls**, and a very specialized product called a **satellite**, which you can see on the bottom-left corner — it looks like a UFO — used as media in grinding and polishing."

[00:24:20] – Shrinand Palshikar (MD)

"The industry base served by SKP France is distinct, though there are overlapping customers in some areas. It's not entirely different, but it is significantly expanded in scope."

[00:24:40] – Shrinand Palshikar (MD)

"And the kind of customers we now cater to — it's a dream list. I can't name them on a public forum, but if you meet us personally, we'd be happy to walk you through it."

[00:25:00] – Investor

"Understood. Now, since the cost base in France is higher than in India, will profitability reduce as France ramps up?"

[00:25:12] – Shrinand Palshikar (MD)

"This is a common question — but look at our past. Despite expansions and structural changes, we've maintained our **EBITDA margins** consistently. Cost control is our core strength."

[00:25:36] – Shrinand Palshikar (MD)

"In fact, our **power cost is lower in France** than in India. Sounds surprising, but it's due to strong negotiations with utility suppliers."

[00:25:51] – Shrinand Palshikar (MD)

"And pricing is smarter. The same product that sells for ₹100 in India may be priced much higher in France — because of logistics, risk factors, and the global premium our customers associate with SKP France."

[00:26:17] – Investor

"So if FY23 saw a high PAT margin, can we expect similar margins even when revenue grows 4x?"

[00:26:29] – Shrinand Palshikar (MD)

"We try our best. You see the margin is a result of multiple things — our focus is on **inventory cycles, automation, raw material cost control, faster deliveries, and optimal utilization**. If we manage these well, margins will follow."

[00:27:36] – Shrinand Palshikar (MD)

"We have **very little pricing flexibility** in most of our customer segments — so controlling cost is the lever we actively use."

[00:28:12] – Investor

"To scale from ₹50 crore to ₹200 crore, do you have the **people and management bandwidth** ready?"

[00:28:21] – Shrinand Palshikar (MD)

"Yes, absolutely. We've hired several professionals recently, and we're continuously upgrading the team. Some have already joined, some are in process."

[00:28:52] – Investor

"Great. But still, sir, I wish there were two of you — the growth is aggressive."

[00:28:58] – Shrinand Palshikar (MD)

[Laughs] "I understand. I may be the front face, but we have a **solid team behind the scenes**. Shripada is one, and there are many others who ensure the company functions seamlessly."

[00:29:49] – Investor

"One compliance question — since you're two years post-listing, what's your plan for **main board migration**?"

[00:30:00] – Shripada Patil (CFO)

"As per regulations, we can apply after completing **three years**. So once this financial year closes, we'll initiate the process — for **BSE or NSE main board listing**."

[00:30:41] – Investor

"Okay. Now regarding your India capacity — with the upcoming commissioning of Plant 3, what's your **maximum revenue potential from India** at full utilization?"

[00:31:05] – Shrinand Palshikar (MD)

"See, we don't disclose projections publicly. But purely from a **capacity perspective**, with **200 tons/month for rollers** and **200 tons/month for balls**, India alone has the potential to deliver **₹160 crore** annually at full utilization."

[00:31:55] – Investor

"Understood. So if next year's consolidated revenue target is ₹200 crore, how much would come from India?"

[00:32:10] – Shripada Patil (CFO)

"It depends on many factors. For example, we're now entering into **critical industrial applications** like **windmill components**, **railway gearboxes**, and **heavy-duty assemblies**."

[00:32:35] – Shrinand Palshikar (MD)

"These are **high-value, low-volume** products. So the capacity usage might remain same but revenues will jump due to pricing. For ball production, it's a fixed pipeline with defined customers."

[00:33:16] – Shrinand Palshikar (MD)

"For rollers, we're already close to 100 tons/month. Our plan is to take it to 200 tons soon with confirmed customers. This is what we are actively building for over the next 1–2 years."

[00:33:56] – Investor

"And from France, sir — next year, what do you expect? Since the acquisition happened in February, you will have had a full year of repairs, planning, and onboarding... so what's your outlook?"

[00:34:10] – Shrinand Palshikar (MD)

"It's not like the plant was non-functional. The **plant is beautiful**, fully functional, and **well-equipped**. In fact, it's **one and a half times larger** than India's largest ball manufacturer. We're sitting on massive potential."

[00:34:35] – Shrinand Palshikar (MD)

"A few pieces of equipment were idle or needed servicing — but structurally, the infrastructure is intact. The challenge isn't production, it's **customer confidence**."

[00:34:50] – Shrinand Palshikar (MD)

"And for that, we're making fresh **investments** — which is why you've seen a **rise in capex** and also **unsecured loans**. These are going into reviving customer relationships and creating forward momentum."

[00:35:08] – Investor

"Understood. Do you have trained manpower available locally in France for all of this?"

[00:35:14] – Shrinand Palshikar (MD)

"Yes, there's already a **strong, trained workforce** in France — with years of experience in this exact product line. Power, technology, people — everything is in place. We're just waiting for customer POs."

[00:35:35] – Investor

"And of these customers you're pursuing, have some of them started working with you?"

[00:35:40] – Shrinand Palshikar (MD)

"Yes, definitely. We've had **positive responses**, they've **visited the plant**, and **confidence has grown**. But they're cautious — they'll give us **partial loads initially**, ramping up over time."

[00:36:15] – Investor

"Understood, thank you so much."

[00:36:20] – Shrinand Palshikar (MD)

"Thank you."

[00:36:25] – Moderator / Host

"Any other questions? Surprising — Mr. Nagabhushanam from BMA hasn't asked anything today."

[00:36:34] – Mr. Nagabhushanam (Investor)

[Laughs] "Yes, sir, I'm here. How are you? Nice to see you all again. Since we met just a couple of months ago, most of my questions have already been answered. Mr. Gaurav has covered everything too."

[00:36:55] – Shrinand Palshikar (MD)

"Good to see you too, sir. Appreciate the continued support."

[00:37:05] – Moderator / Host

"Any final questions from anyone else?"

[00:37:15] – [No response from participants]

[00:37:20] – Shripada Patil (CFO)

"If there are no further questions, we'll move to close the call."

[00:37:28] – Shrinand Palshikar (MD)

"Thank you all for being with us today. Your continued trust and support mean a lot. We look forward to working together and growing SKP further."

[00:37:45] – Moderator

"With your permission, we now close this earnings call. Thank you, everyone."

[00:37:50] – All Participants

"Thank you... Thank you... Bye."

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