"KDDL Limited
Q2 FY '25 Earnings Conference Call"
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Moderator: Ladies and gentlemen, good day, and welcome to the KDDL Limited Q2 and H1FY25 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectation of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant line will be in listen-only mode and there will be an opportunity for you to ask question 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 Mr. Yashovardhan Saboo, Chairman and Managing Director of KDDL Limited. Thank you, and over to you, sir.

Yashovardhan Saboo: Thank you very much. Good morning, everybody. Thank you for joining us on the KDDL Limited Q2 and H1 FY '25 Earnings Conference Call. I hope everyone has had a chance to review our financial results and investor presentation recently posted on the company's website and stock exchanges. I'm accompanied by our CFO and Executive Director, Mr. Sanjeev Masown; and SGA, our Investor Relations advisers.

Over the past 6 months, the global environment has continued to slow down. Persistent inflation, sticky interest rates and weakened consumer demand in major economies have all contributed to this continuing downturn. The wars in Ukraine and the Middle East add considerably to the uncertainty in a geopolitical sense. And the lacklustre economy in China is still showing little sign of an early bounce back.

The luxury goods sector, which includes premium watch brands, has seen a decline in consumer spending in major markets and regions such as China, Hong Kong, and many parts of Europe. Inventory corrections on subdued endpoint sales has resulted in continuous fall in Swiss exports for the last 3 quarters, impacting the flow of fresh orders and new launches of products on which our manufacturing of watch components depends. The trend of decline has sharpened in the last 2 quarters, majorly led by the decline in sales in China and Hong Kong.

Last month, for instance, Swiss watch exports to China were 49% below the previous year. It's an unprecedented fall. And in Hong Kong as well, they were more than 30% below. These are very, very important markets for the watch business.

January to September 2024 witnessed an overall decline of 10% in volumes. This is overall, all markets included compared to the same period in the previous year for Swiss watch exports. The decline in value is witnessed at all price segments and in both steel watches and watches made from precious metals.

Supply chain disruptions have also presented ongoing difficulties as the cost and availability of certain materials continue to impact production timelines, specifically, shortages and rising cost of materials like steel and precious metals have put pressure on margins across the watch component sector. Additionally, currency exchange rate fluctuations have had a notable impact increasing component costs for buyers in markets where currencies have depreciated.

This challenging economic backdrop calls for adaptive strategies to mitigate these pressures and ensure resilience in a fluctuating market. Coming to our performance in the watch component segment. The first half of FY '25 has been challenging, as you have already seen. We expect these challenges to continue through the second half of the year.

By the end of this fiscal year, we hope for greater clarity as we closely monitor the ongoing geopolitical situation and the slowdown in Swiss watch exports across major markets including China, Hong Kong, Europe, and Asia. While we anticipate a gradual global recovery in demand for high-end products from the start of next fiscal, the lower-end segments are likely to take more time to recover.

This may impact our export performance. However, we are moving more and more towards the higher end of the spectrum. And therefore, we do believe that there will be a reasonably good recovery in the next fiscal year.

Additionally, what has happened this year is that many orders were fulfilled in the first half of the year, and this has resulted in a reduced order inflow for the second half. As I mentioned earlier, there is an inventory correction happening in the watch markets globally, and therefore, it is impacting the inflow of new orders.

In our domestic market, the situation is much better. We have a steady flow of orders and volumes remain good. In October 2024, we commenced commercial production in our bracelet division, which has received a, very encouraging response.

We expect this division to help offset some of the performance challenges in our watch dials and hands segment. The bracelet manufacturing unit has been set up with an investment of INR44 crores and has a capacity of 75,000 bracelets per annum. It is meant to export the products completely and we have a very robust demand for bracelets, in fact, to the extent that an expansion by adding some balancing equipment is already being planned.

The production volumes will gradually grow as we go through the learning curve and optimize the production process. This is going very well. Having taken you through the subdued part of our business this year, now let me come to where the lights are shining brightly. Let me move to the precision engineering business, Eigen. Eigen continues to show strong momentum with export demand remaining very robust and performance exceeding expectations.

In the first half of FY '25, our revenue reached almost INR66 crores, marking a 46% increase compared to the same period in FY '24. We are experiencing an extremely healthy order inflow, and our execution rates are scaling up rapidly. Not only are we seeing substantial enquiries, but our conversion rate is also high.

As we look forward, we remain focused on expanding our customer portfolio and geographical reach, further strengthening our position in the markets for Eigen. To support this growth, we recently secured a production facility of almost 30,000 square feet on a lease basis in Bangalore, not far from our existing facility.

And we will expand our operations there by next fiscal. We will already start to see the fruits of that expansion. We anticipate further expansion requirements in FY '27 for which we will expand capacity by constructing a new factory space in our existing land. This continuous expansion in Eigen is a key part of our strategy to meet the growing demand and support our long-term growth trajectory in the precision engineering sector.

In our packaging business, we are pleased to announce that in October 2024, we began commercial production at our new packaging unit in Panchkula near Chandigarh as well. This facility has been set up with an investment of INR5 crores and has a capacity of 100,000 packaging boxes per month destined for the watch, jewellery and related premium products, consumer products, both for Indian market as well as for export.

Let me give some update regarding Silvercity, the company that holds our brand, Favre Leuba. We are pleased to announce that the global media and trade launch of Favre Leuba, which took place in Geneva in August 2024, was met with an overwhelmingly positive response marking an exciting milestone for the brand. Favre Leuba is actively focused on designing and producing high-quality Swiss watches of global standards.

Starting January 2025, the exclusive new Favre Leuba collection will be available internationally. In India, our subsidiary, Ethos, which is also an equity partner in Silvercity, has the exclusive rights to sell Favre Leuba watches, ensuring that Indian customers enjoy direct and immediate access to this iconic brand.

We are confident about the bright future of Favre Leuba and its ability to resonate with watch enthusiasts worldwide. We will share updates as we progress on this remarkable journey. As we enter the second half of the fiscal year, we anticipate moderate growth, though profitability may be impacted due to a shift in product mix compared to last year.

We remain mindful of the broader economic landscape as the slowdown is likely to continue or could continue in the near term, so we are proceeding with caution until the environment turns. Despite these headwinds, we remain extremely optimistic about KDDL's long-term prospects. Our strategic initiatives and strong market position, place us well to adapt to these conditions and maintain steady growth in the years ahead in all our businesses.

I would now like to invite Mr. Sanjeev Masown, our CFO and Executive Director, to update you on the company's financial performance. Thank you. Over to you, Sanjeev.

Sanjeev Masown: Thank you, Mr. Saboo. Good morning, everyone. I am taking you initially through the stand-alone financial performance for the quarter as well as the first half of the financial year. During this period, the total income for the quarter stood at INR97.4 crores and half year, the income was INR182.4 crores. EBITDA for the quarter was INR26.1 crores and EBITDA margin was 28.3%.

While for the first half, the EBITDA was INR45.1 crores and the EBITDA margin was around 26%. The PAT for the quarter stood at INR16.1 crores and for the half year, it was INR24.9 crores. A lot of this information is available even in the financial presentation, but the brief part, I'm just sharing.

Now moving to the consolidated performance. For this quarter ended September '25, the revenue was INR410 crores and for the half year, the revenue was INR780 crores. EBITDA for the quarter at a consolidated level was INR76.8 crores with an EBITDA margin of 19.4%. While for the first half, the overall EBITDA was INR141.9 crores, which is around INR142 crores, and the EBITDA margin was 18.8%. PAT for the quarter was, at a consolidated level, INR35.6 crores and for the half year, INR63.6 crores.

During the first half of the financial year, KDDL's stand-alone basis, we had done a capex of around INR11 crores. And during the second half, we expect to do further capex of around INR15 crores. This excludes the investment and the new store opening by Ethos and their further buildup story, which is not part of this consolidation. During the current financial year, the KDDL has completed the buyback of 2,37,837 equity shares, which involved a total cash outflow around INR109 crores, including the tax on the buyback.

With this, I open the floor for question and answers and a request to all the participants that please restrict the questions to the KDDL manufacturing business. As for the retail, there is always a separate investor calls and all our detailed answer provided there. With this, I open floor for the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Jiya Shah from Wealth Securities.

Jiya Shah: So, my question is that would you like to just provide a little bit of insight into the acquisition of the Favre Leuba, where we plan to manufacture watches for the global market? Like how should we perceive this initiative?

Yashovardhan Saboo: Okay. Shah, would you like to ask all your questions at one go so that we can -- or is this your only question?

Jiya Shah: No, I have one more. So, my second question is that we recently started a production -- the commercial production for the bracelet division. So how quickly can we ramp this up? And how has the overall response for the products then?

Yashovardhan Saboo: Okay. So, the acquisition of Favre Leuba brand was done last year. And of course, it is acquired in a Swiss company, the Swiss company is called Silvercity Brands, which is a subsidiary of KDDL and Ethos is a co-investor, but of course, has a minority shareholding, and it also has 2 other investors, minority shareholders.

Now Favre Leuba, again, at the cost of repetition a bit, Favre Leuba is a very, very iconic Swiss brand, originated in 1737, so almost 300 years of history. And it is a revival of the brand. It had a very iconic and a very celebrated history in the annals of watchmaking. And I would like you to actually go to the Favre Leuba website where a lot is explained then you can actually get a glimpse of what a huge heritage it has.

And you will also see some of the new products that were revealed. So very exciting new products. And of course, the goal is there will be Swiss-made products, the best standard. It has got an excellent review from the market and the trade -- international trade. And the team managing Favre Leuba, its in Switzerland, is now finalizing the distribution arrangements across the world globally.

In India, Ethos will exclusively distribute it. And our vision and the vision of the Favre Leuba team in Switzerland has really to see this as a mainstream brand, developing over the next 5 to 10 years into one of the top 20 Swiss brands in the world.

Jiya Shah: Okay. That was helpful. And on the second question, please.

Yashovardhan Saboo: So your second question -- sorry, can you just say that again? I lost quite a bit.

Jiya Shah: No problem. So we recently started the commercial production of the bracelet division.

Yashovardhan Saboo: Yes. So, the bracelets, again, so I'll take a little bit of time to explain to you why it's a very special project, right? It is meant for export to Swiss brands, very high quality, very high price compared to what is the grain price in India because the quality levels are extremely high.

The bracelet does not form part of the definition of Swiss made in a Swiss-made watch. What does this mean? When can a watch be called Swiss made? A watch can be called Swiss made if 60% of its cost of production is incurred in Switzerland, 60% of the cost of production. But the watch does not include the bracelet, okay?

So this means that even for a Swiss made watch, the bracelet can be made outside Switzerland. Why is this important? Obviously, because cost of manufacturing in Switzerland is very high. And, especially bracelets, where there is a fair amount of skilled labour content in terms of the finishing and polishing. So it allows brands to actually control their costs of the Swiss watches by farming out and by buying bracelets outside Switzerland.

Now China has been the largest supplier of bracelets to Swiss brand. But of course, as you know, there are many brands that do want to derisk from China, and that is how we got the opportunity, and we believe it is a fabulous opportunity. We should be getting to close to 100% capacity utilization in the next fiscal and the stage will be set to actually expand further. I believe it is possible to expand the capacity by at least 30% or 40% with some balancing equipments.

We are working on that project, but I believe there will be a continuous expansion in the bracelet production over the next 2 to 3 years at least.

Moderator: The next question is from the line of Ajay Kumar Surya from Niveshaay Investment Advisory.

Ajay Kumar Surya: Can you provide a breakup between our Q2 sales in the watch component between the watch dials, the watch indexes, and the bracelet part? Sir, my follow-up question on the same is, if you can provide the capacity utilization of the watch bracelet division. And sir, we also got an advance from customers. So, the part which you're referring in the opening commentary that we had early deliveries, so I just wanted to know that, is that the same order which got delivered completely or we still have some pending order?

And at peak utilization of watch bracelet, how much revenue can it generate? And sir, my last question is on the precision engineering. Sir, if you can throw some light on, because, we are adding a new capacity of 30,000 square feet and moving to a different place. So if you can also throw some light on the order book, which the precision engineering division has as of now? And how much the item growth do we anticipate in that division?

Yashovardhan Saboo: So Ajay, thank you very much for your questions. I am afraid we are not going to be able to provide a breakup -- exact breakout between dial and the different watch components. I can just more or less tell you broadly that dials and hands, in terms of value, they are approximately the same value. And for both dials and hands, close to 70% in value terms is exported and 25% to 30% is for the domestic market. Indexes are a smaller part, but it's actually growing faster than dials and hands.

Your second question was regarding the advance. I am not very sure exactly what was meant, but I thought -- I think you were saying that the orders that we received have been fulfilled in the first half, and therefore, there is a lower order inflow in the second half.

It's not that the orders are fulfilled in advance. I think, in general, there is a trend that a lot of the deliveries are asked in the first half for us, it is the first half, April to September because globally, the watches are prepared and then pushed into the markets for the Christmas sale. And therefore, quarter 3 is anyway that Christmas holidays everywhere, so the production and purchasing and all that is a little bit low.

So that was what was implied in what I said. As far as bracelet is concerned, as I mentioned to the previous question and answer to the previous question. We have a capacity of 75,000 bracelets a year. And we believe that we should be close to 100% capacity utilization in the next fiscal. Production is ramping up well, and we are adding new bracelet design, which obviously helps, and we are adding customers as well because the response has been extremely good.

As I mentioned, we are already working on the first leg of expansion. But I believe that the bracelet business, in the years to come, can become as -- I mean we can look at business of INR80 crores to INR100 crores coming from the bracelet manufacturing after it has done the expansion over several rounds, INR80 crores to INR100 crores over the next 3 to 5 years.

And your last question was regarding Precision Engineering. As I mentioned already in my speech, we have a very robust order position. The growth is very good, both in terms of new geographies, in terms of new customers, and in terms of new products and technologies. So that is the reason why we need more space. It would take a very long time to build our own factory. We need it faster. So we decided to take a factory of just close to 30,000 square feet on lease basis, so we can start quickly, which we will do in the next fiscal.

And simultaneously, we will also plan a further expansion of the factory building facility in our block. It has the capacity to do that. There's place for doing that. So that any expansion FY '27 onward can happen also in our own plant. We expect a very steady and solid growth in the precision engineering division. So I hope I've answered all your questions.

Ajay Kumar Surya: Sir, just the clarification because in the previous quarter results...

Yashovardhan Saboo: Ajay, would you like to come back because I am sure there are other people waiting in the queue.

Ajay Kumar Surya: It's just part of the previous question. Sir, we received an advance of INR26 crores from a large customer, it was mentioned in our results and presentation. So just wanted to check on, is that order completely delivered? Or is it still pending? Just a clarification.

Yashovardhan Saboo: It is ongoing. The adjustment of the advance is ongoing.

Moderator: The next question is from the line of Dhruv Shah from Ambika Fincap Consultants Private Limited.

Dhruv Shah: Sir, I have three questions. First is, where do you see a precision engineering as a percentage of revenue over the next couple of years going to? Second question is how much investments have we already made in Silver Lake? And when do you start seeing the revenue starting to flow? And related to that question, do you see any further stake sale in Ethos for that purpose?

Dhruv Shah: Stake sale in Ethos for investments in Silver Lake? And my third question is, sir, you said that you want to be into the top 20 selling Swiss watches. So if you price the watch at similar levels of TAG, how many watches do you have to sell?

Yashovardhan Saboo: Okay. I still didn't understand your question about investment and Ethos in Silvercity?

Dhruv Shah: My question is how much investments have we already made in Silver Lake? And do you envisage any further stake sale in Ethos for investment in Silver Lake?

Yashovardhan Saboo: Stake sale from Ethos? Okay. Got it. And your first question, just remind me, it was on the precision engineering business.

Dhruv Shah: As a percentage of revenue, where do you see this?

Yashovardhan Saboo: So again, it's difficult to say what will it be because each business is pursuing its own growth, and we let our business heads actually envision that growth. We help them to envision and try to be as ambitious and growing as fast as possible and as profitably as possible.

But we do know, we foresee that the growth rate in the precision engineering business because of the opportunity that we see is going to be faster than the growth in the segment of watch components. And I'm not sure whether it will be faster than the packaging business because the packaging business will also grow fast, but the packaging business is still very small.

So overall, I expect the share of precision engineering business and the overall total revenue of KDDL standalone to grow. And over the years, I would not be surprised if the precision engineering business actually became the largest part of KDDL's manufacturing business. So if it becomes the largest, and we are talking about 3 businesses right now, we'll probably be in the range of 40%, 50%.

But again, a lot depends on how the other businesses grow and how they all grow relative to each other. But I can say that the precision engineering business, we expect it to rack up a growth rate faster than the others. Investment in Silvercity, what is the investment already made, Sanjeev, would you have that number? What KDDL and...

Sanjeev Masown: Overall, at a group level, we have made an investment of CHF 6 million, both KDDL and Ethos and the subsidiaries put together.

Yashovardhan Saboo: Yes. So it's CHF 6 million. And your question was, is there a stake sale to invest more? I think we have clarified this. KDDL is committed to retaining majority stake in Ethos. We are currently at about 50.4%. We do not foresee a further stake sale.

Your third question was regarding our top 20 brands. It's difficult to say that, but again, it's a relative thing in the top 20 brands, what happens, and which are the brands you want to consider in that. But a number of 100,000 units is some kind of a number, which is an exciting target to go after, right? And I believe that medium to long term, Favre Leuba is a brand that has the potential to do those numbers globally.

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

Rishikesh: I have two questions. First, we would just like an update on Estima. What the losses are now and what you see happening in the next coming quarters? And the second question is on receivables. We have seen quite an increase in receivables this quarter. So just curious why that's happening?

Yashovardhan Saboo: So Sanjeev, I will let you answer about the receivables, the details. But on Estima, I can just tell you that, unfortunately, Estima is still continuing with losses. It is a bit of an unfortunate timing situation because just when things were starting to become better, we've been hit with this situation of let's say, a slowdown in the market.

Obviously, the customers for Estima are the Swiss brand that buy or wish to buy only Swiss made. And as I mentioned, because of the over-inventorized position, all these brands have delayed their new product launches. They have cut back on production. There are layoffs in various brands, that's publicly known information.

And a lot of it is happening because of the persistent slowdown and continuing slowdown of endpoint sales in China and Hong Kong, which are the 2 largest markets for Swiss brands. The result of this is that Swiss brands are less keen to try new suppliers. And Estima in that quality level is a new supplier because their first commitment is to their existing supplier base, which itself has seen a cutback of order as we are experiencing in KDDL in India.

So it's a difficult time for Estima. We are responding with, of course, a cutback in expenses there, but we are also using this opportunity to actually beef up the technology and the specialization of certain technologies in Estima. The use of lasers, the manufacture of solid gold hands, the enhancement of the diamond cutting and faceting capability. And furthermore, we are also taking up the very exciting new finishing aspects for watch dials at Estima because there is a scope for certain types of dials produced Swiss made as of which we have specialization over here.

So there's a very systematic plan to get Estima into a profit. We believe Estima has a fantastic potential in the Swiss market, and that is really our gateway to access to the high-end markets. It is unfortunate that it has continued on the losses, but I am still very, very, very optimistic that from next year onwards, we'll start to see the turnaround. I take a lot of strength from following earnings calls of KDDL 5 years ago, just prior to COVID, the situation at Eigen was one of continuing losses and how is this company is going to turnaround? How this division is going to turn around and so on.

And I was very confident that I think it's a matter of time, I see the opportunity and it will. And we have seen how handsomely it has turned around and to become one of the strongest pillars of growth for the future for KDDL. And I am sure that Estima is going to perform a similar role. I am spending a lot of time focusing on Estima. And I hope that in the future calls, we will be sharing a lot of good news about Estima. Sanjeev, can you answer the question about receivables, please?

Sanjeev Masown: Yes. Rishikesh, your observation regarding the debtors at the stand-alone level going up is true. Majorly, the reason here is, as the value of business in Precision Engineering is going up, and it is becoming the major chunk of the overall business. The norm of the precision engineering business is that it has a higher credit day and normally, if you do more export, the credit days gets counted after the material has reached to the customer.

So normally, it takes up to 2 months for reaching the material. And after that, there will be a credit further of 90 days or something like that. So if the value of the precision engineering is going up, the product mix change is leading to this increase in the debtors. But overall, as such, the debtors quality is good. The value will keep going up if the precision engineering business increases its share of the business. I am able to make some points and you were clear with it.

Rishikesh: Also, just one last point. We had mentioned that we would be organizing some visits, especially given the factory ramp-up and also we are eagerly awaiting your visit being planned.

Yashovardhan Saboo: Yes, we will do that.

Moderator: The next question is from the line of Yash Mehta from Aart Ventures.

Yash Mehta: Okay. Sir, so in the last con call, you had said that the precision engineering business will grow by 20% to 25% in this year. So are you still holding that guidance?

Yashovardhan Saboo: Yes.

Yash Mehta: Okay. And sir, what is the growth rate that you anticipate in the watch component business?

Yashovardhan Saboo: It's a little difficult to say because, as I mentioned to you that the market situation is not very clear in the watch component business. We know it is soft, but we don't know when the recovery is going to happen. At the beginning of the year, we anticipated that from January onwards, we will start to see a climb back. As of now, it does not appear to be so because of the expected recovery in China, which is expected after June of this year, has not happened. I'm sure all of you are following what has happened in China.

There was a stimulus, then people who are excited about stimulus, then now people are not so excited about the stimulus. So there's a lot of uncertainty. So it's very difficult to predict that. I don't think we will see growth in the watch component business this year.

Moderator: The next question is from the line of Pranjal Mukhija from GrowthSphere Ventures LLP.

Pranjal Mukhija: So sir, I had a couple of questions. So the first question is around Eigen. So you mentioned that like we're expanding into a new facility of 30,000 square feet, and this will be operational starting next year. And post that, like we will further expand in our existing facility in Bengaluru in FY '27. So sir, just wanted to understand why not expand first in the existing facility? And like what's the reasoning behind expanding our new facility first?

Yashovardhan Saboo: Sure. Any other questions, Mr. Mukhija?

Pranjal Mukhija: 2 other questions, sir. So second question was, again, like around Eigen only. So I just wanted to understand like how are things progressing in the EV and the aerospace subsegments of Eigen like what is the progress on the product like? can you just throw some colour on the demand environment and like future overview of this segment? .

The last question that I had. Luckily, I had the opportunity to visit the KDDL facilities in Bengaluru. So I also saw that bracelet division. So sir, so this visit was around in March. And I think around then, you guys were mentioning that you will probably order some new CNC machines, some additional CNC machines. So sir, just wanted to understand what is the update on that?

Yashovardhan Saboo: Right. So regarding Eigen facility expansion. So right now, the bottleneck in Eigen to grow, based on the opportunities we are seeing, is the bottleneck of, factory space, okay. Now we can build 3 spaces, but building factory space, getting all the permissions and everything, it's a 15 months to 18 months affair, right? And we have precision machine and so on. So you have to build to a certain specification.

And if we were to rely only on our new building that we will have to construct in our plot, the whole thing would get delayed by 15 to 18 months. And we don't want to miss the opportunity that is swinging to our side. So the idea was to grab that opportunity fast, let's get hold of a lease facility and that facility is in the same vicinity as our factory.

So it's very convenient. But this allows us to fit out that place within the next 3, 4 months and be completely ready to start serving the new demand from early part of next calendar year, right?

And we will have a full fiscal year to take that. However, looking long term, right, we anticipate that these 28,000 to 30,000 square feet that we're getting, may not also be sufficient, and we will need further space going forward. Now that further space is something which we can plan in our factory for which the construction also, we will start to do next fiscal, so that by FY '27, our own factory would be ready for the third leg of expansion, right?

So we have a second leg of expansion to the lease facility that will continue because we want to get early into the new opportunities. And meanwhile, we'll prepare our own building in the existing facility, a new factory building, where we will do the third round of expansion.

So I hope I have clarified that. As far as the EV and aerospace, I think, is concerned, overall, we are seeing a very robust demand. Of course, EV is a robust and hot growing segment. There is another segment I'm sure you have read about it, which is energy storage systems. So you have large energy storage systems, especially with the environmentally friendly kind of energy, which are produced at one time of the day but used in some other. So there are large mega battery kind of systems, I call BESS, and really, it's one of the fastest-growing segments globally of storage of energy.

And that is emerging as an important segment for us. And again, aerospace, while it is there, but there are a lot of segments which take up the kind of products stamping ,precision stampings and that we are making. So yes, EV, aerospace is a great space, we are seeing progress there. But energy storage systems is probably the fastest-growing segment in Eigen right now.

And the third question with bracelet, yes, the CNC machines are there. They have been installed. And that is the reason why we are now approaching high-capacity utilization and aiming for close to 100% in the next year. And as I mentioned that we are starting to work on the next leg of expansion in the bracelet factory. So of course, that would mean adding some more CNC machines as well.

Moderator: As there are no further questions from the participants, I now hand the conference over to the management for closing comments.

Yashovardhan Saboo: Thank you, friends. I hope I have been able to answer all your questions satisfactorily. Thank you also, Sanjeev, for taking the questions relating to finance. If anyone on the call needs further clarifications or want to know more about the company, please contact the SGA team, our Investor Relations Advisors. Thank you very much for joining in.

Sanjeev Masown: Thank you.

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