Host (00:00:02 – 00:01:32):
Good evening, everyone. A warm welcome to all present for the Earnings Call of SKP Bearing Industries Ltd. for the Financial Year 2022–23. I serve as the Head of Quality and Systems at the company, and I will be your host for this session.

We will begin with a brief company overview, followed by financial highlights, key operational developments, investment rationale, a market outlook, and a message from our Managing Director. We will then open the forum for questions and answers.

For those unfamiliar with us, here is a brief introduction.

Company Overview (00:01:02 – 00:03:09):
Established in 1991 as a partnership firm under the name SKP Bearing Industries, we specialize in the manufacturing of needle rollers, cylindrical rollers, pins, and steel balls—collectively referred to as rolling elements.

Our products are supplied across India to reputed bearing manufacturers and OEMs catering to sectors such as textiles, automotive, and agriculture. We are recognized as a key manufacturer of finished rollers.

We also export our products to clients in Asia and Latin America. In 2012–13, we diversified into wind power generation with a commissioned capacity of 0.8 MW.

The firm was converted into a private limited company on 6th January 2022, and shortly thereafter, into a public limited company under the current name—SKP Bearing Industries Ltd., with incorporation formalized in February 2022.

Financial Highlights (00:02:27 – 00:05:02)

CFO – Mr. Shripada Patil:
Good evening. The total revenue for the year stood at ₹49.35 crore, compared to ₹10.27 crore in the previous period (6th Jan to 31st March).

Profit Before Tax (PBT) for the year is ₹13.25 crore, as compared to ₹17.97 crore in the prior period.

Key financial ratios:

- **Gross Profit Margin:** 36%
- **PAT Margin:** 27%

- **EBIT Margin:** 38%
- **Employee Cost:** 7.43% of revenue
- **Depreciation:** 2.1% of revenue
- **Cash Conversion Cycle:** Improved to 172 days
- **Current Ratio:** 3.18
- **Quick Ratio:** 2.73

Our audited balance sheet and profit and loss statements have been published and are available on public platforms.

Operational Highlights (00:05:02 – 00:08:50)

Speaker – Mr. Swapnil (Operations Head):

Roller Division

- Revenue contribution: 77%
- Year-on-year growth: 12%
- Current capacity: 110 tons/month (1,320 tons/year)
- Capacity utilization: 92%
- Capex plans included installation of AI-based systems and high-speed machinery.

Ball Division

- Revenue contribution: 9.5%
- Year-on-year growth: 50%
- Current capacity: 40 tons/month (480 tons/year)
- Utilization: 45%

- Capex included machinery upgrades and setup of a new plant (operational by Q3 FY24).

Other Divisions

- Revenue contribution: 6.9%
- Export share: 3% (with marginal growth)
- Stable performance with minor fluctuations

Key FY22–23 Milestones

- Installed first AI-based machine (now in production)
- High-speed machines commissioned
- Admin building’s ground floor brought into production
- Employee housing ("SKP Quarters") nearing completion
- Achieved Maruti Suzuki "Green Vendor" status, enabling vendor opportunities with Maruti and Hyundai.

Future Plans & Expansion (00:07:36 – 00:10:14)

- **Roller Division Expansion**
    - Continuous furnace procurement to scale capacity to 200 tons/month (2,400 tons/year)
- **Ball Division Expansion**
    - Additional continuous furnace to scale to 200 tons/month
    - Machines already procured for orientation line—installation by Q3 FY24
- **Other Initiatives**

    - Rooftop solar installations to enhance in-house energy generation (target: 0.3 kW)
    - Focus on increasing export revenue via value-added products

Key Strengths:

- Proprietary technologies developed in-house
- Diverse industrial clientele—reduces industry-specific dependency
- Over 30 years of experience
- Self-generation of electricity (wind + solar)
- Comprehensive rolling element production under one roof
- Nearly debt-free operations

Market Outlook (00:09:52 – 00:11:19)

India's bearing industry is experiencing accelerated growth driven by:

- Infrastructure investments
- Automotive sector revival
- Government initiatives like 'Make in India'
- Increased interest from foreign investors

These trends offer significant opportunities both domestically and internationally.

Managing Director's Message – Mr. Shrinand Parshikar (00:10:52 – 00:18:17)

We are at the cusp of a transformative growth phase. As a newly corporatized company, our focus remains on scaling capacities—targeting a 4x increase over the next two years.

Despite operational constraints (human resource shortages and machine capacity bottlenecks), we are actively addressing these through automation (AI-based systems) and new infrastructure.

We are the only Indian manufacturer offering all four types of rolling elements under one corporate group. This is a key differentiator, especially for OEMs looking to consolidate their vendor base.

Challenges such as additional import duties (up to 10%) in the European market due to geopolitical tensions have momentarily affected our export momentum. Nevertheless, we remain optimistic about long-term international demand.

We are in final-stage discussions with several large clients for balls and rollers—these techno-commercial engagements are expected to boost utilization significantly.

Employee well-being and machine utilization remain core priorities. Our long-term vision is to unlock new levels of revenue and capacity within 2–3 years.

Q&A Begins (00:17:42 – 00:19:52)

Question – Kunal Patel (Ahmedabad):
"When you planned this major capex and 4x capacity expansion, did you receive any soft commitments from customers—either existing or new?"

Response – MD, Mr. Shrinand Parshikar:
In the case of rollers, we had existing demand. We were operating with limited capacity, fully utilized.

Soft commitments in engineering products are rare; performance and supplier credibility are the real benchmarks. We are already IATF-certified and a Maruti Green Vendor, so qualification parameters are well in place. What remains is closing techno-commercial discussions, which are in advanced stages.

Follow-up Response – MD, Mr. Shrinand Parshikar (00:18:28 – 00:19:52):
We were operating at maximum capacity levels, which pushed us to explore expansion. However, in the engineering industry, securing hard or soft commitments in advance is challenging. What matters is consistent performance and the ability to prove capabilities.

We are already an IATF-certified company and a Maruti Green Vendor, so we meet all qualification and system requirements. The only step left in most cases is to finalize techno-commercial discussions.

Investor – Kunal Patel (00:19:10 – 00:21:19):
How much time does it typically take to get a product approved by OEMs?

Response – MD:
The timeline varies depending on the product's criticality. For new products with specifications similar to those we already supply, the approval process is quicker. In such cases, the process involves validation, typically done by the customer.

Follow-up by Investor:
What is the total capex outlay for this year and the next?

Response – MD:
We have already incurred capital expenditure in the range of ₹11–12 crore this year. A similar amount is planned over the next two to three years. The final capex may vary depending on emerging technological needs. Overall, we anticipate spending around ₹25 crore in total.

Investor:
Was any IRR or payback period considered when planning this capex?

Response – MD (00:21:29 – 00:23:28):
Ours is a slightly different model than a typical process industry. Instead of calculating IRR first, we focus on building capacity, achieving high quality and system readiness, and then presenting our capabilities to customers.

Once customers observe our technological edge and production infrastructure, engagements become smoother. Existing customers find it easier to expand their orders with us. For new clients, the process naturally takes longer, but having pre-established capacities gives us an advantage.

Investor:
Once full capacity is online and utilization is optimal, what revenue levels can be expected?

Response – MD (00:22:54 – 00:25:25):
Currently, our utilization is over 90%, which is considered exceptional in engineering industries due to the complexity of machinery and processes involved.

Over the next two to three years, with 80–90% utilization of expanded capacity, we expect revenue to rise from the current ₹50 crore to anywhere between ₹150 crore and ₹200 crore.

Investor:
What about margins—can we expect 40–45%?

Response – MD:
There are misconceptions around our reported margins because we were operating as a partnership firm until recently. In such firms, partner remuneration is accounted for only after appropriations, which inflated gross margins.

Now, as a corporate entity, salaries and fixed expenses are booked upfront. FY 2022–23 is our first true year of corporate financial performance.

Also, we have made adjustments as per audit recommendations—for example, revaluing inventory exclusive of GST, which had a material impact on our bottom line. These adjustments are clearly disclosed in our financial notes.

Investor:
Understood. You mentioned increased focus on exports. What steps are being taken in that direction? And since you're scaling from ₹50 crore to ₹200 crore, what investments have been made in HR and organizational structure?

Response – MD (00:26:00 – 00:28:00):
These are important questions. First, we are strengthening our HR capabilities. Several strategic initiatives are already underway to prepare our team for higher operational scale.

Secondly, we are incorporating advanced technologies—specifically AI-based systems—to reduce dependence on manual labor while improving accuracy and efficiency.

On exports, we are actively in dialogue with multiple international clients. Some of these are existing customers to whom we already supply. Our focus is on scaling those relationships and entering new ones with strong performance metrics as our foundation.

Managing Director (00:27:19 – 00:28:46):
We are in discussions with Indian customers who supply to their overseas plants—especially in the U.S. and Europe. These are markets where opportunities are actively being explored. Some clients move faster with approvals, while others take more time due to internal processes.

New Investor – Mr. Jignesh (00:28:02 – 00:31:05):
Can you clarify how much of the FY22 and FY23 revenue came from renewable energy?

Response – Executive Team:
In FY22, we operated for 85 days under the new structure, during which renewable energy contributed approximately 6.85% of total revenue.

In FY23, we've planned to invest ₹12 crore into a 2 MW solar plant. This is in addition to our bearing-related capex.

Managing Director:
There are two kinds of capital expenditure:

1. **Operational Capex** – for capacity additions
2. **Strategic Capex** – for efficient deployment of surplus cash

As a debt-free company, we prefer investing surplus funds into long-term strategic assets like solar, which yield better long-term IRR compared to low-yield financial instruments.

Investor Follow-up (00:30:23 – 00:32:41):
So will renewable energy remain a growing focus?

Response – MD:
Renewable energy is **not** our core focus. Our primary business is bearings. The solar investment was a **one-time decision** to optimize surplus cash. We do **not** plan annual renewable investments.

Question – Impact of Maruti Green Certification (00:31:15 – 00:34:06):
How will the Maruti Green Vendor certification benefit SKP?

Response – MD:
This certification allows us to now supply to a wide range of applications within the Maruti ecosystem—CV joints, transmission, steering, engine parts, and seating systems.

Previously, we were a “Yellow” supplier, which restricted us from getting new business. As a certified “Green” supplier, we can now directly supply to vendors associated with Maruti, many of whom currently import their components.

We are offering them competitive, localized solutions with cost and inventory benefits. Though validations and approvals are in process, this opens significant doors. This certification applies to both ball and roller products.

The potential business from **each** such customer could be around ₹60 crore, and we are in discussions with multiple such clients.

Question – New Plant Timeline (00:34:06 – 00:36:09):
Your previous call indicated the new plant would be ready by April/May. What caused the delay?

Response – MD:
It's not a delay of nine months. The construction activity is at an advanced stage, but as with all infrastructure projects, certain dependencies on labor, legal approvals, and local body compliances impacted timelines.

The **admin block ground floor** is already functional and in production for the past three months. The **ball plant** construction is ahead of schedule. As of now, we don't foresee further delays, but if unforeseen challenges arise, we'll adapt.

Question – Rise in Employee Costs (00:36:09 – 00:38:22):
Has the recent rise in employee cost been due to the new plant or bonus payouts?

Response – Executive Team:
There are two primary reasons:

1. **Director salaries** have been formally accounted for this year (previously, under partnership, directors received interest on capital, not salary).

2. **Industry-wide inflation** has led to an increase in general labor rates.

Despite the rise, our cost ratios remain consistent compared to earlier periods.

Question – Direct Supply to Maruti OEMs (00:38:22 – 00:39:12):
Are you supplying directly to Maruti or via intermediaries like SKF?

Response – MD:
Our primary customers are bearing manufacturers, including large names. We mostly supply to them, and they, in turn, supply to OEMs like Maruti.

Follow-up – Export Opportunities & Capacity Utilization Targets (00:39:12 – 00:41:13):
Are you getting new export opportunities? What are your capacity utilization targets for FY24–25?

Response – MD:
Yes, we are seeing increased export interest. Customers with global plants have begun requesting supplies for their international operations.

Our **goal** is to achieve **100% utilization** as quickly as possible. The new plant has been functional only for two months, and our team is actively engaging customers to scale utilization rapidly.

However, being an engineering product, approvals are critical. Customers, especially new ones, require proven performance before giving volume orders.

Question – Product Life Cycle Risk (00:39:52 – 00:42:46):
Out of your current ₹50 crore revenue, how much comes from products nearing end-of-life? How much revenue is at risk in the next 12–24 months?

Response – MD:
Our products—both balls and rollers—are **long-life engineering components**. Compared to earlier years where replacements were required every 1–3 years, modern components now last **5–10 years** or longer.

SKP's offerings are designed for long lifecycle applications. This positions us as a manufacturer of **durable**, low-failure-rate components. Thus, revenue loss due to product obsolescence or lifecycle expiry is minimal.

Managing Director (00:42:01 – 00:43:19):
We've always developed our products with OEM life cycles in mind. Since nearly all our revenue comes from OEMs and negligible from the aftermarket—barely 1–2%—the product replacement cycle doesn't impact us. In fact, longer life cycles reduce aftermarket opportunities, but we are focused on OEMs, so it aligns with our strategy.

Investor Question – FY24 Forecast (00:42:54 – 00:44:21):
Can you give a ballpark split of FY24 projections? Balls vs rollers? And export projections beyond the current 3%?

Response – MD:
Difficult to predict specific volumes or ratios between balls and rollers, as customer focus shifts. For instance, we may receive RFQs for both, but by the time of testing, clients may deprioritize one. Our current internal target is to scale to a **monthly production capacity of 200 tons** in the next 1–2 years across both lines. To reach that, we are building systems, manpower, and customer readiness.

Expansion & Technology Focus (00:45:03 – 00:47:04):
We're aligning our systems to be **customer-ready**—so when clients visit, everything is already functional. No one wants to hear “we are still setting up.” Hence, we are proactively investing in **state-of-the-art technologies**, especially since we’re now in talks with **top-tier global customers**, who demand **zero PPM (parts per million)** standards. This means **no defects at all**, even across millions of parts. The criticality of this cannot be overstated.

Investor Request for Projections (00:46:26 – 00:48:24):
Since this is only our second earnings call post-listing, could you share a roadmap or growth target for FY24?

Response – MD:
Internally, we’ve set a **10–20% growth target** for FY24. Please consider the timeline:

- Became a company on **6th January** last year
- Listed in **July**
- Most capex and expansion began within the past **8–14 months**

Given this short runway, we are optimistic. Revenue will follow because we now have the complete customer-ready package. The only limiting factor is time.

Impact of Russia-Ukraine War (00:48:32 – 00:50:05):
We couldn't deliver 20% growth in FY23 because the war led to a **10% import duty hike in Europe**, making our product uncompetitive. That delayed some export conversion. We are now working to overcome that.

Export vs Domestic Market (00:49:18 – 00:51:09):
Exports were at 3% in FY23. We’re in active talks with customers who currently import and are

now looking to **localize** due to policy pressures. We've cleared most technical and commercial discussions—it's now about internal approval timelines.

Maruti Green certification helps immensely since many of these customers are part of the Maruti ecosystem.

Investor – Approval Cycle for Localization (00:49:57 – 00:51:58):
Once certified as a Maruti Green supplier, do you still need to wait 12–15 months for full localization?

Response – MD:
Yes, though government pressure for "Make in India" helps speed things up, there's still a process. Clients have reached out, and we've responded with full documentation. But post-certification validations and approvals still take time.

New Investor – Mr. Mulesh (00:51:15 – 00:53:16):
Are we exploring export opportunities beyond Europe due to rising challenges there?

Response – MD:
Yes, we're exploring other markets. However, a few key points:

- Our product is **highly critical**, and
- We **don't have unlimited capacity**

We allocate capacity cautiously. If we commit to multiple customers and cannot fulfill due to any unforeseen event, our credibility suffers. Hence, we are focused first on expanding capacity **before** aggressively acquiring new clients.

Clarification – Product Obsolescence Risk (00:53:19 – 00:55:14):
If a model like Maruti Alto phases out, does it affect our business?

Response – MD:
We always get **advance notice** from clients about product phase-outs. These changes are usually at the **design level**, not the platform level. The base platforms largely remain unchanged, so most of our subcomponents continue across multiple models. The **impact is minimal**, if any.

Investor Closing Remark – Mr. Mulesh (00:55:16 – 00:56:28):
Thank you, sir. I appreciate your answers and clarity.

Investor Request (00:56:01 – 00:56:28):
Being a listed SME, I understand half-yearly results are mandatory. But given today's fast-paced world, would you consider sharing **more frequent business updates**, even if not financials?

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Closing Segment – Earnings Call Transcript

Duration Covered: 00:56:03 – 00:59:36
Company: SKP Bearing Industries Ltd.
Occasion: Second Earnings Call (Post-Listing)

Investor Feedback & Suggestion (00:56:03 – 00:57:11):
An investor appreciated the company's transparency and modesty, particularly in **avoiding overpromising**. They suggested that even if forward-looking projections are kept conservative, **more frequent business updates**, especially with **past business data**, would be highly beneficial for shareholders to better understand the company's progress.

Management Response (00:56:44 – 00:58:13):
The MD acknowledged the request and highlighted the company's background:

- SKP operated as a **partnership firm until last year**, with ownership between husband and wife.
- Transitioning to a corporate structure brings its own set of expectations and challenges.
- Even publishing **half-yearly results** has been a significant effort, especially since the team is **geographically based in Surendranagar**, a smaller industrial hub.
- Despite these constraints, the team is striving to meet evolving investor expectations.

Progress Towards Quarterly Reporting (00:57:28 – 00:59:34):

The company is actively working to enhance internal systems to support **quarterly financial reporting**, with:

- Implementation of **a new ERP system**
- Strengthening of **human resources** and **financial reporting capabilities**
- If systems stabilize, **quarterly results reporting may begin after December FY25**

The team assured they are putting in their best efforts to meet these milestones.