03.11.2026

To,
The Manager - DCS
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001
Scrip Code: 523828

To,
The Manager - Listing Department
National Stock Exchange of India Limited
Exchange Plaza, BandraKurla Complex
Bandra (East),
Mumbai- 400051
Symbol: MENONBE

Subject :Disclosure of Information pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Outcome of Schedule of Analyst / Institutional Investor Meeting – *Transcript of Earnings Call*

Dear Sir / Ma'am,

Pursuant to the relevant provisions of Regulation 30 (6) read with Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015, we would like to inform you that the officials of the Company had an earnings conference call relating to the Unaudited Standalone & Consolidated Financial Results of the Company for the quarter and half year ended 30th September, 2026 for the Investors/Analysts (Participants) which was held as per the details below.

Date & Time	Type of Interaction
October 30, 2026 11:00 AM IST	Earnings Conference Call

The Transcript of the earnings conference call is enclosed herewith and has been uploaded on the website of the Company i.e. www.menonbearings.in .

Kindly take the same on your record.

Thanking you,

Yours faithfully,
For **Menon Bearings Limited**

SIDDHESHWAR SUNIL KADANE
Digitally signed by SIDDHESHWAR SUNIL KADANE
Date: 2026.11.03 15:16:42 +05'30'

Siddheshwar Kadane
Company Secretary and Compliance Officer
Membership No : A72775

Menon Bearings Limited

Q2 & H1 FY27
POST EARNINGS CONFERENCE CALL

October 30, 2026 11:00 AM IST

Management Team

Mr. Arun Aradhye – Managing Director
Mr. Aditya Menon - Promoter Group

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Disclaimer: - This transcript is edited for factual errors.

Presentation

Moderator: Ladies and gentlemen, on behalf of Kaptify Consulting Investor Relations team, I welcome you all to the Q2 and H1 FY27 Post-Earnings Conference call of Menon Bearings Limited. Today on the call from the management team, we have with us Mr. Arun Aradhye, Managing Director; and Mr. Aditya Menon, part of the Promoter Group.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the period ended September 2026, the growth plans and vision for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Arun Aradhye: Yeah, good morning everybody. So I am glad with your best wishes, we could perform better and better every quarter. We are moving ahead. And if you see the results, particularly on a consolidated basis, the total income of the company for this quarter has a growth of 58.60% over last year same quarter.

EBITDA has increased by 103.8% then PBT by 123%, PAT by 117%, and similarly EPS also has -- there is a growth of 117% over last year with cash and bank balance including mutual funds is INR 25.69 crores-plus. Similarly, for the total half year, we have clocked the total Income from operation of INR 194.9 crores. That is 47% growth over last year. You see, whatever projection that we have given in the past also, we have definitely not only achieved, but we have exceeded the target that we've already given to you.

So the EBITDA for the six months, it has increased by 77%, PBT by 92%, PAT by 89.55%, and cash and bank balance including mutual funds INR 25.69 crores. With this, what I feel that we are definitely looking forward to continue the same pace in future as well, with growth expected -- of course, depends upon the circumstances from time to time. There will be more than 30% growth for this year, FY27, and similarly in '27-'28 also we expect, if all the things are in place, it will be more than 30% again, with the growth drivers are basically domestic and whatever export that USA exports are growing rapidly.

Along with that, our recently Europe tour is yielding a significant increase in the business and potential of more than INR 35 crores that will be converted into the actual sale in the year '27-'28 and '28-'29. And what I feel, that considering the current business pipeline and the commercial discussions and RFQs that we have received, for '26-'27, additional business expected is around INR 30 crores on consolidated basis.

And for '27-'28, we expect that estimated additional business will be of INR 131 crores, so that, the growth rate will be obviously more than 30%, with '28-'29, the growth driver, we are having the list of all customers also from whom we are estimated to get the business, RFQs are there, and discussions are going on, commercials have been finalized. Many of the samples have been already approved. And with this, for 2029, we expect additional business of INR 157 crores, excluding potential business of INR 35 crores of Europe that we estimate it will take little more time, but 100% we are going to convert that.

These are all forward-looking statements. Our fingers crossed, but we will definitely try to see that we achieve whatever targets and whatever commitment that those we are assuring you, we will try our best to achieve the same. There will be some queries from investors also. So far as other income is concerned, whatever other income and some revenues, sales is concerned, intercompany transactions have been taken into the standalone grossing. At the same time, that has been deducted from the consolidated statements. So that is being a regular practice as per the accounting standards, and that we will have to do that when we are preparing a balance sheet for six months and at the end of the year.

So you can find some difference that Q1 and Q2 will not be exactly tallying to the total figure of the half year. So these are my clarifications, and now I expect questions from you now. Please go ahead.

Moderator: Thank you, sir. We'll now begin the question-and-answer session. [Operator Instructions]. And I would request the participants to limit their questions to two per participants initially.

We'll take the first question from Arnav Sakhuja. Please go ahead.

Arnav Sakhuja: Hi. Thanks for the opportunity. So, my first question is that, if we look at the commodity prices, the aluminium prices kind of peaked in May and June, and they've fallen quite considerably since then, let's say, by

around 15% or so. So has this benefited our Alkop segment performance in the second quarter?

Arun Aradhye: Yes, obviously, the rates of aluminium, basically that is the raw material and various aluminium alloys we are applying as a raw material, the prices are down to some extent, and the benefit of which will accrue to the Alkop. However, not only that, we are getting the prices or pricing of vendors also reduced in this quarter, so that there will be additional profit for us.

Arnav Sakhuja: Got it. And my second question was that, if we look at the other expenses in FY26, our sales promotion expenses within the other expenses segment increased from around INR 4.7 crores to INR 8.15 crores. So if you could just explain what would be some reasons for that increase?

Arun Aradhye: You see, you can see our business so far as market is concerned, replacement market that has gone up substantially, maybe in brakes as well as in Menon Bearing. So considering that, apart from that, we have to incur substantial expenses. So far sales and distribution expenses are concerned in exports; the freight so far as shipment of exports to USA and maybe other European countries as well. That has substantially gone up, and because of that, the sales and distribution expenses have gone up substantially.

Arnav Sakhuja: Okay, thank you for answering my questions, and congrats again on a great set of numbers.

Arun Aradhye: Thank you.

Moderator: Thank you. We'll take the next question from Bhargav Buddhadev. Please go ahead.

Bhargav Buddhadev: Yeah, good morning team, and congratulations on a good set of numbers.

Arun Aradhye: Yeah, thank you.

Bhargav Buddhadev: Sir my first question is on the margins. So if you look at your gross margins on a Y-o-Y basis, obviously there has been a significant decline, almost more than 7 percentage points. But despite that, your EBITDA margins have actually expanded. So can you elaborate this savings in other expenses which is visible? As a percentage of revenue,

obviously other expenses has declined a lot. So is this sustainable in nature? If you can spend some time on that.

Arun Aradhye: Yes, very good question. In spite of volatility in the raw material prices, and basically in copper, tin, lead and steel, the prices have gone up substantially. In spite of that whatever the exercises that we have made, improvement in the processes, so we have reduced substantially so far as the consumption of all these raw material and input material is concerned. That has really helped us to sustain the margins that we have been making in the history -- in the past also. Apart from that, you can see there is a volume growth and productivity has substantially increased, that is by 25% over last period. That has really helped us in reducing the overheads overall. So overhead cost has been absorbed to the greater extent, which has really helped us apart from increasing the yield by reducing the raw material.

Then productivity increased. That has really helped us to absorb overheads to the greater extent, and ultimately we could sustain those margins and we will definitely sustain in future as well. And whatever the price increases there during this quarter, which is almost 50% taken together on an average as compared to the last year, and the process of passing on that burden to the customer that is a routine process. And for this quarter, we will get prices revised from all the customers so that we can definitely sustain that in future as well.

Bhargav Buddhadev: Sir my second question is that if you look at your presentation, this time there is a new slide in terms of robotic automation which the company is implementing. So is it fair to say that if the business is growing at 30%, the employee headcount will not grow at that pace? And if you look at your employee cost as a percentage of revenue, it is in the range of 13% to 14%. So that's a sizable employee cost expense which the company is incurring. So if you can spend some time on this in terms of what could be the savings in employee cost through this program, how much CapEx are you incurring on this program, and what could be the payback, if you can spend some time, that would be very helpful.

Aditya Menon: Sure, I would like to -- both the questions are interlinked. This quarter, like you said, input costs have increased significantly. Just to put in numbers, tin has increased by 72%, copper by 50%, steel by 12%. So here we are taking a lot of continuous effort for productivity, how to absorb these costs. So from last year, even from now, we are doing different projects how to increase productivity. So automation is one part of it. So we are getting a lot of robotic cells where volumes are higher.

So we are not dependent on manpower because manpower is going to be issue in the future. So we are taking proactive measures for the last two years, what CapEx we are doing, even CapEx going further. So even in the bearing segment and Menon Alkop segment, we are going for projects for automation where imagine for a machining cell we require four people for one shift. So that's around 12 people for three shifts. So even average salary goes maybe INR 2 lakhs a month. So we are trying to get these projects automated so we save time.

So we even save time, even if you say return on investment, ROI is around 3, 3.5 years. So it increases productivity, quality, and time. So we are focusing towards automation where it will help us in the future also. So that's one way we are trying to reduce costs. And because raw material is increasing, we are trying different ways how we can save our costs. So you can see even raw materials increase, the EBITDA margins have increased. So a lot of proactive measures are going through our engineering team, through R&D. And management taking proactive measures. So that is reflecting in our numbers.

So CapEx-wise, new machinery and automation size, new AI what we're trying to introduce. For quality also, quality is one of our major things because export is -- a lot of new export-driven business is coming. Today we have visual inspection. All our parts are 100% visually checked.

So we are getting automated visual -- automated AI visual camera checking, where these number of parts are getting checked by manual labour, maybe 1 million parts, like 10 lakhs parts in engine bearing every month. So these systems are automated where we are not dependent on manpower. The process are getting faster, and quality also is 100% checked because how much ever visual man does, there is chance of inefficiencies or quality getting missed out.

So we are trying to get all these visual inspection systems in place. So some of them are already implemented, some are under development. So in the next 9 to 12 months, a lot of automation and visual systems are getting in place where we save on manpower, we save on time that leads in productivity, and quality is more focused. So as we're going to exports, it gives a confidence to our American and European customers that quality is good. So that also leads to new business development and confidence in Menon Bearings and Menon Alkop.

So that's like a brief. And I will not say only for automation and R&D how much we are investing, but next two years in Menon Bearings and Alkop, 12 months, around INR5 crores in Menon Alkop and around INR4.5 crores in Menon Bearings. These are rough figures. It can go up and down depending on projects and what business is coming. But these are the next two years, next 12 months to 15 months plan, investment plan. So INR 5 crores in Alkop and around INR4 crores in bearing. So what figures we have told you, what we are going to achieve.

So this is the investment we are doing to increase productivity and to get these numbers. So this is the investment we are getting, and roughly ROI will be in the next 2.5, 3 years, should be the return on investment on this investment what we are doing. Thank you.

Bhargav Buddhadev: And your employee headcount will reduce from year on over the next two years. Is that a fair understanding?

Aditya Menon: Like to answer it, like last year we did INR300 crore turnover. You all have the numbers. This year, two quarters, we have done INR190 crore. So what numbers we have given you for this financial year, if it goes at this rate, we'll definitely cross it. And compared to last year, headcount has increased hardly 5%. So we are growing at 30%, but headcount, the man -- what do you say, the manpower is not increasing. It's not growing that, what do you say, linearly.

Arun Aradhye: Yes, whatever. You see, in Menon Bearing also, in bearing, bimetal particularly bearing production is there. There are almost 16 such lines on which we are getting production of various bearings. So these were all semi-automatic machines which are to the tune of almost 90 in numbers. And all those lines we are making it on a single-piece flow, so that for every line we will be saving almost three people, three employees. So consider that -- considering 16 lines and average reduction of three manpower shift will be the total quantum of employee reduction will be 50 alone in bearings, apart from bush and Alkop and everything.

Bhargav Buddhadev: Great sir, thank you. Thank you so much.

Aditya Menon: Thank you.

Bhargav Buddhadev: And all the best.

Arun Aradhye: Thank you.

Moderator: Thank you. [Operator Instructions]. We'll take the next question from Vignesh Iyer. Please go ahead.

Vignesh Iyer: Hello. I'm audible?

Moderator: Yes, Vignesh.

Vignesh Iyer: Hello sir. Yeah, my question is on the Alkop side of the business. Just wanted to understand, are we in line with the guidance of 8% to 10% of EV share from the Alkop segment for FY27?

Arun Aradhye: Yes, yes.

Aditya Menon: Yes.

Arun Aradhye: Even it will be even more than that. But what has happened actually, our other business of domestic as well as export is also on the increase, so that in spite of increasing the EV business, the percentage to the total will remain more or less constant.

Aditya Menon: Just to make it like more clarity, last two years if you see our order book, most of our growth was driven by export. But how we are seeing in reality, export has remained at 34%, 35%. We had predicted it will grow around 38% to 40%, but at the same time the domestic market also has picked up. So the number of value has increased, but percentage will remain almost the same. So percentage-wise it won't increase because the domestic other businesses also are growing at a similar rate.

Arun Aradhye: But the volumes will increase.

Aditya Menon: Volumes and values have increased, but percentage is remaining almost same, similar.

Vignesh Iyer: Okay. Is it basically because -- I mean, have we migrated to a larger or in technical products that will contribute to the revenue in the next two quarters, or is it the same set of products that we are currently selling that will see more volume growth?

Aditya Menon: For Menon Alkop, we have developed around 54 parts in the last two years, and they all SOB has begun. So that's why you can see the growth. So a lot of new high value addition products have been added to the portfolio. They're going to different parts of the world now. So that would be the answer to your question.

Arun Aradhye: As usual, these are all the critical components we are accepting and where value addition is always high.

Vignesh Iyer: Okay, can you specify one or two main products that goes into the export part on the EV segment of Alkop?

Aditya Menon: EV segment, we are a tier 2 supplier that goes to Concentric. We do electric pump covers for them, then that goes for export. For domestic, we do for TACO Prestolite, that is Tata -- for Tata Punch and Tata Curvv, Tata Jupiter. So we do parts for them for domestic. For Eaton Transmission for export, Poland, we are tier 2 supplier, but that also goes to Poland, Eaton Poland. So these are the three in the EV segment, but for export for Alkop, we are doing a lot of work for house and automation that goes to the US for Honeywell. We are doing for a lot of John Deere, not even tractors, we are doing for John Deere different aspects like the harvester tractor, then we are doing for the seeding fertilizer tractor. So a lot of different applications there. So those are driving factors. Plus --

Arun Aradhye: These are the major key drivers yeah.

Aditya Menon: Plus, if you see, and our export just -- not your question, diversifying into that, majority of exports we are doing around, if it's 35% of our whole pie is export. Out of the 35%, we do 80% to USA. But as management, we are looking at a different policy also. We have had our senior management, our marketing head, been to Europe in the last couple of months. So we're looking at Europe. Our Europe visits were quite positive. Some companies invited us, some we took appointments and went. So a lot of RFQs coming from that side. So we are very excited to look at Europe also as a new market because we didn't have a big presence there. But looking at the economic and politics, we have a better relation there.

So we're exploring there and a lot of European companies are looking at India, Indian suppliers in a very positive way. So a lot of RFQs coming from there, a lot of interest shown from European companies. So in the next one, two years, you all will see a lot of positive or new business starting from that continent also.

Vignesh Iyer: Thank you, thank you for the detailed answer. Thank you.

Aditya Menon: Yeah.

Arun Aradhye: Thank you.

Moderator: Thank you. We'll take the next question from CA Garvit. Please go ahead.

Garvit: Hi. Thanks for the opportunity and congrats for a good set of numbers.

Arun Aradhye: Thank you.

Garvit: I have two questions. One is on the -- if I look at the earlier concalls and the concall that today we are speaking about 30% plus kind of growth for this year maybe, if the things are good for next year as well. I wanted to understand what are the underlying drivers you people are seeing for this kind of demand, and what are all the geographies you people are witnessing in the terms of the demand kicking in? Maybe is it because of, you mentioned about Europe. Is it because of the FTAs that we are going to enter and also because of Chinese yuan getting appreciating, so we are getting the competitive advantage in the terms of pricing? So what are the macro-level things you people are witnessing?

Aditya Menon: Yeah, I would say Europe business, we have not started yet. It's not contributed anything yet. So now we are taking effort for us. When we start a new production like a development or RFQ stage, it takes 9 to 12 months from getting an RFQ to like sending sample and start of business. So what -- when you're saying Europe, that business will reflect in next financial year or year after that. Last two, three years, what product development we are doing and we have explored new customers, diversified our portfolio that is our current driving growth currently coming from domestic market and Europe.

If you see our numbers, we have increased our domestic OEMs production, export have risen, and also aftermarket. So currently what revenue and merchant exports. So whatever four or five areas we are operating in, we have crossed what do you say, from last quarter we have overtaken domestic performance, export performance, aftermarket performance, and merchant export performance. So these are the four driving factors I would say, and we are looking at different -- we have gone to different customers, and because of China, I won't say yuan price, or it's as China Plus One policy and Europe Plus One policy, like I've been saying in our concalls. Now new customers also, like new customers which we are not supplying to, they are also coming to India, like exploring India as their supply base for the next 4 years, 10 years.

So as Menon Bearings, Menon Alkop have become a household name in the market, what markets we are operating in. So we are getting new

opportunities from new clients also. So these are the factors driving growth. So that would be one.

Another one, like Mr. Aradhye said, last six months aggressively our marketing costs also have increased. Last two weeks back I was also in the US. I was in Detroit, Iowa, meeting new customers, looking at opportunity. So a lot of new opportunities there. Our marketing guys were in Europe last month. Mr. Aradhye and a marketing guy six months back were in the US. Canada, looking at new customers. So a lot of new RFQs coming, a lot of new opportunities coming, and it's looking very positive for us. So that are the growth drivers.

I would not comment on Europe and policies which we have done, but it's more -- Europe is looking attractive because it's more stable, because like Mr. -- I don't want to take like comment on different Presidents or Prime Ministers, but US has been a little bit volatile because of Mr. Trump's comments and what he's saying, tariffs, exit policies. But that's why we're looking at Europe also as a long-term part, like long-term area for growth. But what current growth and next financial year growth are coming from our order book and strong order book and what parts we have developed for our A-class customers.

Garvit: Thank you.

Arun Aradhye: We can see there is a growth as compared to the same quarter last year. There is a growth in OEM's business by almost 50%, and similarly there is a growth in export more than 75%. So considering that and the business in pipeline for domestic as well as for exports and European market, we are not considering even 30% growth what we expect. That will be apart from that. So there can be even better than that, provided all the things are constant and geographical situation, geopolitical situation remains not much volatile. So we expect that we can definitely achieve whatever the target that we have set for us.

Aditya Menon: And being this quarter, like, raw material prices have been all-time high, shipment times have been all-time high. So a lot of volatility. Still we have achieved best numbers, better than last quarter, better than last year, this same quarter. So we are taking lot of efforts at our side to achieve these numbers, growth, and maintaining EBITDA margins, high EBITDA margins.

Garvit: Understood, sir. Thanks for the detailed explanation. And secondly, when you say we are seeing robust demand, is it within the auto sector only what we are speaking about? We are not looking to diversify to

any other sector apart from auto maybe next one or two years. Is that understanding correct?

Arun Aradhye: So it is not only the automobile, but home automation, then airport applications, and all these things are also in pipeline, not only auto.

Aditya Menon: If you see, 10 years back we were heavily into auto, but we're also trying to diversify our company portfolio. So we are doing oil and gas automation, EV sector, not only engine-related. Auto means before we are only engine related, we are doing different application. So a lot of diversification from our end. We are going for generators, a lot of development happening. So a lot of demand is coming from Cummins and generator sectors. We are looking at AC, a lot of bushing goes in refrigerators and air conditioning systems. We are looking at compressors.

So a lot of different diversification from our marketing side also. So we are not only related to like a tractor engine or HCV/LCV engine. So we are diversifying our pie chart in that segment also.

Arun Aradhye: But as you said, that is basic DNA of the company is automotive.

Aditya Menon: Yes.

Garvit: Understood, sir. Understood. I think my questions are answered. So thanks very much. Thank you.

Arun Aradhye: Thank you.

Moderator: Thank you. We'll take the next question from Bipin Bohr. Please go ahead.

Bipin Bohr: Yeah. Sir, congratulations for the good set of number. Yeah, I would like to understand the next five-year aspiration in terms of revenue and the margins which you are looking for, and then, how sustainable are current margin down the line?

Arun Aradhye: You see, as I already told you that whatever raw material prices, those are volatile, but we are always having a pre-decided formula. So far as increasing the raw material is concerned, we can pass on that burden to the customers or if the prices are reduced, then those prices will get reduced. So there is a mechanism. That is already in place. So far as labour cost is concerned, that we already explained, as Mr. Aditya told you, that we are more and more into automation so that our productivity

is increased, then we are going for automation. So far as quality is concerned, considering that, and timely delivery because of expansion in the productivity expansion and CapEx in place for more and more demand, that will be catered to the expansion that we are going to make. So far as infrastructure is concerned, it is already there. We just have to go on adding the machines, whatever required. So that is always possible and not to worry at all.

Aditya Menon: And like your question of five years, I wouldn't want to comment on five years. Last year, just a brief explanation. Last, like, if you're following us for the last two, three years, we were supposed to do INR270 crore last year, which we--

Arun Aradhye: INR300 crore.

Aditya Menon: We did INR300 crore. This year, if you are following us for the last six months, eight months, it's supposed to be INR360 crore or INR370 crore.

Arun Aradhye: Now it is INR350, more--

Aditya Menon: But if you see what numbers we achieved in the first two quarters, normally for our industry, first two quarters are relatively slower. Third and fourth are more better for us. We've been, from last December, every month we've been outperforming ourselves, and the next two quarters look promising. So this financial year also we should, touch wood, bypass the number what we have told the investors in a positive way. And we have done all the investments what we require. Before, last two years back, INR 500 crore looked at 2029 -- 2029-2030. So we are taking a lot of efforts so we can reach INR500 crore next year. Most likely next year or maybe year after that.

So a lot of -- from we were growing at 15%, 20%, but now we're growing at around 30%. So INR500 crore, I would say next year should be possible.

Arun Aradhye: That is possible, that is possible. I mean, maybe you can calculate thereafter also at the rate of 30% plus because of European market that we are tapping, and that is already in place. You know that we have issued so many RFPs from them which are to the tune of more than INR35 crore to INR40 crores. And apart, there are so many other businesses, and brake business will take a substantial lead into the market so far as replacement market is concerned. And then major OEM, that will be into our fold apart from railways. So considering that,

we hope that why we should not grow at a rate of 30% year- on- year for next four years.

Bipin Bohr: Okay, thank you.

Aditya Menon: We are doing all the CapEx required to get these numbers, to achieve these numbers.

Bipin Bohr: So okay, CapEx is also there. Okay, sir. Thank you.

Aditya Menon: Thank you.

Moderator: Thank you. We'll take the next question from Athul Joby. Please go ahead.

Athul Joby: Yeah, congrats, sir, for great set of numbers.

Arun Aradhye: Thank you.

Athul Joby: Sir, when compared to last quarter, there's been a decline in EBITDA margin. So when can we expect the margin to go back to 22% kind of levels?

Arun Aradhye: How much?

Athul Joby: 22% kind of level.

Arun Aradhye: It is already there. I think you will have to go back again and see exact numbers. We are already there.

Athul Joby: I mean, excluding other income, I am assuming. Excluding other income, EBITDA margin to be 22% kind of level.

Arun Aradhye: 20 -- whatever more than 20% is always better. I hope you will agree to that, okay.

Athul Joby: Yeah.

Arun Aradhye: Apart from that, there is volatility in the raw material prices that you also know. So considering that, whatever raw material prices are there, that we will have to absorb for a particular period, that is for one quarter, and those will be substantially passed on to the customer so that again that is restored. So this is the process. It will range between 20% to 22%, always there. And considering the business in pipeline and growth rate

what we have achieved and will be achieving in the future also, considering that, we hope that it should exceed 22% also. And what we are targeting for next year, the EBITDA margins will be about 23%. That is our target and we will try to achieve that.

Aditya Menon: And if you see our competitors in this industry, above 18% EBITDA is excellent. So 20%, what we are achieving also is a great number. So if you check our competitors in our field, then you see their numbers, and then you see 15%, 10%, 7%. So you see our numbers are excellent, and we strive to keep these numbers going ahead. So we always said we always focus on sustainable growth. So we are not looking at top line to increase significantly. We want our EBITDA margins, our PAT margins to grow at what numbers we have now. So we look at sustainable growth. So we are, what do you say, growth focused on our bottom line. So we make sure what bottom line stays constant.

Arun Aradhye: So several measures that we have taken to sustain that in future as well and to try to increase the margins. We are going for automation, one thing. Saving in electricity by rooftop solar, that is another. Then thirdly, reducing the manpower. Increasing the productivity, improvement in the processes. That is ongoing process, and we will have to follow, and we will have to continue our measures that we have taken in the past. And now we will have to take future measures to see that we sustain those margins in future as well. We will definitely take all-out efforts to see that we maintain that.

Athul Joby: Okay, sir, that's great to hear. Sir also I have another question, like what is the margin split in Bimetal, Alkop, and Brake segment? Can you just give the data?

Arun Aradhye: Sorry.

Athul Joby: A segment-wise margin in Bimetal, Alkop, and Brake segment.

Arun Aradhye: Okay, so far as Brakes is concerned, the margins are 30% to 35%. It depends upon the mix of the product, but it is between 30% to 35%, okay, that is one thing. In Alkop, it is 18% to 19%, whereas in Bearing, it is 23%, okay?

Athul Joby: Okay, sir. All the best.

Aditya Menon: Thank you. And if you see this quarter, we have had the highest profit of the company.

Arun Aradhye: Highest profit, all time high sales. Then all time high EBITDA margins, totality, in totality.

Aditya Menon: In company history.

Arun Aradhye: In company history, as well as PAT margins is also highest compared to peer companies as well as auto industries.

Aditya Menon: And, I have to thank our MD and our whole team because getting set of numbers for one month high is good, but maintaining it for eight months and every month breaking the previous month also is a challenge. So that's a big achievement from our team here at Menon Bearings.

Athul Joby: Yeah, thank you, sir.

Moderator: Thank you. Sir, we'll take one question from the Q&A box. It's from Ashish Parikh. He's asking, sir, ours is a cyclical business and there is some slowdown anticipated in auto sector. So how do you see our business from the cyclical perspective? Where do we stand in the cycle? Thank you.

Arun Aradhye: You see, there can be -- these are the cycles automobile industry or auto industry is going through these cycles for several decades. Actually, this may happen this year, next year, or next to next year. But at the same time, you can see there is a drought-like situation in Maharashtra. So that the tractor industry is going to suffer to some extent. But at the same time, we are compensating that business. And what we have forecast, we have received from other customers which are not related to the tractors, those schedules have been increased substantially, and we don't see any -- there will be any adverse effect so far as our industry is concerned.

We will continue to like that in future as well, in spite of downturn in automobile industry, if at all any is there. At the same time, you can see HCV, LCV and passenger vehicle, there is for the last six months there is increase. Our growth rate is almost 14% to 15%, whereas in EV it has gone up to 20%, and we are more and more getting into the EV business so far as Alkop is concerned. So we don't see any cyclical situation there, so there will be a downturn in the automobile industry as of now.

Aditya Menon: And normally cyclical, when you say cyclical, second quarter, if you check our history also, supposed to take the biggest hit, and we've outperformed the highest in second quarter. So normally quarter three, quarter four are positive for us. So this year we should cross what

numbers we are saying. And if you see cyclical only for engine bearings or automotive, 10 years back 54% of our market share was tractor business. Now it's become 34%, even the volumes are increasing.

So we are diversifying to different application, like I told you, generator application, heavy earth moving application, where there's braking system, steering system, transmission. So we are also not focused only on tractor, even though it's our biggest growth from engine bearings. From 50% has come down 34%, but we are growing. So that 16%, 17%, we have got different customers, different application. So we also know the risk of our company. So we are taking majority efforts to de-risk. So that's also one thing you should know.

Arun Aradhye: But in spite of that drought-like situation, so far as Maharashtra is concerned, and maybe other states as well in throughout India, but at the same time it is surprising that our schedules from tractor companies are increasing --

Aditya Menon: All-time high.

Arun Aradhye: This quarter as well.

Aditya Menon: Yeah, so maybe Indian tractor manufacturers are maybe exporting also higher. So even they are growing. So the numbers, what projections we have for the next quarter and the quarter after that, look very positive. So that should not be a problem for us. Thank you.

Moderator: Thank you, sir. [Operator Instructions]. Sir, we'll take another question from the Q&A box. It's from Anil Parekh. He's asking, how is India-EU FTA supposed to benefit us? I am not sure if this question has been answered. Also, are we seeing interest on account of China Plus One?

Arun Aradhye: You see, China Plus One policy has really taken place now. That is more and more effective since European countries are exploring India as a preferred supplier and quality supplier. Our industrialists and manufacturers here in India have improved so far as the cost is concerned by increasing the productivity and quality as well. So they are well prepared and ready to fight China, so that China Plus One policy is really taking place. Now all the European companies are looking at India as a preferred and reliable source considering this present situation of improvement by all manufacturers in India. So it will definitely benefit us.

Aditya Menon: Plus, we are not looking at the Europe and India's whatever agreement is going to happen. We are looking at it as in a long-term way because US has been little unstable. And our visit to Europe has been very fruitful. The European companies have shown a lot of interest. It's not like we have not tried marketing before to Europe. Maybe back then there, there was sourcing from China or Eastern Europe, but Ukraine-Russia war also prices have increased, energy prices have increased. So European customers also have a lot of pain points from the current suppliers. So they are also looking towards India in a very positive way. And what visits, what communications we are having, RFQ, so it's looking very positive.

So I won't say we are basing a decision on agreements. The agreement happens, that's well and good and very positive for us. But Europe is looking as a more stable option for exports also. And it's a what do you say, you clap with two hands. So the European supplies also are very positive. And what communications we are having, RFQ, has been very positive from the last four, five years, what we are trying to enter that market. So now it's been very positive and easier, I would say. Easier means it's requirement from them.

So when they are in need, they are making that process of new development RFQs faster. So that's what we mean. Thank you.

Moderator: Thank you, sir. We'll take another question from Mr. Gulam Soni from the Q&A box. Sir, we have talked about diversifying in non-auto segment.

Arun Aradhye: Yes.

Moderator: So what is our current share of auto to non-auto? How do you see this mix changing in the next three years?

Arun Aradhye: You see, at present, the segment-wise revenue, if you break up, so from auto, we are having almost 60% to 65%, and others is engineering and other applications. So in future, we would see that it will continue the same pattern. As we told you that though the exports are increasing, the percentage to total revenue has remained more or less constant. Similarly, with the increase in the automobile sector as well as non-auto, though the business will increase, the percentage will remain more or less constant again in future as well.

Aditya Menon: And just to make it clear, engine bearing business is more auto-focused. So in 2008, as management, like how you're asking the question, we

also know the risk of our business. So we started Menon Alkop. So Menon Alkop, having the same vendors and all, even there our auto is only around 18% to 20%. There we have de-risked into other applications, industry application, house and automation, oil and gas, EV. And when we say tractor, we're not only doing engine auto application, we are doing harvester applications, seeding application. So we are trying to de-risk as much as we can. We are going to -- in the engine bearing business, like I said, auto -- HCV, LCV and tractors were around 70%, 75%. That has come down 58%. But the sales are increasing.

So we are going into other applications, not only engine application, maybe braking systems, wherever there's rotation, we are trying to enter that, refrigerant compressors, transmission. So we are trying to diversify applications more. And in the future also, we're looking at the same mindset. So we're not going to let go of our core business. We are looking at core business increase also. A lot of -- there are new tractor companies which are approaching us. So if you get that business, that will be significantly increased. So it's not like de-risking. So that's our core business. So we appreciate that.

Arun Aradhye: Well, as we said that our basic DNA is automobile industry and we will be concentrating on that and to improve upon that, our share into the market.

Aditya Menon: But at the same time, we are trying to de-risk it so we are not cyclically dependent. Or if there is a down -- if that industry goes down, like the total sales doesn't come down.

Arun Aradhye: It will not have adverse effect on the total revenue of the company.

Moderator: Thank you, sir. We'll take the next question from Kunal Tokas. Please go ahead.

Kunal Tokas: Am I audible?

Moderator: Yes, Kunal.

Kunal Tokas: Okay. Sir first question is, what kind of shipping policy do you follow? Do you follow free on board, or does the customer pay for changes in freight rates?

Arun Aradhye: You see, it depends upon customer to customer. The commercial terms are different with each of the customer. With some, we are having duty

delivery paid that is DDP, okay. Some are ex-works, some are FOB, and some are free on board. So there are different, different terms and conditions with each of the customer.

Aditya Menon: Depending on what their requirement is.

Arun Aradhye: It's not specific, or as a policy, we don't have any particular terms that we are forcing on the customer. It depends.

Aditya Menon: It depends on the product, their complexity, what their needs are. So some customers we maintain warehouse near their factory, even in the US or Europe. Some we do ex-works Mumbai port. Some we do directly shipping to their factory. So there are different expectation of the customer, and then we negotiate what we see feasible.

Arun Aradhye: It differs from customer to customer.

Aditya Menon: Some we do repackaging, that it goes to the warehouses, then they repack it according to how they want it in their factory. So we work with third parties also, third-party warehouses, logistics systems, which are the customer's partners. So there are different combinations what we do for our exports.

Kunal Tokas: Okay. And any increases in freight rates are passed on as well to customers the next time you negotiate the pricing?

Arun Aradhye: You see, like I told you that so far the raw material prices, if they go up, we are transferring that burden to the customer. When they are reduced for a particular period of a quarter, then we get a benefit out of that. That depends upon the situation to situation and time to time.

Aditya Menon: So it works logistic also, it's similar with logistics also.

Kunal Tokas: Okay, okay, that was my question. And the second was, are you seeing greater demand from clients in the US to stock more finished products in your USA warehouse because of geopolitical conditions, freight rates, whatever and that is affecting your working capital?

Aditya Menon: It is affecting, but how it is from before us -- before when we do all the negotiation planning, we already have a min/max level. So how much -- so we manage stock at their warehouse, how much shipment time is going to require. But like you said, because Strait of Hormuz and war, it's taking longer. So sometimes air freight is required, so it affects working capital a little bit. But as a precaution, already or most US

companies, they prefer to have three months of stock at their warehouse. So that is already pre-planned, and the cost, inventory carry cost, and already is planned. So it's not a big problem or a big challenge.

Arun Aradhye: That we have considered that into our pricing.

Aditya Menon: Pricing already.

Arun Aradhye: Pricing. Apart from that, we are availing packing credit limit from bankers, which is now available at the rate of 4.65%, 4.75% only. So the debtors will increase, but at the same time, our working capital requirements are being fulfilled through this so that we get a loan at -- working capital loan at a very lower rate considering the subvention given by the government as well of 2.75%. So that is always beneficial for us.

Aditya Menon: Our customers also are all marquee A-list customers, and we are supplying critical products. So if our products don't reach the line, their line shut down. So it's a big cost for them also. So they are very cooperative, and you know we work together on all this. So it's not like if you don't give, then cancel. So if our products don't reach them, so it's a bigger loss for them because their overheads and their line stops. So it's a very mutual understanding in this process.

Arun Aradhye: So if you see -- go through the financials of the company, last year whatever the interest cost or borrowing cost was there, in spite of increase by 100% turnover, 55% for quarter- to- quarter, more or less it has remained the constant.

Aditya Menon: Yes, 30% growth last year quarter, our inventory carrying cost or total inventory working capital has remained the same.

Arun Aradhye: Borrowing cost remains the same.

Kunal Tokas: And just the last question on growth that you have projected 30% this year and possibly next year and the year after that as well, what would the volume growth be here as opposed from growth from price realizations or inflation cost?

Arun Aradhye: No, no, that is we are just talking about, you see, that is the increased business. That is additional business from which we will be getting the growth of 30%-plus. Maybe some part of it will be due to revision in the rates also, but whatever growth that we are expecting out of 30%, you can say about almost 20% plus will come through volume growth.

Aditya Menon: Volume, volume growth.

Kunal Tokas: Wonderful, sir. Yes, thank you very much for answering my questions and have a good day.

Arun Aradhye: Thank you.

Moderator: Thank you. Sir, we'll take the last question from Mr. Bhargav Buddhadev. Please go ahead.

Bhargav Buddhadev: Sir, so my question is on the working capital. So if you look at your operating cash flow last year, I think in the first half, you have done what you did last year, in terms of operating cash flow. So that's a phenomenal achievement given the circumstances. So is this improvement in working capital sustainable? Because I see that your inventory on the balance sheet date hasn't increased in line with revenues. So if you can guide in terms of how sustainable this improvement in working capital is.

Arun Aradhye: You see, basically what we have done in the past for more than six months, we have not availed any term loan. Whatever CapEx that we are doing, that is out of internal accruals, which are definitely having the impact on the cash accruals. Okay? So in spite of increasing the profits as well, the cash margins are not increased to that extent just because we are financing our CapEx through our internal accruals.

Bhargav Buddhadev: No, no, sir, I was referring to the working capital. So, if you look at your operating cash flow, operating cash flow is closer to about INR20 crores versus INR23 crores for the full year last year. So in the first half, you've done almost what you did last year. And this is primarily led by a reduction in inventory days. So is this sustainable? Because your export is actually rising at one end and your inventory days are actually falling. So it's basically just wanted to understand that kind of -- it's a very unique combination.

Arun Aradhye: You see, what has happened actually, you can see that basically to start with, we have built up our inventories with the customers in USA, so which were to the extent of three months. Once we had built up, and then the rotation of working capital that is the release, payments released by them that has now settled. So now henceforth, hereafter, it will be similar -- sustainable, and similar, not to worry at all.

Aditya Menon: So when you start new business, the customer has requirement of having this stock at our end, also at the warehouse in US. So last six months, one year, we were trying to get this everything built up. So new development was happening, new plants. So during shifting, we wanted to have spare inventory at our end. So our partners or suppliers are not, our customers are not affected. So now how the business is getting realized, sales is increasing, this cycle is getting more -- a better cycle is getting fixed depending on the requirement.

Arun Aradhye: So there will not be much increase in the inventory, maybe little more in relation to the total volume.

Aditya Menon: Yeah, it will be next, maybe next quarter depending how the sale increases, it might increase to what it's now, but it won't be significant increase.

Arun Aradhye: That will have direct relation with the volumes.

Aditya Menon: And with few customers, we have some commitments because their lines or the part is more critical where there's no chance from us to fail. Sometimes it can happen, technical side. You all look at the financial side. So we also promise, because it's a new business, new plant in US, so we don't want to have a bad image because in the first six months of supply, if there's some issue they might like have a bad opinion about Menon Bearings or Menon Alkop.

Arun Aradhye: So where to build up the inventory, that part.

Aditya Menon: So we are trying to keep little bit extra inventory so customers don't get a bad image or, you know.

Arun Aradhye: But since we've already built that inventory what is required and now there is no possibility and we can maintain that and sustain that in future as well. No issue at all.

Aditya Menon: That step we have taken, so there's no issue at delivery point of view or a quality point of view. Otherwise what happens for US if there's an issue like this, we have to air freight it. So air freight costs you more than the actual product price. Sometimes the customer bears it for their requirement, but if it's our issue that we have failed at delivery, then we have to bear it. So that cost is significantly higher and we don't want to bear that. So sometimes for some customers, some specific parts, we follow this practice also.

Arun Aradhye: Since we've already built that inventory, it will be sustained in future.

Bhargav Buddhadev: Great, sir. Thank you very much and all the very best sir.

Arun Aradhye: Thank you. Thank you for --

Moderator: Thank you, sir. Sir since that was the last question, would you like to give any closing comments?

Arun Aradhye: So thank you very much the support that you have been extending to our company, and we hope that you will have a word with all your investor community regarding the performance that we have shown in the last year as well as in this half year ended on September 27th. And we will definitely -- we are very sure that we will take up with all investor community to see that what performance we are giving and what is the estimated projection that we have given. And we will try and see that we achieve that at any cost unless there is any geopolitical situation that goes wrong or otherwise. But we will definitely try to see that we sustain that in future as well.

Aditya Menon: Next two quarter look very positive.

Arun Aradhye: Next quarter and the last quarter is always higher as compared to all other quarters, and we'll definitely achieve that. And we assure all you to -- so we perform better and better every quarter. Thank you very much for valuable suggestions and questions that you have raised, and I hope that all of the questions that you have raised all have been satisfactorily replied. Thank you very much for participating and have a good day.

Moderator: Thank you, sir. Thank you to the management team and thank you to all the participants for joining on this call. This brings us to the end of this conference call. Thank you.

Arun Aradhye: Thank you.