



“KDDL Limited
Q4 FY‘24 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to the KDDL Limited Q4 and FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Yashovardhan Saboo, Chairman and Managing Director from KDDL Limited. Thank you, and over to you, sir.

Yashovardhan Saboo: Thank you, and good morning, everyone. Thank you for joining us on the KDDL Limited Quarter 4 and FY '24 Earnings Conference Call. I hope everyone has had a chance to review our financial results and the investor presentation recently posted on the company's website and the stock exchanges. I am accompanied by our CFO and Executive Director, Mr. Sanjeev Kumar Masown; and SGA, our Investor Relations Advisor.

I will start with a short introduction to the diverse businesses that KDDL encompasses. KDDL, it shows originally Kamla Dials and Device Limited, founded in 1981 and headquartered in Chandigarh is a leading manufacturer of components of global watch brands and of high-quality precision stamped components on marquee international clients in the electronics, energy, aerospace and automotive and electrical vehicle segments. KDDL's well-known subsidiary Ethos is India's largest and fastest-growing retailer of luxury watches and other luxury accessories.

In discussing our segment-wide performance, we start with the Engineering segment. And within that, with the watch component segment, includes Dial, Hands, Indexes and Bracelets. Revenue from the Watch Components segment grew by 10% from INR224 crores in FY '23 to INR247 crores in FY '24. The growth would have been higher, but we are witnessing a slowing down in the last quarter on the back of a market correction and watch sales in important markets like China, Europe and Middle East.

The geopolitical strains in Europe and Middle East, the uncertainty in USA and sluggish Chinese demand predict a subdued consumer sentiment for all discretionary products, including watches over the next few months in these important global markets. Our export business in watch components is sealing this impact too.

On the other hand, we are pleased to inform you that we have inaugurated our new plant in Bangalore, which manufactures high-quality steel bracelets for watches. This is India's first steel bracelet factory, which is set up to serve international Swiss customers. This plant will only serve the mid and high-end Swiss and European watch markets. We have spent approximately INR35 crores to establish this plant with a capacity of 75,000 in bracelets per year.

The trial production and supplies have been made and received very well and commercial production will start very soon. The additional revenue from the bracelet division will compensate the slowdown in the export market for both other watch components, as mentioned already.

The Precision Engineering segment, also known as Eigen Engineering, has shown stellar results and will continue to grow in a very, very ambitious and a very exciting fashion. Revenue for FY '24 stood at INR95 crores, up 25% from INR75 crores in the previous year. The revenue growth is attributable to the higher share of exports, which is more than 70% of the total revenue.

All business segments in our precision engineering business are witnessing good growth and the order position is strong. We continue to get inquiries and new RFQs of very encouraging dimensions for further expansion in the business. We will continue to focus on the export market, primarily for Eigen.

Our ornamental packaging segment, which caters mainly to the domestic market, has also witnessed a strong improvement in demand. Revenue in FY '24 improved by 18% to INR15 crores from Rs 12.7 cr in FY '23. We continue seeking high-value premium quality customers in domestic and export markets. For this segment, we are establishing a new facility near Chandigarh with a capacity of 1 million boxes at an estimated cost of INR8 crores.

With this new facility and the opening up of some new market segments that we are working on, we believe that the Packaging segment will continue to show very handsome growth and develop into a INR80 crores to INR100 crores business over the next 5 to 7 years.

Estima AG, this is our watch hands and dials factory in Switzerland. We are happy to announce that Mr. Michel Pauli, a very experienced technology and business leader has joined as the new Managing Director of Estima. In addition, we have made several changes in the operating and leadership team at Estima.

Revenue growth during the last year has been good and the loss has decreased, but we are still not profitable. With the many steps already initiated and in progress for improved capacity utilization and improved technical capabilities, we are confident that we will achieve profitability soon. But, because of the unexpected slowing down in the Swiss watch business, this turnaround will probably be delayed by about a year.

Silvercity brands our Swiss subsidiary, it became a subsidiary of KDDL earlier this year. Its equity capital was increased from CHF 2.1 million to CHF 6 million. This company will be primarily engaged in the design, development, assembly and marketing of watches.

You know that the company has already acquired the iconic Favre Leuba, Swiss made watch brand and plans to launch the revamped watches with completely new collections during this year. The launch will be a global launch.

Recently, KDDL sold a stake in Ethos Limited. We received approximately INR193 crores from this stake sale, which includes about INR122 crores from the direct stake sale and INR72 crores

as dividend income from Mahen Distribution Limited, which also sold some shares of Ethos as well. This cash will be used to reward shareholders and expand and grow the company. We expect our company to grow and continue to grow strongly as economic conditions improve and the consumption rises.

I will now invite our CFO, Mr. Sanjeev Masown, an Executive Director, to take you through the company's financial performance. Sanjeev?

Sanjeev Masown:

Thank you, Mr. Saboo. Good morning, everyone. Initially, I'll take you through the stand-alone financial performance of the company for the quarter 4. During this quarter, the total income rose by 2% to INR89 crores from INR87 crores, which were reported in the similar quarter last year. EBITDA for the quarter is 30.4% and value is INR27.1 crores as compared to INR22.9 crores reported in the previous year. EBITDA for the quarter improved by 4.3% on a year-on-year basis.

Profit before tax, before exceptional items during the quarter is up by 27% on a year-on-year basis to INR21.6 crores. Now as we look into the full year financial performance, the total income is up by 15% to INR360 crores from INR314 crores reported in the previous year.

EBITDA grew by 29% year-on-year to INR102 crores in FY '24 and the EBITDA margin stood at 28.5%. Profit before tax before the exceptional items during the year for the FY '24 stood at INR79.8 crores compared to INR58.5 crores in the previous year and witnessing a growth of 36%.

Profit after tax, after considering stake sale, the shares of the Ethos was sold by the company as well as some exceptional impairment loss for the financial year '24, the PAT was INR220 crores as compared to INR69 crores in FY '23.

Moving to the consolidated performance of the company. During quarter 4, the total income was up by 16%, going up to INR357 crores from INR307 crores in the previous year. EBITDA for the quarter grew by almost 42% year-on-year to INR70 crores in quarter 4 FY '24. For the quarterly EBITDA stood at 19.6%. These EBITDA numbers are with the Ind AS impact. And the PAT for the quarter, stood at INR34.8 crores as compared to INR21.7 crores reported in the previous year, witnessing a season growth of 64%.

Now I move to the full year FY '24 financial performance at a consolidated level. The total income of the company is higher by 25% and recorded revenue of INR1,420 crores compared to INR1,139 crores in FY '23. EBITDA for the year grew by 53% year-on-year to INR270 crores and EBITDA margin stood at 19.5%. PAT for FY '24 was INR137 crores compared to INR77 crores in FY '23, recording a growth of 79% year-on-year.

During the year, KDDL manufacturing units spent almost INR39 crores on the capital expenditure. This excludes the capital expenditure by Ethos for the growth of the business. And during the current running year, the KDDL expects capex of around INR45 crores for all our businesses.

During the year, in the last Board meeting yesterday, the KDDL has announced a final dividend of INR4 per equity share. This is subject to the approval of the shareholders at the Annual General Meeting. And this is in addition to the interim dividend of INR58 per share paid in January '24.

Post this dividend, we have an investable surplus of around INR100 crores, which is planned to be utilized for the growth and development of the company, including finding ways to reward shareholders.

With this, I opened the floor for question and answer, and I request all the participants to restrict the questions mainly to the KDDL manufacturing business. Thank you very much. Now the floor is open.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohit from SK Securities.

Rohit: I have a couple of questions and especially congratulate on a good set of numbers. Sir my first question is, you have recently started in the bracelet division. Can you please throw some light on this division and how we will move ahead and also this is regulated by Swiss Regulations?

Rohit: My second question is apart from bracelet, what else can be considered as a new segment. So what are our endeavours for other new segments, if there are any?

Yashovardhan Saboo: So where bracelet refers to the what is sometimes called as the metal band. There are various types of metal bands of the highest quality, which is what we are making. These are made from solid steel and the steel blocks are machined out of the profiled rod. And then they are polished. It's a very highly specialized nickel-free steel, which is used. And the bracelets that we are manufacturing now in our bracelet division are trained for high- to very high-quality brands in Switzerland.

100% of the production will be exported. We have a capacity of 75,000 bracelets per year. It will take some time to reach this production level and sales because there are two reasons for that. A, a very high level of skill is involved in the final finishing of the bracelets, which takes time to acquire. And second, every design of a bracelet requires a large number of tools and jigs to be prepared. So, there's a learning curve involved in setting up this bracelet, and it's coming to produce 75,000

This also means that it's a business is a very large more. As I mentioned in my speech, it's the first time that steel bracelet factory is being set up in India for the Swiss market, and we certainly expect it to be very, very successful. More so for Swiss brands the largest production and purchase is from China. And this structure is one of the consequences of the wish of many brands to establish a production base outside China, there is the so-called China Plus One policy. And we have obviously benefited from this and will continue to have more business coming our way.

Regarding your second question about what else can we do, there are a whole bunch of components in the watch field, which we could produce in the future. The watch case is a very

obvious one. Watch case is the housing of the case that contains the movement and the watch. Again, for the export quality -- at high quality levels, there's no manufacturer in India. Most of the manufacturers are either in Switzerland or China and a few in Thailand. So I think there is also a pretty significant scope in the watch case business.

And then there are other smaller components, which could be movement parts or case parts, like the glass on the top and the crown on the side. So there is a large scope for watch component manufacturing in India. And as brands want to shift a bit of their dependence away from China, there will be a large scope for expansion of this.

Rohit: Understood. So the China Plus One strategy will play out well. Okay. That's it from my side.

Moderator: The next question is from the line of Ashay Jain from Jain Capital. Please go ahead.

Ashay Jain: Okay. Sure. Thank you. So a couple of questions from my side. So firstly, just wanted some color on the Eigen division recent update. So where are we on the order book? Any particular amount of orders in pipeline? And what is the plan for expansion in this segment?

Yashovardhan Saboo: Okay. Any other questions?

Ashay Jain: Yes. So second question would be what would be the current capacity utilization of dials and hands segment and any expansion on that front as well? Yes, that would be all from me.

Yashovardhan Saboo: Okay. So let me answer the Eigen question first. As I mentioned in my speech, the Eigen order book is very strong. We have diverse clients, market segments, especially in the export or deemed export segment. And the order book for existing products as well as new products. And RFQs for new products is strong and we expect to continue to grow in a similar fashion as we grew last year, as you know, we grew by about 25%. And we believe that it should be possible to maintain this kind of growth in the 20% to 25% range on a CAGR basis for several years to come.

So we have a strong order position. And of course, we will need to expand capacity to serve this. This year already, there is a planned expansion of space. This is planned in the same premises we already have, but we will be expanding the factory space with new construction and machines. And this expansion program is actually we have planned something over the next couple of years because it will have to be a continuous expansion as the demand increases. We foresee demand in the Precision stamp segments to grow pretty steadily both in the export and in the deemed export segments in India.

As far as the dials and hands are concerned, it's a little difficult to give a clear figure of a capacity over here because a lot depends on the type of dials and hands that we're talking about. There is a huge diversity in the type of hand. The hand can go from a price which could be as low as INR50 to INR60 for a dial up to as high as INR5,000 per dial or even higher in some cases.

Depending on the complexity, and quality level, the quantities of dials produced gets determined. So in this situation, it's difficult to give you a plain number of the capacity. However,

I can say that for the highest quality levels, we operate at close to full capacity. In fact, in the previous year because in the beginning, it was higher. There has been a slowing down now. So some spare capacity is emerging.

There is no expansion planned as such, but modernization and the inclusion of some new technologies are definitely planned. New technologies will include technologies involving lasers, including new methods of surface treatment, so that we remain ahead of the curve. We remain at the cutting edge of technology and design in dials and hands. That is the ambition.

Moderator: The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agarwal: Sir, KDDL has recently bought a majority of stake in Silvercity Brands, wherein it has said that KDDL will bring the manufacturing excellence for the Favre-Leuba. So I wanted to understand, would we be looking to set up a separate manufacturing infrastructure for the Favre-Leuba under Silvercity or KDDL will be using it to use manufacturing infrastructure of say components in India and the setup that we have in Switzerland and then would be giving it to Silvercity? And the capex that you have guided about to INR45 crores for the coming year, does that include the capex that we require for this brand?

Yashovardhan Saboo: Ankush, that's a very good question. But if you have any other questions, can you please ask that...

Ankush Agarwal: No. That's the only question that I have.

Yashovardhan Saboo: So Silvercity Brands is where the development, manufacture and launch and spread of our Favre-Leuba brand is planned. Silvercity Brands is a Swiss company. It has a Swiss management under the Chairmanship of Patrick Hoffman veteran and a very, very experienced player. We are very fortunate to have him.

It is the goal of KDDL to be involved in the manufacture of watches. And most of it, but not all of it will happen in Switzerland because Favre-Leuba as a brand is a Swiss-made brand and we will do our absolute utmost. There's no question that we will get away from the -- yes, get away from the Swiss-made heritage and lineage of this brand.

Manufacturing itself is a complex process that will take several stages. At the initial stage, dials, hands and some other components are already for the launch have been supplied by us. These are partly done in India, partly in Switzerland. As And as we go along, we add more components, and eventually, the final assembly of the watch will be done in Switzerland. It has to be done in Switzerland for Swiss watches and the movement has to be produced in Switzerland.

Eventually, the goal is to take up all or most of the manufacturing under SCB, Silvercity Brands. And capex will be required for it. This current increase in the capital of Silvercity Brands is essentially for the requirements of working capital and to be able to launch the brand globally, which is scheduled to be done in the last quarter of this year.

Ankush Agarwal: So just to get the understanding right, to start with, KDDL will support Silvercity in terms of the component and manufacturing. But increasingly Silvercity itself would look to create its own manufacturing component and assembly infrastructure is what is the right understanding, right?

Yashovardhan Saboo: The assembly and finishing of the watch will certainly be done in Switzerland. Now whether it will be done within SCB or it will be done with the collaboration of SCB, those are many, many formats that are open.

To what extent will our manufacturing factory in Switzerland ESTIMA be involved? These are all things that are open with the structure that has been created.

What we do know is -- or increasingly, the manufacturing will be in Switzerland, and it will remain a Swiss made watch. But we can't determine right now that which watch will be produced in SCB, which part will be produced in ESTIMA or this part will be produced -- there could be the possibility of a joint venture. Technically, we are not close to the idea of entering into a joint venture with a Swiss company that has the know-how for that traditional part.

Moderator: Thank you. The next question is from the line of Ajaykumar Surya from Niveshaay. Please go ahead.

Ajaykumar Surya: Congratulations on a good set of numbers. Sir, my question is, sir, on the EIGEN side. Sir, in the end industry side, which are the end industries which, I mean, eagerly focusing lane as in the aerospace and auto side? And can you shed some more light on what the focus area will be going forward? And we have already reached and in the previous con calls during 2018 and in times, we did mention that we want to scale it up to a INR500 crores kind of number and reached around INR100 crores this year. So what is the pathway we are taking to reach this in the guidance of the past?

Yashovardhan Saboo: Right. Ajay, do you have any other questions?

Ajaykumar Surya: Sir, also one bookkeeping's side question, sir, we have made an impairment loss in Kamla international holding and Pylania SA. So sir, we just wanted a clarification on that.

Yashovardhan Saboo: Sure. Let me answer the EIGEN question and then I will let Sanjeev, our CFO, answer the question regarding the impairment loss. So EIGEN is our segments for the precision stamping company we make: electronics, aerospace, alternative energy and electrical vehicles. These are the segments that comprise 80% of our business that are growing fast and we will continue to focus on these businesses.

We believe that segments like alternative energy and electrical vehicles will grow the fastest within these businesses. And therefore, obviously, they are always focused. We also believe that aerospace is summary that's going to take off after a gap. We expected Aerospace to take off in the last 7, 8 quarters. It has not taken off, but we believe the time is coming now. So we are anticipating high growth over there as well.

Our specialization in EIGEN is to produce tools and stamp parts with very high precision. Together with other value additions on to that, which could be machining, which could be overmoulding, inside interior molding, electro plating surface finishing of a high technical specification. And these are all skills and technologies that are either already part of the business or we are now moving to expand technical capabilities to improve some of these adjacent technologies within our capability.

So with these, we will continue to strengthen our capabilities in our core segment, which is high precision toolings and stampings for the businesses that I mentioned. You're right, we have had a turnover of about INR100 crores, and our ambition remains. And it's not only an ambition, we see a very clear runway and a path to grow to a INR500 crores business over the next couple of years.

And frankly, the potential is quite large. And to grow from INR500 crores to a still larger size, I think, is very much possible. But as we continue to grow, we will see further horizons, and we would see a clear growth path. For now from INR100 crores to INR500 crores is a very clear trend going forward.

Ajaykumar Surya: Sir, just a follow-up on this. Sir, we have received one global order from an automobile company. So are we currently also supplying? Or are we seeing any slowdown in that order? Or we have that order size increased. If you can throw some light on that?

Yashovardhan Saboo: I think the order book at EIGEN is very strong and we are not seeing any slowdown there.

Ajaykumar Surya: Can you put in any number like what is the current order size?

Yashovardhan Saboo: I don't think for competitive reasons, we don't want to give current order sizes and so on. Our order book is strong, and we are not seeing any signs of the slowdown there. Sanjeev, would you like to answer the question about impairment?

Sanjeev Masown: Ajay, regarding your question of the impairment, I think if you would have seen our financials, the impairment is mainly on account of the ESTIMA where the KDDL holds the indirect holding through the Kamla International Holdings Ltd as well as Pylania SA. Due to continuous losses in Estima, we have made a provision by impairing the value of investment in these entities in our financials.

Moderator: Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Bharat Sheth: Sir, now turning on, one is -- first is on the precision manufacturing, what do you say it on the bracelet side. Say, here I mean, a key thing will be the -- yield will be because when you are I mean, doing machining on the hard road, I mean, or solid road and preparing the bracelet or any other kind of increases and manufacturing on the -- so yield is very, very important for the sustainability of the profitable make it more profitable. Is that a fair understanding?

Yashovardhan Saboo: I don't know where your question is, but yield is important in every business.

- Bharat Sheth:** No. I do understand, sir. What I understand that from the -- when you carve out, I mean your bracelet or anything from the solid road, so normally yield is 10% to 20% and for which we need a specialized, I mean, in-house designing on the tool fixture and everything to improve. So what is our capability that we have developed when we are talking of going on a various segment Rather than focusing on taking our core to one and expand like either aerospace or EV. So I wanted to get some sense on the whole business perspective.
- Yashovardhan Saboo:** Do you have any other question, Bharat?
- Bharat Sheth:** Then I will come back, please, sir. If I can understand this.
- Yashovardhan Saboo:** So I don't know. I mean this requires a very, very long discussion and my suggestion is that from time to time we organize visits to our factories. It's difficult to explain this in terms of the manufacturing strategy. These are different businesses. So bracelet is a watch component business using steel. Dials and hands enhanced as a watch component business using brass. The technologies are different.
- Eigen is a stamping business using different metals. So it's not easy to compare these. Regarding the bracelet, yes, we are using solid material and the links are created by machining. Yield is very important. And, therefore, the designing of jigs, fixtures is very, very important.
- We are serving a global -- a collection of global brands who buy from all over the world including Switzerland, China, Thailand, and Germany we are competing with them. So that's not possible to compete unless we have all the requisite skills of designing of manufacturing and the requisite technology.
- Bharat Sheth:** But my question is, when are we in these different fields? So how we are developing this technology in-house, R&D, fixture, engineering capability. Can you give how many R&D engineers we have and how they will take up for the aerospace?
- Yashovardhan Saboo:** Bharat, even if I gave you a number, how will that help you. I think we have to judge the business by the results, and we compete with global companies. These are different businesses and they have different teams. There are different teams are capable, they are competent. That's why we are able to compete internationally.
- So more than 70% of our business is export to marquee clients. So obviously, we have the necessary skills and capabilities and which are developed and that is good governance and management. That's all I can say.
- Bharat Sheth:** Fair sir. If you can run through that we want to take it. I mean our INR100 crores precision manufacturing business to INR500 crores yield in the next 2 years, 3 years' time. So how do we see that whole pie, which segment will contribute how much and if you can give some color on road map on that?
- Yashovardhan Saboo:** Bharat, as I already said, we have a road map to go to INR100 crores to INR500 crores. It's not going to happen in 2 years to 3 years. It will take longer. These businesses with the customers

we have in the B2B businesses. We need to build relationships with the customers. They start with products gradually it builds up.

So the time line is not 2 years to 3 years it will be longer. I have said that we believe that a growth of 20% to 25% CAGR is possible, and the road map for that is very clear. It's difficult at this time to say exactly which segment I have told you that the segments of alternate energy, electrical vehicles, aerospace these are the priority sectors and we believe these will grow faster than the others.

Moderator: The next question is from the line of Dhruv Shah from Ambika Fincorp. Please go ahead.

Dhruv Shah: Thank you, and congratulations for the good set of numbers. Sir, I have three, four questions. One -- should I tell you all the questions in one go?

Yashovardhan Saboo: Yes, that's better, Dhruv.

Dhruv Shah: So one is the opportunity you see in Silvercity and what kind of margins -- manufacturing margins can we do because on Ethos call Pranav mentioned that they are going to call for around 1,800 to 2,000 watches of Favre Leuba this year. So I'm just assuming that he mentioned that he would be selling it- selling the watch for around INR2 lakh in India. So what kind of manufacturing margins are we looking in that brand? That's question number one.

Second question is the kind of margins we did this year. Is it sustainable? And if you can just give us what kind of margins you do in precision engineering? That's the question number two. My third question is on your capex this year and next year because we have sold some stake in Ethos and we have a good amount of cash on our balance sheet. And my fourth question is are we planning to sell any further stake in Ethos?

Yashovardhan Saboo: Let me go quickly through. So Silvercity, again, we are not directly involved in the management of the Silvercity. I just want to make that very clear. Silvercity is a Swiss company which has right now has 100% Swiss employees and they determine the strategy. We are involved in the strategy and know it will be a profitable business, but establishing a brand is a long haul. Establishing a brand globally requires a lot of effort, lot of connections.

And I believe the margins in the business are similar to the margin enjoyed by Swiss watch businesses all over. It's easy to see that. We can check the publicly released results of groups like LVMH, Richemont Group, or Swatch Group, and you can see the kind of margins in the watch business for a successful global brand.

It's going to be a profitable business, but if you want to establish a global business, it's not going to happen overnight. It's going to be a 3 year to 5 year period to establish a brand globally and then to grow the brand, but I believe the margins are going to be nice what we hear. Once the brand is established we can't expect the same margin for the first 2,000 watches as will happen for the next 5,000 or 10,000.

Secondly, again, the roles are very clear. Ethos is involved in the selling of the watches in India. KDDL as a company, is involved to support Silvercity and manufacturing with our connections with our expertise in components which is a very important part of developing any watch. And of course, with our ability to take up further manufacturing whether at a stream or any other place for supporting the Silvercity.

Your second question was regarding margins, overall, is it sustainable or not? We believe the margins are sustainable. This year as I mentioned we will witness a slowdown in the watch component segment due to the global situation there. And you also asked the comparison of margins in watch component and other components, precision engineering components.

The margins in precision engineering components are also very good, but lower than the watch component for the moment. For the time being that is the case. So we may have a slight decrease in overall margin because the shift of the -- the precision engineering business will grow faster than the watch components business in this year.

And therefore the fact that it has a slightly lower margin will impact the mix weighted average margin over there, but I think it will still remain a very good weighted average margin. The third point was regarding cash on the balance sheet, yes, we do have cash on the balance sheet. There are capex plans both in Eigen and modernization, new projects are on the anvil.

But we've also used cash that we got from Mahen to reward shareholders, and that is also planned for the cash that is on the books. These discussions are ongoing right now, and we want to make sure that it's a judicious combination of rewarding shareholders and having enough money to invest in the future.

And your last question was about the Ethos stake sale. KDDL and my input together, we currently have about 54% of Ethos. It is our articulated thing that our position that KDDL will continue to maintain a majority stake in Ethos, there is no question.

Whether there will be some more stake sale, we cannot say right now. But we will continue to maintain majority.

Moderator: Thank you. The next question is from the line of Neeraj from DAMAC Capital. Please go ahead.

Neeraj: Hi, sir. Thank you for the opportunity. I had two sets of questions.

You know, like you laid out your ambitions around the precision engineering segment and you see a clear path over the next, you know, maybe 5-6 years to like INR500 crores. I had a question that we are already at a very small base of INR100 crores. Our balance sheet, you know, there is ample scope. We can lever the balance sheet as well. Like 20%-25% is still a very healthy number. But can we aspire to grow at a higher pace, given that we are currently at a much smaller base?

Yashovardhan Saboo: Okay. What else, Neeraj?

Neeraj: Yes. And the second question was around, again, margins. So, as you outlined that, you know, we plan to grow 20%-25% on the precision engineering side. And I understand our watch components business might grow slower over the next few years. So, do you see the blended margin coming down over the next - I am not asking about next financial year, but over the course of 2-3-4 years as the precision engineering business gains more scale? Do we see our blended margins to, you know, taper down a bit over the course of 3-4-5 years? Those were my questions. Thank you so much.

Yashovardhan Saboo: Neeraj, excellent questions, both of them. You know, growth, I think we have the financial muscle and the foundations to grow faster. But the problem, not the problem, the reality of the precision business is that it is not that you install a couple of machines and switch on the machine and increase the speed of production.

It is not like a continuous process. There are several steps that are required. First of all, there is no such thing as a standard product. Every new product requires a development and a research cycle. Secondly, every new customer that we get comes with new products, which require a lot of understanding with the customer, relationship building with the customer. Let us say I get a new global customer.

That customer is not going to start with an order of INR100 crores. He will start with an order of INR5 crores. Then after that INR5 crores is developed and supplied, the next order may be INR7 crores, INR8 crores. Each order for the product to be developed will take 6, 7, 8 months. So, the learning curve during the take-off period is a slow period, and then it grows incrementally. So it requires a lot of care and attention.

We believe that the growth rate at 25% CAGR is, is a scorching hot plate. You have to see it in the context of, you know, you have to project it over 10 years to see what it means. And I don't have to tell everyone; every financial expert knows the power of this compounded growth.

The important point is that because growing this business requires such a dedicated take-off period, it also builds a very strong moat. So once we have established ourselves with a customer, it is very difficult for someone else to break in. So therefore, our goal is not just to increase and throw money at the problem; instead of investing INR50 crores, let's go and invest INR100 crores and we will grow at 50% instead of 25%.

We have a realistic view on what is a, what is a capable growth. We don't want to grow for the sake of growth. We want to grow in the segments which we are growing, in the segments where we have the strength, high quality, high value, high marquee clientele. This is what will ensure our growth, longevity, prosperity, and value over the next 25 years. Prime Minister Modi spoke about a vision for the country in 2047. We are developing our vision for KDDL in 2047.

What are we going to look at? And we believe it's an extremely exciting thing. So to answer your question -- sorry, I got a little bit diverted. Yes, we would love to grow faster. And when the opportunity comes, we will grow faster. But to say that we will target a 30% or 40% rate of growth, that is not KDDL.

We target excellence. We target quality. And as a result of that quality, we get growth. We don't target growth first. We target the excellence and quality. We believe that if we are excellent in what we do and clear about what we want to do, growth will come automatically. I don't know, if that answers your question.

I know it's about the question on blended margin. I think it's an excellent question. Margins also changed. Right now, we are seeing that the margin in the engineering business is slightly lower. But we also know that when we go to more and more specialized products, in the Engineering division.

The more specialize the product, the higher is the margin. That's the fundamental formula? You make a mass me too product, you will get a very small margin. You get pennies for the dollar. You make specialty project's special materials, special engineering skills is at high margins.

The way we are doing, we believe our margins, in the engineering business should also increase. If they will not increase and the engineering business grows faster than the other businesses, we have then the blended margin and club down. If -- as we would like, the engineering margins will go up, the blended margins will not come down.

However, we believe that the margin and ROCE, which we have is very good ROCE. And any ROCE of 25% or more range is an excellent ROCE. So our goal is not to continuously increase the margin. Our goal is to maintain a good ROCE to maintain robust investments and achieve global excellence. We believe that if we can get these 3 things right, nobody can stop the growth of KDDL like nobody can stop the growth of India.

Neeraj: Very well, articulated. This is just one last because can we have this regular quarterly or a six monthly call going forward as well?

Yashovardhan Saboo: Neeraj, we've got these requests. In our view, our business does not change quarterly. So with - anywhere the quarter the results are out, the analysis is there. So business doesn't change quarterly. This strategy is something which changes, could be doesn't even change annually. But of course, annually, we must have an update.

But what we are suggesting is for serious analysts and observers of our business and our company. We would like to organize at least twice a year, maybe more visits to our factories, where we have a full day of discussion analysis after you have seen the factory, you've got a feel for what is our business.

It is also important for all financial people to understand the company's DNA, the basic capabilities and challenges of our business, and how we are overcoming the business. How we have a group of ordinary people delivering extraordinary results. We would like you to see this understand this.

And in that context, have a full day of discussion than just on a call like this, so we would like to invite you and other serious analysts and observers to our factories. And there, we will have

these interaction. And these will be done not only annually but at least 2 or 3 times every year. And we hope you will join us.

Neeraj: Thank you so much all the best thank you

Moderator: The next question is from the line of Pratik Poddar, who is an Nippon MF. Please go ahead.

Pratik Poddar: I just have 2 questions. One is a bookkeeping question. And the second question is on the strategy. The first question is that you called out INR45 crores of capex for the full year -- I mean FY'25, is it only for KDDL or it's for the entire consolidated group? That's question 1. And the second question is...

Yashovardhan Saboo: That's a quick answer, it's only for KDDL.

Pratik Poddar: And just a confirmation on this, sir, when I look at your CWIP, there is a INR34 crores kind of CWIP, the bracelets plant or that has already been capitalized?

Sanjeev Masown: That's mainly the bracelets plants.

Pratik Poddar: So INR45 crores is over and above this CWIP amount, right?

Sanjeev Masown: The others are already capitalized.

Pratik Poddar: No, no. The 45 crores you called out is over and above the CWIP we see, right? It's the fresh capex.

Sanjeev Masown: Yes.

Pratik Poddar: Okay, thank you. And sir, just last question is on China Plus One and supply chain reorganization. What kind of discussions are you having with these luxury watch brands? And can that be a material tailwind for your growth ambitions over and above the precision engineering which has been discussed a lot over the medium term?

Yashovardhan Saboo: Over the medium term, yes, definitely. You know, China Plus One discussion is a very real discussion. And it's not something that, it's not like that suddenly there is a rush of people coming. In the minds of people, it has changed that we have to find alternatives to China. We have to reduce dependence. But the fact is that the Chinese manufacturing infrastructure is extremely strong. So it's not easy for everybody to find alternatives.

However, India is emerging as an alternative. KDDL is emerging and has been acclaimed as an alternative to China for watch components. So, yes, we see large opportunities in this segment in the medium and long term.

Pratik Poddar: Do you have a discussion, sir? Is there a big pipeline for shifting of supply chains which we are seeing in other industries? Or are the discussions quite slow given that India's entire ecosystem is not yet established?

- Yashovardhan Saboo:** There is a pipeline. There is a discussion going on. We, by nature, we are a little bit cautious. So we know that we need to go at a certain pace. We've got two challenges on our hand right now. They are not challenges, but two tasks defined for us. One is establishing and fully on boarding the Bracelet Project. And the Bracelet Project has enough scope for expansion. I can tell you that. We will probably soon be discussing an expansion plan for the Bracelet Project. And, of course, turning around Estima, which, as you know, is still not profitable. But it has a huge potential ahead.
- So, for the moment, I'm saying that, at least for the next 12 to 15 months, we want to focus very much on this. That said, I'm saying that there is discussion going on for other projects also. But I think that's going to be coming in after 12 to 15 months.
- Pratik Poddar:** Fantastic, sir. Thank you, so much and best wishes, for the future.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Philip, Capital, India. Please go ahead.
- Vikram Suryavanshi:** I think we're seeing good growth coming in a challenging market to some extent. But just pardon me in case some questions are repeating because I was not able to hear in between. So, our dial-in-hand revenue was around INR247 crores for the whole year. Is that right, number?
- Sanjeev Masown:** Dial- and-hands. That was INR247 crores. that's right.
- Vikram Suryavanshi:** Right. And would it be possible to give a break-up between domestic and export?
- Yashovardhan Saboo:** I think about 70% to 75% is export.
- Vikram Suryavanshi:** Okay, that makes sense. And in case of precision, what was the revenue for this quarter and full year?
- Sanjeev Masown:** For the year, it is INR95 crores. And for the quarter, it is around INR26 crores.
- Vikram Suryavanshi:** And when we have a target to reach to INR500 crores and since this business typically takes a relatively longer time in the initial phase to get it to the customer's wallet share, will that growth will be largely kick-start from say 2026, '27 onward or how do we see that will it be like a consistent growth at a higher level? and do we need to have a capex for that additional revenue target?
- Yashovardhan Saboo:** Vikram, I don't think there is going to be a kick-start as such. I think it is going to be a steady growth. I had mentioned CAGR of 25%. Now, it is not going to be exactly 25% every year. Some year maybe 20, some year maybe 30. But I think an average of 25% CAGR is something that we would aim for over the next three to five years definitely. That's as far as we can see currently. There will be capex required. We need to expand factory space. We need to add some new capabilities. As the company keeps growing, I think our internal funds will be more or less sufficient for that.
- Vikram Suryavanshi:** And existing infrastructure would have how much revenue potential?

- Sanjeev Masown:** Vikram, I would like to answer that. I think in the overall sense, we have to understand first of all that we should not stick to the Rs 500 cr as a number. We have given a directional thing that we are targeting for a decent growth and looking for a growth that consistently on a longer period, 20% to 25% growth is possible and it will be achieved.
- Similarly, as we have shared for the watch component business, the capacity utilization is difficult to answer. Similarly, here in EIGEN, if you ask me this capacity can give me what revenue, that's not the right way of looking into that. It depends upon the components and the type of business I am doing.
- A component may be of INR0.2 paisa, a component may be of INR2000. So it depends upon the type of business I am trying to focus on and the segment I am trying to focus on. However, based on the overall capacity and the modular investments we have to make in the coming years, it is possible to witness a growth of 25%.
- Vikram Suryavanshi:** Understood. So I was just trying to get some sense on possible will the Bangalore be the continued place for this precision engineering or we can expand into other location or existing facility has surplus land with incremental capex we can go. So I just wanted trying to get sense on that front?
- Yashovardhan Saboo:** We will continue. We are not in favour of expanding to too many locations. We are happy with the infrastructure that has been set up in Bangalore, and we believe that expansion in the precision engineering segment will happen in or around it.
- Vikram Suryavanshi:** Okay, understood. That was helpful, sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Manish Poddar from Invesco Asset Management. Please go ahead.
- Manish Poddar:** Just one question, sir. What is the plan to get into the cases segment just if you could help me understand that?
- Yashovardhan Saboo:** Manish, watch cases is a very important component for a watch, as you know. And again, in India, there is no watch case factory specialized in steel cases, which is what is used in the best brands globally. So we believe there is a large potential. And now we are getting a sense of working with steel to the bracelet project. So I think the building blocks are coming into place. And we believe, definitely not in FY '25, but probably in FY '26, we will move towards setting up, getting into the watch cases. It is definitely part of our strategy.
- Manish Poddar:** Okay, fine. Thank you so much.
- Moderator:** Thank you. Ladies and gentlemen, due to time constraint, we will take that as the last question. I now hand the conference over to the management for closing comments.
- Yashovardhan Saboo:** Thank you, everyone. We tried to answer all the questions satisfactorily. I am aware that there were a few questions in the questions we were unable to take up. I apologize for that. But please

feel free to write in, and we will try to answer whatever questions remain unanswered. You can write to us or to our SGA team or investment relations advisors. Thank you very much, everyone, for joining this call. And I wish you a great day.

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