Pitti Engineering Limited
(Formerly Pitti Laminations Limited)
ISO 9001:2015 ISO 14001:2015
www.pitti.in

PITTI

15th November 2021

To,
BSE Ltd
Floor 25, P J Towers, Dalal Street
Mumbai - 400 001

Scrip Code: 513519

To,
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (E), Mumbai - 400 051

Scrip Code: PITTIENG

Dear Sir,

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the Audio Conference call for investors on 10th November 2021

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With reference to our letter dated 3rd November 2021 intimating you about the conference call with investors to be held on 10th November 2021, please find attached the transcript of the aforesaid conference call.

The above information is also available on the website of the Company at www.pitti.in.

This is for your information and record.

Thanking you,

Yours faithfully,
For Pitti Engineering Limited

PITTI ENGINEERING LIMITED (Formerly Pitti Laminations Limited) Hyderabad 500 082 Somajiguda

Mary Monica Braganza
Company Secretary & Compliance Officer
FCS 5532

CIN: L29253TG1983PLC004141

Registered Office
6-3-648/401, 4th Floor
Padmaja Landmark, Somajiguda
Hyderabad - 500 082
Telangana, India
T: +91 40 2331 2774 / 2331 2770
F: +91 40 2339 3985
info@pitti.in

"Pitti Engineering Limited
Q2 FY2022 Earnings Conference Call"

November 10, 2021

MANAGEMENT: **MR. AKSHAY S. PITTI - VICE CHAIRMAN AND MANAGING DIRECTOR - PITTI ENGINEERING LIMITED**
MR. VARUN AGARWAL – PRESIDENT - PITTI ENGINEERING LIMITED
MR. SANDIP AGARWALA – PRESIDENT - PITTI ENGINEERING LIMITED
MR. RISHAB GUPTA – PRESIDENT - PITTI ENGINEERING LIMITED
MR. NAND KISHORE KHANDELWAL – CHIEF FINANCIAL OFFICER - PITTI ENGINEERING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Pitti Engineering Q2 FY2022 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Please note that this conference call will be recorded. Joining us on this call today are Mr. Akshay S. Pitti - Vice Chairman and Managing Director along with the senior management team of the company's presidents Mr. Varun Agarwal and Mr. Sandip Agarwala, Mr. Rishab Gupta and Mr. Nand Kishore Khandelwal, CFO. Before we begin I would like to mention that some of the statements made in today's call may be forward-looking in nature and may involve risks and uncertainties. For a list of such considerations please refer to the earnings presentation. I now hand the conference over to Mr. Akshay Pitti. Thank you and over to you, Sir!

Akshay Pitti: Thank you. Good evening and welcome everyone to our Q2 FY2022 earnings call. I hope you have had a chance to review the presentation of our results, which is also available on our website. I would touch upon the operational and financial performance of the company and then open the floor for question and answer session. The country has emerged from the second wave for the pandemic more resilient than ever. We see government and private sector capex at levels not seen before. IIP grew 11.9% in August, GST collections for October 2021 was at 1,30,127 Crores, the second highest since its introduction. We see the momentum continue. Moderate inflation numbers and cautious fiscal deficit focus are promising signs of an overall healthy economy.

Consequently, I am delighted to report that the company has recorded its highest ever quarterly number across all key performance indicators like sales, EBITDA and PAT. Let me take you through the financial and operating highlights for the quarter ended September 2021. Income from operation stood at 242.51 Crores, which is 79.15% higher on a Y-o-Y basis. In quantitative terms, sales were 8,610 metric tonnes as against 5,651 metric tonnes during the corresponding quarter last year; capacity utilization for the quarter was at 88%. Increased operating leverage resulted in a higher EBITDA of ₹35.04 Crores up by 46% on a year-on-year basis. PAT stood at 12.95 Crores up by 28.24%.

The company has generated cash of₹.23.06 Crores during the quarter. Since all raw material prices are witnessing unprecedented price volatility and have risen sharply, our selling prices have also increased. As we have inbuilt quarterly price variation clause with all our clients, while our conversion cost and EBITDA remain protected on a per unit basis, our EBITDA margin as a percentage of sales would contract. Therefore, to accurately track the EBITDA we have started to report blended sale realization per metric tonne and blended EBITDA per metric tonne from this quarter. Blended sale realization for the quarter was

₹2,81,332 per metric tonne, while the blended EBITDA per metric tonne was 40,695 as against ₹42,521 per metric tonne in the corresponding quarter last year.

The minor decrease is attributable to our efforts in reducing DSO from 92 days to 54 days from the corresponding quarter. The company continues to be working on reducing the operating cycle. Working capital cycle as on September 30, 2021 stands at 99 days. We have set ourselves a target of reducing this to 75 days within the following year. I believe this will free up sufficient cash to fund the company's growth without taking on any significant debt in the coming years. Considering the improved cash generation, reduced working capital requirements and providing for long term capital requirements, the board has decided to distribute a dividend of 40 paisa per share.

As you will remember in February 2020, we had announced a capex of ₹ 270 Crores. I am happy to report that despite the challenging 18 months that we have faced, we have completed 35% of the envisaged capex and remaining is on track for timely completion. During the last one year our capacity has grown from 36,000 metric tonnes per annum to 41,000 metric tonnes per annum. Our machinery value added services capacity has increased from 2,47,000 machine hours to 3,70,000 machine hours as on September 30, 2021. The increased capacity is fully utilized as on date. Further, as our capacity is modularly expandable any incremental additions that will keep getting added on a quarterly basis shall keep getting utilized as they get commissioned.

At the end of this capex cycle, our capacity will be 72,000 metric tonnes per annum and 600,000 machine hours of value add. With the constant price, the revenue potential at the end of this capex cycle for the company shall be 1,800 Crores. In the first half of 2022, the company has developed products for applications such as 3.4 megawatt windmill generator for Gamesa, 4 megawatt compact hydro generator for Simens and railway motor for Mitsubishi metro among others. These have a potential of adding 45 Crores of revenue per year going forward. I continue to see buoyant demand from all our key enduser segments. The order book and forecast as of September 30, 2021 stands at 984 Crores. I would now open the floor for question and answer session.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Sudhir Bheda from Right Time. Please go ahead.

Sudhir Bheda: Good afternoon and season's greetings to you, Sir. Sir, congratulations for very good numbers on the top line and very tight control on working capital. I have three questions, from your commentary I could not understand properly as to why per tonne EBITDA has come down from 42,521 to 40,695, so if you can throw some colour one as to why per tonne EBITDA has come down and if you can give outlook for in respect of margin and volume growth in the second half of the current fiscal. My second question, is our product like rotor and stator have any application in the electric vehicle is yes, so what are the opportunities over there?

Akshay Pitti: Sure, Bheda, just to clarify what I said about the EBITDA per tonne, the reason why it has come down if you see year-on-year just a small number which is what ₹2,000 a tonne is that we have been making a consistent effort with our clients to reduce the amount of credit that we offer to them thereby improving our working capital cycle so when we reduce the credit offer to them we also have to reimburse the interest that would have been charged on those days outstanding as a result when we reduce the outstanding from 90 odd days to say 54 days, the interest had to be given back to the customer right margin has not been impacted, it is a positive for the company in the sense that we are moving away from financing the customers supply chain and rather than deploying our cash in doing so we are investing in capacity to further grow. The second question was regarding whether our product application in the electric vehicle.

Sudhir Bheda: No, my second question would be like same continuation of the first question, what is the margin outlook and volume growth you are expecting in the second half?

Akshay Pitti: So, volume growth we see at this year we should be closing around 40,000 tonnes per annum if all goes well vis-à-vis the current 14,000 tonnes that we have done, but of course this is subject to addition of capacity which is going on right now. In terms of margin, we see the margin is stable between ₹ 40,000 to ₹45,000 per tonne EBITDA margin.

Sudhir Bheda: So, you say slightly improved margin in the coming half?

Akshay Pitti: Yes, depending on the product mix the margin will vary the more assembled and value added products we give the better the blended margin would be, so going forward we are seeing that the product profile will increase and go towards more high value added products. The stator and rotor that we supply do find application in EV and we are in active discussion with a couple of end users to develop these products, we should be able to you know state something more explicitly in the next 6 to 8 months.

Sudhir Bheda: Great, Sir. Thank you for the opportunity and all the best.

Moderator: Thank you. The next question is from the line of Mulesh Savla from MM Savla Financial Services. Please go ahead.

Mulesh Savla: Thanks for taking my question and congratulations on a very good set of numbers. Sir, my question is, are we also making copper die cast rotor or not, as I believe probably EV would be more comfortable using a copper die cast rotor rather than aluminium or others?

Akshay Pitti: We do not currently make any copper die cast rotor as we do not have any requirements from the end customers for that product, but can make it in terms of expertise and capabilities we have the capability to do copper die casting as well.

Mulesh Savla: I see, but right now we do not have any customer who is buying copper die cast from us?

Akshay Pitti: No and any enquiries that we are currently receiving from the EV space currently are not requiring copper die casting they using the copper built up rotor as of now.

Mulesh Savla: But, is that fact right that copper die cast rotor can give better efficiency than aluminium and other rotors?

Akshay Pitti: See, generally copper has a better watt loss when compared to aluminium, so any applications has a high efficiency requirements will use copper and not aluminium, it does not need to die cast per se to get the efficiency because it is more efficient if you wind it manually, dye casting is for speedy operation not for high efficiency application, copper winding would be better than copper die casting.

Mulesh Savla: Sir, my another question is in your presentation somewhere you said that you have developed some specific product for some specific application whereby you are expecting an order inflow of about 45 Crores, can you throw some more light on this because what kind products they are and 45 Crores of revenue is for a quarter or for a year or it is only one time 45 Crores?

Akshay Pitti: So, this 45 Crores is the annual business that we are projecting, this is from three different applications what we have mentioned, one is for the 3.4 megawatt wind generator, which is going to be supplied to Gamesa, another application which we have developed is for specialized applications, which is called mini hydro or compact hydro 4 to 5 megawatt hydro generator for in-stream hydro and the last one which we have developed in this quarter is from Mitsubishi Metro motors which will go to various metros in the country so as the metro adoption at various cities will get expanded and more and more metro come up there will be more requirement of metro motors so all these applications put together have a revenue potential to add about 45 Crores of top line per year going forward.

Mulesh Savla: So per year we can expect 45,000 on a regular basis in case if our product is accepted by those companies?

Akshay Pitti: The product is accepted, it is 45 Crores of business opportunity subject to our end clients also getting the order, the current forecast is for 45 Crores per annum revenue on these three development.

Mulesh Savla: Great, so that is all from my side. Thank you so much and all the very best.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Congratulations for a good set of numbers. Sir, my first question pertains to overall demand environment in India as well as in the exports market because as we understand from your competition or the forward integrated companies like Tadipaar and all in the conference call, they have also highlighted that this sort of a change in demand environment was witnessed after the gap of almost a decade, so both in domestic as well as international market and there is a sizable enquiry you know which are visible from other countries due to this anti-China sentiment and the cost escalation that has happened in that country, so could you guide us in that parlance that how are we seeing the competitive intensity globally vis-à-vis India and within India for our company?

Akshay Pitti: So competitive landscape, so China has slowly and gradually withdrawn more and more export incentives that they had and as a result now India and China are having parity in terms of most of the product that are manufactured and generalizing that statement, as far as our industry is concerned, we always had better price parities than China so much of our products were indirectly exported back to China, so in terms of competitiveness we have always been competitive, in terms of demand environment, yes, we are seeing a definite shift wherein now this China Plus One policy at the global sourcing level and more and more global sourcing is getting diversified to safeguard against any geographical and political risk. Local demand like I said I am seeing buoyant demand from all our enduser segments, the order book and forecast stands at 984 Crores, which is all time high, we have never seen this kind of demand before and the orders are continuing flow in.

Bajrang Bafna: These orders are across our product lines?

Akshay Pitti: Yes, pretty much across our product line, so if you see our investor presentation we give a grouping of certain enduser segments starting something like a consumer durable, special purpose motor, industrial and commercial motor, mining oil and gas, renewable energy, power gen, data center back up power system, locomotive railway, interaction metro components, so within that I am seeing demand from all sectors, if one can say where there is a little bit of weak sentiment it is consumer durable and I think that has to do with the inflationary nature of the product and therefore the price sensitivity is affecting that, but other than that every single and user segment is good.

Bajrang Bafna: And in terms of our capex plan that we highlighted of 270 Crores and you completed 35% and right now I can see in your presentation we are at 41,000 of capacity and the end of this capex plan, I think it will be 72,000, so can you guide us what could be the capacity at the end of next year, this year you have guided 40,000 that is something that you are targeting in FY2022, but going into next year, how this capex plan and capacity will move?

Akshay Pitti: See, 41,000 is the annualized capacity as on September 30, 2021 itself, by the end of this year I think this capacity will grow to about 48,000 to 52,000 tonnes depending on the arrival of our machine, as I said the capacity is modularly expendable as the machine keep coming in the capacity will keep going up, in terms of utilization of this capacity if you see the capacity which we have commissioned in quarter two is also fully utilized, our capacity utilization is running at 88% including new equipment arrival.

Bajrang Bafna: So, this 48,000 to 52,000 in FY2022 next year whether we will go to that 72,000?

Akshay Pitti: Yes, by H1 FY2024 we will be 72,000 tonnes.

Bajrang Bafna: H1 FY2024, okay, so next year what sort of guidance that we can work with like this is year 40,000, so can we anticipate 25% to 30% kind of growth next year also with the kind of order book visibility that we have right now?

Akshay Pitti: We can definitely anticipate that it is all subject to getting our machines on time because you will appreciate these machines come from all over the world, India barely makes any of the specialized machines, so it is all dependent on the capacity getting enhanced, all of the target which I am saying is on capacity getting enhanced.

Bajrang Bafna: So, like what we are seeing the kind of demand revival I hope that the machines from which you are procuring the companies they must be also saying the kind of demand revival for them also, so in terms of timelines that those companies have given to you, what could derail your procurement if you could guide us in that sense?

Akshay Pitti: In terms of derangement of sales everyone is aware of the current supply chain challenges for the global level in terms of the logistics so I think that is one of the key risk apart from that you know may the third wave of COVID coming down and you have not moving lock down those will be the condition basically.

Bajrang Bafna: From which country we are sourcing these machines?

Akshay Pitti: We source from Japan, we source from Germany, we source from Taiwan, China, Italy, it is all over the world.

Bajrang Bafna: Got it and in terms of business vertical I can make out that the major segment for us is motors and then we have the turbine segment which is also getting good traction from that perspective, so in terms of any other diversification or any other segment that probably we could see going ahead which could sort of give revenue optimization from medium to long term perspective any other segment?

Akshay Pitti: Data power systems if you see we have started to give a separate line item in our presentation, we see huge demand coming from this segment, apart from that the renewable energy space, wind turbines are going well, in terms of new applications for a product they are two very promising fields that we see, one is in terms of de-centralization plant at coal power plant wherein to comply with environmental regulation they need to do carbon capture and diesel emissions so that is one sector that we see maybe in the next 5 years to become big and apart from that obviously the buzz word which is the electric vehicles space.

Bajrang Bafna: Which will again require your motors and all so those applications will be there?

Akshay Pitti: Yes.

Bajrang Bafna: Thank you, Sir. I will come back in the queue.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Good evening and congratulations for a good set of numbers. Sir, a few questions, you have given a break up of your profitability in tonnes basis so just I request is it possible to share the EBITDA per tonne between lamination and the SME or value added products as it would be easy for us to understand the impact on EBITDA due to product mix, as of now on a blended basis you have reported?

Akshay Pitti: See, this is the new initiative we have started, it is virtually impossible to break it down because when we say assemble they have various levels of assemble if you see our corporate presentation you would see that we have a simple welded start is also assembled and something which is highly complicate processor ready to use products wherein the stater housing is assembled, value added with copper put into a stater housing and machine and the corresponding rotor is assembled with copper and with the sharp putting so in terms of assembly also you have various levels of assembly so it is virtually impossible for us to track it down to each supply level hence we are come up with a blended EBITDA per tonne so this is the only thing where we can equalize the highly diverse product offering that we have.

Ankit Babel: Great. Sir, the second question is, you did mention that your order books is around some 980 Crores odd, what is the execution cycle of this order book and are they fixed price in nature or you have PVC attached with them?

Akshay Pitti: See, we have price variation clause attached so typically the purchase order is open for a quarter and the rest is in terms of demand forecast because the customer will not open the purchase order because changing the purchase orders is very complicated process, so we have the order for current quarter which is quarter three of roughly 300 Crores, which is executable and the balance is executable over the next 6 to 9 months.

Ankit Babel: And that is subject to change depending on the demand and what you said is the visibility?

Akshay Pitti: No, the orders are there, the purchase orders for the same shall be released subsequently when the price is finalized, see for January, the price is not finalized, we have a quarterly price variations so once the price is finalized the purchase order will be released and once we are executing the orders of the current quarter we will be getting further orders moving to the next 6 months, so that is 6 to 9 months moving order cycle.

Ankit Babel: Sir, what kind of incentives you are expecting in FY2022, both on accrual basis and on cash basis?

Akshay Pitti: We cannot account anything on accrual basis, only once it is sanctioned by the government we can account for it, so on sanction basis we are estimating 14 Crores for the current financial year, this will be the incentive which was eligible for FY2020, the accounting is always delayed by one year.

Ankit Babel: And usually once this gets sanctioned and how many days is receivable?

Akshay Pitti: The cast payout is typically 6 to 9 months, so in this year to answer your question in a more direct way, 16 Crores of accounted income of last year shall be realized in cash in this financial year, 14 Crores will be sanctioned in this year which we will get cash next year and current year only annual report is finalized is submitted we can claim the amount for current year.

Ankit Babel: That is very helpful, Sir and Sir, last one is on the working capital side, you were saying reducing debtor days and all, so what is the ultimate aim because I believe you have already discussed the 50% of the customers, so how much more time will it take to discuss with all customers and what is the ultimate aim of bringing down the debtor days?

Akshay Pitti: Our long term target is to have debtor days down to 45 and the total working capital down to 60 days.

Ankit Babel: So, if you achieve that what could be the impact on the EBITDA per tonne as you mentioned in interest cost, if you remove that bring the debtor days to say 45 days and working capital to 60 days, this 40,000 will come to what level?

Akshay Pitti: See, this is a very minor impact because whatever is the interest which is being charged to the customer shall be returned to them, so our selling price would reduced by that much. It would be about 10% rate of interest per annum on an average if the customer while reduces his days outstanding by 60 days, you can take it as 60 days at 10% per annum you know it very specific to each customer.

Ankit Babel: This 2% to 3% impact on EBITDA per tonne could be there?

Akshay Pitti: No, from here, I think on an absolute term we may have a Rs.1000 to Rs.1200 impact on EBITDA per tonne.

Ankit Babel: That is what I need to understand.

Akshay Pitti: It is already down to 54 days right, so it is like 9 days to go on the total sale at max so we have that kind of impact.

Ankit Babel: And what percentage of your customers have agreed to this and how much more are still have to agree to this discussion I mean reducing the debtor days?

Akshay Pitti: More or less I would say 90% of our customers have reduced the debtor days outstanding by some percentage so on a blended basis the DSO is 54 today, on a blended basis we estimate the DSO to come down to 45 days going forward, you would appreciate that we have export clients, so export clients would have a slightly longer cycle as it takes time to sent the goods to North America, domestic would have a shorter one, so that was on a blended DSO as an organization.

Ankit Babel: That is it from my side. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Sanjiv Zarbade from DreamLadder Capital. Please go ahead.

Sanjiv Zarbade: Thanks for taking my question. Sir, could you highlight the potential for railways business?

Akshay Pitti: Today in terms of railways, railways I would say including metros because that is how we account for it, 28% of our business comes from railways, going forward we see this business increasing by 25% to 30% in the next two years.

Sanjiv Zarbade: Sir, post the capex program, what kind debt we will have on the balance sheet at the end of FY2023?

Akshay Pitti: We have our debt repayment also and we will be taking some amount of additional debt to fund the new capex, at a net position we do not see out debt increasing by more than 25 Crores through FY2023 and then peak out in FY2023 and then start dropping.

Sanjiv Zarbade: That is it from my side.

Moderator: Thank you. The next question is from the line of Rahul Avasthi an Individual Investor. Please go ahead.

Rahul Avasthi: Thank you for the opportunity. Sir, my question was again regarding the capex only, so this 270 Crores, what would be the debt equity mix for this capex and just a clarification on the timeline, we plan to achieve this expansion by H1 FY2023 is that correct?

Akshay Pitti: By the end of H1 FY2024.

Rahul Avasthi: And what will be the debt equity mix of this capex?

Akshay Pitti: It will be about 50:50 going forward.

Rahul Avasthi: And this capex for the balance 65%, what would be the breakup between Greenfield and Brownfield?

Akshay Pitti: Entirely is Brownfield, the facility that we already have in Aurangabad factory, we have additional land available adjacent to it which is equal to two time the land that is already being developed so it will be coming up right in the same campus.

Rahul Avasthi: So, we only have the land or we even have the building, along with building structure?

Akshay Pitti: So, some building and structure many to be created.

Rahul Avasthi: Got it and what would be the domestic and export mix for the quarter?

Akshay Pitti: I cannot understand that?

Rahul Avasthi: Revenue mix between domestic and exports?

Akshay Pitti: Domestic is 63% and export is 36%.

Rahul Avasthi: And how do we see this going forward because I believe earlier in your interview you have mentioned that you will be concentration more on domestic revenue, so automatically that should reduce our working capital cycle if that understanding is correct because you mentioned that the working capital cycle is longer in terms of exports?

Akshay Pitti: Absolutely, so going forward as we go beyond the 1000 Crores mark and say 2 years from now when we are saying that the revenue potential is 1800 Crores if we do 1800 Crores we see the export content not being more than 25% of that.

Rahul Avasthi: Okay and that is why we expect our working capital cycle to reduce to 40 to 50 days?

Akshay Pitti: No, by then we expect it to come down even further, the target that we have set ourselves is to do this in the next one year, 45 days is the target for the next one year going forward as the exports go down further, 45 days should logically and really improve.

Rahul Avasthi: If we achieve this working capital cycle by the end of the year then would not that mean that the short-term debt would come out down?

Akshay Pitti: It would come down that is why I am saying that we will only add about 25 Crores of debt to finish this remaining capex and then it will come down.

Rahul Avasthi: Got it financial closure for the debt and at what cost?

Akshay Pitti: The financial closure for this is ongoing because we are implementing this capex in phases. As of today out of that 270 Crores we have already completed 100 Crores of capex, we have the financial closure for another 75 Crores already done which shall we spend all the way up till Q1 FY2023 and the remaining is stated to start at the end of H1 FY2023 and go on the way to FY2024. So since we have time to tie it up we have not tied that up and if our capital cycles are better and if we have free cash available from operations we will not even do a financial closure with the bank that is one of the other reasons that we have not done it.

Rahul Avasthi: What would be the blended cost of debt for us?

Akshay Pitti: Total blended cost of debt is about 8%.

Rahul Avasthi: And another question now as we expand our revenue and since most of our capex is Brownfield would not the operating leverage kick and our EBITDA per tonne go up?

Akshay Pitti: It will, if you in the seen the last 4 to 5 years our blended EBITDA per tonne has gone from 19,000 to 40,000 today and we see this is tracking upwards further.

Rahul Avasthi: And my last question was that for the current quarter the mix between lose lamination and assembles and value added has gone down from 73% to 70%, so what sort of mix do we plan to achieve in terms of value addition and what is the margin differential between value added versus lose lamination?

Akshay Pitti: Just give me a minute to elaborate on this particular thing that is a good point you asked, so we do not focus only on doing assemble and value added products. At the end of the day we also track ROCE, so when we do the lose lamination the amount of capital that we need to deploy even it is a lower EBITDA margin business, the capital deployed is much lesser, so we like doing the lose lamination business as well so we have no bias in doing either or, depending on the opportunity and the kind of return on capital we are seeing in this firstly. Secondly you said that it gone down from 73% to 70% that is true, but if you see the volume growth, the volume has come from 5,600 to 8,600 so you cannot always just increase only high value added and assemble component, if you have to grow you have to grow across the industry right so this thing will keep varying and in terms of taking new business, if you see good ROC in lose lamination we will continue to grow that business as well.

Rahul Avasthi: And just one last question, should we track your spreads per tonne as well or should we concentrate on EBITDA per tonne only?

Akshay Pitti: See, you can track two things, the policy from my perspective, one would be EBITDA per tonne and the other is the total conversion cost per tonne, so sales minus cost of materials consumed.

Rahul Avasthi: It has moved roughly around 86,800 to 84,500, they have come down by roughly around 3%? and that is the reason of what you explained earlier regarding the interest cost.

Akshay Pitti: Yes.

Rahul Avasthi: Thank you. I will get back in the queue.

Moderator: Thank you. We will move on to the next question that is from the line of Dhiral Shah from Phillip Capital. Please go ahead.

Dhiral Shah: Good afternoon, Sir. My question is when we are expanding our capacity so do we have that type of order visibility or is this an anticipation on the revival in the capex?

Akshay Pitti: It is a combination of both, so we have discussion on order book visibility from our clients to take us through 55,000 to 60,000 tonnes per annum, I mean we are saying we are already done 72m000 tonnes, the effective capacity utilization is about 80% when we are currently clocking 88% actually enough efficiency has come in, but the most official utilization of capacity is at 80% based on the order visibility that the clients have given we have designed our capacity to 72,000 tonnes, 80% of which is 60,000 for which we have the order book visibility.

Dhiral Shah: Sir, the full capacity of 72,000 tonne and you would be operating at 80% utilization, so what would be margin for our company?

Akshay Pitti: That is too forward looking and too direct question, which I would not like to answer, but we can expect 25% to 30% per tonne EBITDA growth from there.

Dhiral Shah: From the current level?

Akshay Pitti: Yes.

Dhiral Shah: And Sir, one more when we are looking to reduce the debtors days so does it impact our business volume?

Akshay Pitti: Not at all, if you see we have increased our volume from 5,600 tonnes so 8,600 tonnes all while reducing our debtor days by 40 days so it has no impact.

Dhiral Shah: Sir, lastly do you have any entry barrier in our business?

Akshay Pitti: There is a huge entry barrier, if what we talk of high level numbers if we go to the micro level we are more than 5,000 different products developed all of which are active for the client, to compete with me some new entrant had to develop all the 5,000 products in one shot which is practically impossible which is the development of the last 30 years of products so to this we are developing inventory of 5,000 products and every year we add at least 5 to 10 new products to our library.

Dhiral Shah: And lastly this 60,000 tonnes of order visibility which you have so this is from which sector particularly because we are also talking about maybe renewable EV opportunity?

Akshay Pitti: No, this is not taking into account any significant business on the EV opportunity, this is primarily for the special purpose motors, industrial motors, locomotive railway metros, power generation and consumer durables, our traditional sectors what we have enumerated in our investor presentation from across all of these.

Dhiral Shah: Thank you.

Moderator: Thank you. The next question is from the line of Anurag Roonwal from Moneybee Investment Advisors. Please go ahead.

Anurag Roonwal: Sir, thank you for this opportunity and congratulations on a great set of numbers. My query is actually related to the incentives that we have got from the Government of Maharashtra, so I understand we got 16 Crores in FY2021 and for this year you mention that we can get around 14 Crores, what I want to understand is, what continuity would be there in these cash flows I mean till which year can we sort of expect to get these kind of cash flows?

Akshay Pitti: See, in total we will be eligible to get more 400 Crores of incentive for Maharashtra government once our entire capex is done, this will be spread over a total of 13 years.

Anurag Roonwal: Okay, 13 years starting from?

Akshay Pitti: Starting from FY2018, so what you have to seen us book is what we have booked in FY2018-FY2019 and FY2019-FY2020 till now, so 2 years are done, another 11 years are pending, the rest of the amount we will get in these 11 years.

Anurag Roonwal: So, is my understanding correct in that case like so around we have received or will be receiving around 30 Crores by end of this year so remaining 370 Crores would be spread across around 11 years, is that right understanding?

Akshay Pitti: That is correct, see as of now to be fair we have not even invested 200 Crores in total in the factory and they have already got 30 Crores back right, so once we invest only we can get it.

Anurag Roonwal: Got it, Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Atul Agrawal an Individual Investor. Please go ahead.

Atul Agrawal: Thank you very much. I wanted to know about this project that Government of Telangana had proposed and in the form of land and there were some preconditions about it, but we have not heard about that project going forward?

Akshay Pitti: I am sorry, Mr. Atul Agrawal we have not done anything in Government of Telangana in the last 2 years.

Atul Agrawal: There was some project where 2000 employees were to be employed?

Akshay Pitti: So, you are referring to the that, that was an exploratory discussion with the Government of Andhra Pradesh, 270 Crores investment that we had announced, we were negotiating with various state governments for the incentive package, it was only a negotiation, due to certain mistaken understanding they have published that it is the project that is going to come to Andhra, we have never agreed to go there and we got a better deal from Maharashtra and hence we are investing the money in Maharashtra.

Atul Agrawal: That means it is dropped now?

Akshay Pitti: No, it was never taken up, I just clarify that is never taken up by us, we are only negotiating with the government. The government went ahead and published it as a deal for whatever reasons I cannot comment on.

Atul Agrawal: Next question is one of your interviews I have heard and what my understanding was that you were projecting a net profit margin of about 10% going forward can we expect that type of net profit margins in our business?

Akshay Pitti: See, if you take our current margins and add the projected incentive income that we are yet to receive which is our annual event it will be at about 10%, I cannot confirm that 10%, it should be around that percent if we do the math.

Atul Agrawal: I just want to know one more thing, the incentive that we are getting from Maharashtra government, is it going directly to our profits?

Akshay Pitti: Yes, it will go directly to the PBT, that will be accounted as other income of the top line and it will go directly to the PBT, it will not affect our EBITDA or EBIT or operating profit.

Atul Agrawal: That means if quarterly we are earning an EPS about ₹4 then that profit will be added to profit before tax and the EPS will go up?

Akshay Pitti: Correct, absolutely.

Atul Agrawal: Thank you.

Moderator: Thank you. The next question is from the line of Gaurav Singh from Saradh Capital. Please go ahead.

Gaurav Singh: Good evening, Sir. Congratulations for the good set of numbers for this quarter. So we are not educated in your company's business to the extent that others might be, so a couple of qualitative questions from our side, given the fact that there is quite evident that you have a strong order book in a good place with respect to external environment, we just wanted to understand from the qualitative side, some person asked about the entry barriers, what we want to understand what is the cyclicality of the demand from your customer side and if there is not that bit of cyclicality, how dispensable or indispensable you are to your customers can we get this from another player in the Indian market, how does that work out?

Akshay Pitti: Let me start indispensable ability, in most of the products that we make which are intermediatory products which go into the final product that our customer make, we are soul suppler in most of the places that we operate, secondly the kind of product we operate it is very difficult for a new entrant to come in, we compete with three different industries, we have a combination of three different industries, we have changed the way our end customers do business so we started our traditional sheet metal company hence we always talk in per tonne basis or per tonne capacity, but we have moved well beyond that, we have a fabrication facilities, we have our own tool room, we have our own machine shop, we have our own shaft manufacturing facility to replace us in the supply chain, first and foremost my competitor needs to find three to four different companies each in a different field and then find someone to integrate the product, assemble and supply it as a ready to use unit, so in terms of capabilities we have a unique process that we have created over the last 5 years. In terms of cyclicality of the industry each end segment has a cycle if you take consumer durable ceiling fans or AC motors they have a seasonality, winter have a seasonality, we could not install winter winds on monsoon period, but apart from that rest of the industry segment that we cater to typically do not have any seasonality.

Gaurav Singh: So that would be seasonality, I am more interested in cyclicality with regards to the capex environment that you know your customers might be in, seasonality if I go to that gets sorted out in the renewal basis?

Akshay Pitti: If we are going to cyclicality if you take again special purpose motors, yes, there will be some level of cyclicality in it because that is do with either overhauling of existing capacity or setting up brand new capacity, the industrial commercial motors which constitutes about 20% of our current business this is the moreover repair and replacement market, we have a huge install base, only the repair and maintenance takes care of the order input, power gen again it is not cyclical I personally feel India is a growing economy and therefore will have more and more consumption of power so there should not be any cyclicality in the near term, data center, backup power systems is the new application and as the consumption of data grows and storage of data grows this business will continue to shine, it is too early to say that this will be cyclical or not, the major chunk of our business which comes from of traction motor railway components and metro these are the kind of a fixed bid business, we have been in this business for the last 20 years and we have not seen single cycle in this so far.

Gaurav Singh: And you did not mention that you have done a lot of work over the past 5 years, so if something happened in the past 5 years that is different from what you did previously before that, so I just wanted to understand because you had a couple of challenging period probably around that mark which you had a tough 2016 and you had a tough 2017 like that?

Akshay Pitti: Absolutely, so we have more of sheet metal product supply where we used to predominantly lose lamination patten and some bit of SMG and machines for certain complicated part, what we decided at that point of time is that it would not be prudent for us to be one among the many in the country and we should probably start looking at moving up the value chain and try to command the bigger percentage of the spend that my customer does, why should my customer buy a distributed supply chain why cannot we concentrate it across commodities and buy a ready to use product, we try to create those capacities ahead of the requirement and try and impact their purchasing behavior, over the last 5 years we have been successful in doing so, but now if you see the data which speaks for itself our major chunk of our output comes from a fully assembled and ready to use product so that is the change that we have driven in the past 5 years which makes us indispensable as well as increases our margins.

Gaurav Singh: So, again I do not know that you can put a label on it, but in your segment you will be in a monopolistic position, right?

Akshay Pitti: I would not like to use the word monopolistic; we are in a partnership with our customer in their journey of growth.

Gaurav Singh: Right, but they are solely dependent on you, right?

Akshay Pitti: They are solely dependent on us, but we are also depending on them right, in the industry they are the giants, there is GE, there is Simens etc then we will have a comment you cannot name a fixed customers so in this industry if I have a monopolistic position or a pricing power if I exercise it I am going to start firing relation so you know it is more of a partnership, these clients are be with us for 30 years and we have grown with them, so you know using the word monopolistic is not good with these kind of relationship.

Gaurav Singh: So all your operating margins would basically coming from the capacity expansion and capacity utilization going up rather than any sales realization increase for you, right?

Akshay Pitti: Sales realization has increased because of the higher value add portion.

Gaurav Singh: So going by that the 270 Crores capex and if I remove the element whatever you get from the government back, so what is the ROC when you visualize this capex for you sort of plan this capex?

Akshay Pitti: We target 25% ROC, currently if you remove the incentive income we are tracking at a 21% ROC so we are with the incentive above our target and you would appreciate any business decision that we take would have taken into account the incentives that we are going, so our 25% ROC target was including incentive, we are currently tracking at 21% ROC without the incentive with the incentive we will better the target.

Gaurav Singh: And there is no risk to that right, I mean you do not see that going if you gain the current capacity utilization you do not see it going down.

Akshay Pitti: I do not see that going down.

Gaurav Singh: Since you had a lot of price increase from the raw material perspective and your customers would likely be supplying a lot of government and a lot of those other institutions or government project, so what is the propensity to pass on the price increase to your customers?

Akshay Pitti: Everything is fully passed on, increases and decreases both are passed on by us and end customers as well probably the only place it does not get passed on by our end customer is the consumer durable space, the product more has the retail market, if you leave that aside everything is a B2B, so all the contracting which is done is with build in price variation clause and even for a consumer durables exposure our pricing with our customer has a PVC on a quarterly basis.

Gaurav Singh: Sir, any plans post capacity utilization of your current capex that you are in right now to go to the front end and actually do what you customers might be doing?

Akshay Pitti: See, that would not be prudent because we have started competing with the likes of GE and Simens and that is something we will not want to do, like I said the relationship that we have with them is more like a partner rather than a supplier so we are very happy doing this for them, if they want us to further go up the value chain and give them a ready motors we have more than willing to do that, but going and competing with them is something that I would not want to do.

Gaurav Singh: You are actually turning to a contract manufacturers of them, but not a brand there, right?

Akshay Pitti: We are already a contract manufacturer, it is just a level of supply that before, so we today supply I would say certain products which was 99% ready to use, so whenever they give us the opportunity we will move up the value chain.

Gaurav Singh: Great, thank you for answering all my questions.

Moderator: Thank you. The next question is from the line of Pratik Chaudhary from Saamarthya Capital. Please go ahead.

Pratik Chaudhary: Sir, you spoke about the export domestic mix changing significantly over the next 2 years and correct me if I am wrong, that you said on a projected 1700 Crores to 1800 Crores top line, you might do a 25% as exports and the rest would be from domestic, did I hear that correctly?

Akshay Pitti: Yes, that is correct.

Pratik Chaudhary: If that is the case I mean say on a quarterly turnover of 240 Crores like we just did, you said our export were around 63% odd?

Akshay Pitti: No, it was 36%, 63% was domestic.

Pratik Chaudhary: Okay, I got confused with the numbers, 36% is domestic, sorry.

Akshay Pitti: 63% is domestic and 36% is exports, which will come down to 25% going forward.

Pratik Chaudhary: Got it, and Sir, I have recently started tracking our company, would we see the pledge going I mean reducing significantly going forward?

Akshay Pitti: See, the pledge is to the bankers of Pitti Engineering, and not something I would have like to do, it is stipulation from the bank, SBI have the stipulation that a percentage of the promoter holding is pledged to it and I am only complying with the covenants of the loan agreements, if you become debt free, yes, definitely all the pledges will be removed.

Pratik Chaudhary: And do we have a post our expansion gets completed over the next one-and-a-half years, incrementally would that be our biggest priority after that of reducing debt?

Akshay Pitti: I could not understand the question.

Pratik Chaudhary: In terms of our priority post completion of our capex, would debt reduction or say reaching a near zero debt status would that be a major priority for us post completion of capex?

Akshay Pitti: Definitely, I think we would like to reduce our debt, currently also we are seeing the debt for the high level once the capex is done we would endeavour to bring it down further, but still maintain a healthy level of debt on the balance sheet.

Pratik Chaudhary: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Devang Bhateja an Investor. Please go ahead.

Devang Bhateja: Sir, like you mentioned that almost 60% to 65% of our capex is still pending, so is there any reason why the capital work in progress in the half year balance sheet is only a 2.6 Crores?

Akshay Pitti: We are doing side execution of our capex, so we are trying to keep it as low as possible it is not my interest to have them very high CWIC, like I said our capacity is expendable so we try to do it as little as possible and quickly implement it and further to use, only when we like expand the building in Aurangabad, you will see the CWIC number increase, otherwise we should see it as 10 Crores to 15 Crores like that.

Devang Bhateja: And Sir, just to understand your business a bit better, so you said that you are the sole supplier to many of your clients, now is there some other company you were to supply similar components or similar sub-assemblies, what would be the kind of approval timeline or approval just a broad range or estimates would be very helpful?

Akshay Pitti: Most of our customers will take at least two years to get a vendor for registration done, post that development of one single product would take at least a year-and-a-half at the supplier end, then the approval of the product supply to the customer it will go to a life cycle which would typically take 6 to 9 months and then you would have the first pilot of supply and then the commercial supply, so I would say about 4 to 5 year timeline for anyone to come in and then after that only the other products would be offered to a competitor, and then again the similar timeline would be there to develop the rest of the product portfolio.

Devang Bhateja: So, that explains that it is very difficult to break in for the industry?

Akshay Pitti: Yes, we have been in this industry for 40 years now and it took us 5 years to do what we are doing today, I mean the change that we have to go through it took us 5 years even though we were registered with our customers and had strategic decisions with them, so brand new entering coming and try to do that I think it would be near impossible.

Devang Bhateja: Right and since you have mentioned that the capacities being added in phases, so at the beginning of quarter three like in the ongoing quarter, what is the kind of peak revenue we can do like we did 240 Crores in quarter two, so what can we do hypothetically the kind of peak revenue in quarter three?

Akshay Pitti: See, unfortunately I do not see our machine coming in this current quarter, there are certain issues in China, in Japan and Germany as we are already facing a very big outbreak of COVID, so certain machines are delayed so I do not see the capacity increasing in quarter three, so it will be around this the same 240 Crores to 260 Crores range.

Devang Bhateja: Do you expect that the machines to arrive by the end of quarter four next financial year?

Akshay Pitti: The next lot of machines shall start arriving in the last week of December to second week of January and we should have some incremental capacity available for quarter four which will see some rise in revenues.

Devang Bhateja: And Sir, just more back to business, the micro business let us say if I were to put a similar 40,000 to 42,000 tonne capacity, so what is the kind of spend I will have to do like?

Akshay Pitti: So, you will have to spend at least 600 Crores to 700 Crores on fixed asset and then probably another I think I have already have the tooling with me so my customers are not going to give me a cost for second set tooling so you will have to invest at least 600 Crores to 700 Crores on tooling.

Devang Bhateja: More than excess of 1000 Crores, right?

Akshay Pitti: Yes, see the tooling costs for us is already paid out by the customer, we do not incur tolling in on our own balance sheet.

Devang Bhateja: Thanks Sir and all the best for the coming quarters.

Moderator: Thank you. The next question is from the line of Shanti Patel from Shanti Patel Investment Advisors. Please go ahead.

Shanti Patel: Sir, what will be the return on equity as on March 31, 2022 approximately?

Akshay Pitti: You will take return on equity including other income?

Shanti Patel: Yes.

Akshay Pitti: If you include other income it will be closer to 20%, we are already at 16%.

Shanti Patel: So, it will improve?

Akshay Pitti: Yes, it will improve because we have to see account of 14 Crores of incentive which is yet to be sanctioned by the government that will go straight to the bottom line.

Shanti Patel: Sir, who is the main competitor to us in our industry?

Akshay Pitti: In sheet metal we compete with Temple Steel, which is a subsidiary of a US company, we compete with Macros, which is the company based out of Bengaluru, we compete with Capstan Industry and then after that there are multiple smaller guys who must be doing a turnover of 20 Crores to 30 Crores and they do not really compete with us because we are in the more organized side of the business, in the machining we compete with Craftman automation, and again number of machine shop that we compete with, in shaft manufacturing we compete with SD Industry, we compete with Gowri Industry, Sanaka Industries, in tool room again there are many people who make tools, but there are not a lot of single company does all of this inhouse together and integrate the product, we are the only one who do that.

Shanti Patel: Thank you very much, Sir.

Moderator: Thank you. The next question is from the line of Bajrang Bafna from Sunidhi Securities. Please go ahead.

Bajrang Bafna: Thanks for the follow up question, Sir. You know you have mentioned about the debt number will be 25 Crores higher next year including the capex plan, so this number also include working capital requirement?

Akshay Pitti: Yes, the total debt may increase by a maximum of 25 Crores net of repayment.

Bajrang Bafna: Including working capital debt?

Akshay Pitti: Yes.

Bajrang Bafna: And Sir, just one last question, for last 5 years you know from FY2017 to FY2021, we have done a capex of almost 250 Crores, but if I see the top line which was 300 Crores in FY2016, has gone up to let us say double or maybe 650 Crores excluding this quarter, so that capex has generated just 350 Crores kind of additional turnover whereas you know the current capex that you have done will at least give us 2X kind of turnover, so what was the reason for this anomaly?

Akshay Pitti: There is no anomaly if you go back and review the statements that we had made that point of time, the facility when we create so that land building will have to be put upfront, the majority of the investment done in the phase 1 in our Aurangabad factory was towards creating the infrastructure, now we are adding equipment on a modular basis, so the capacity will start increasing now, 250 Crores and then again 270 Crores, but cumulative capex will be 420 Crores or 430 Crores odd of which 200 Crores is done till date.

Bajrang Bafna: How much has gone into this land and building specifically out of that number?

Akshay Pitti: Land and building again do not hold me to it, I am just giving you ballpark, land buildings utility infrastructure would be about 50 Crores to 75 Crores.

Bajrang Bafna: So, ideally we should look at at 100, which we will see in the operations on the machining side?

Akshay Pitti: Correct.

Bajrang Bafna: Got it. Thank you, Sir.

Moderator: Thank you. The next question is from the line of Ankit Babel from Subhkam Ventures. Please go ahead.

Ankit Babel: Thanks for the opportunity again, Sir, I am sorry, I did not understand one of your statement where you mentioned that you are expecting a 22% to 25% growth in your EBITDA per tonne going forward I mean currently it is around 40000, so you are expecting a 20% to 25% growth in this figure, which means it will go to some ₹.48000 to ₹50000 per tonne?

Akshay Pitti: Correct, that is what we are estimating going forward.

Ankit Babel: And Sir, even if the commodity prices decline as you said 20% drop from current level this EBITDA per tonne figure would remain as it is, your realization might come down?

Akshay Pitti: If I see that is what you started actually publishing this data from this quarter because we should on a Y-o-Y basis our EBITDA margin was 17% plus last year and it is come down to 14%, but if you would then take the absolute number it does not change much that is because the raw material prices have gone up and as a consequence of that thing the percentage of revenue looks more that is not the case.

Ankit Babel: Sir, how is your client concentration like top five clients contributing to what total revenue?

Akshay Pitti: Top five would contribute about 60% to 65% of revenue.

Ankit Babel: And who would those be mainly?

Akshay Pitti: They would be Siemens, Wabtec, they would be ABB, they would be Cummins and the fifth number keeps changing on and off sometimes it is Toshiba, sometimes it is Crompton, so the fifth number keeps changing but top four always remain constant, Siemens, ABB, Cummins and Wabtec.

Ankit Babel: And Sir, lastly you did mention that on the working capital part that you aim to bring it down to 60 days, also mentioned that you aim to bring down the debtor days to 45 days and 59 days approx, so what I need to understand is that your total working capital as on date is around 99 days, which you plan to bring down to 60 days which is reduction of around 40 days, but out on that 40 days improvement from debtor days would be just around about 9 to 10 days, so the remaining 30 days improvement will come from where?

Akshay Pitti: If you see the long-term creditor days as we had in our balance sheet it used to hover around 75 to 90 days as on September 30, 2021 that down to 45 days that is primarily because of the increase in raw material prices and we had to do a lot of cash purchases we have to like payout money from our cash flow to buy spot market prices to secure our raw material, going forward that will not be the case and you would be able to correctly align our creditor days on working capital cycle, apart from that because we are on a growth phase, we are talking up on inventory, raw material prices are volatile, international supply chains are disrupted, so our inventory has to be increased to ensure that our growth does not suffer, going forward inventory also should be rationalized from these two side we will be getting the remaining days.

Ankit Babel: But Sir, this creditor days you mention most of your creditors will be metal company because you buy metal and they only deal in cash so whenever you ask for a credit they charge interest just like you charge interest from your customers, so one thing with your creditor days again your cost will increase right?

Akshay Pitti: It will not increase, the price is already built in, you are having to purchase on cash basis, you are having to go to the spot market and buy material from the spot market not from our long term raw material supplier like we work withPosco, we work with Jindal, we work with China Steel Corporation and these are all our regular suppliers who give us credit, now when the market was volatile they could not fulfill the demand for the higher operating level that we have reached, so we had to buy material from traders by using our CC limits and fund base limits which will stop going forward, as now these companies have stabilized their output and meeting our requirement. If I am buying on cash, I am paying interest in the bank right, here what is happened instead of using a cash limit and putting the debt on my balance sheet he will supply with the interest, the interest remains constant, it is all on my balance sheet.

Ankit Babel: Sir, just again a follow up on that when you mentioned that a 20% to 25% growth in EBITDA per tonne is possible, so what will lead to this kind of an improvement, I mean is it the product mix or value addition or what?

Akshay Pitti: It will be a combination of product mix as well as the increase in value added services that we are providing, so if you see we are aggressively going our machining hours from the 250000 machine hours to 600000 machine hours, so that will go to increase our overall blended EBITDA margin.

Ankit Babel: So the contribution of that assembled and value added products will increase compared to the lamination?

Akshay Pitti: Yes and whatever it was simpler assembly will become more and more complicated thereby more value add thereby more margin.

Ankit Babel: Thank you, Sir.

Moderator: Thank you. The next question is from the line of Pratik Chaudhary from Saamarthya Capital. Please go ahead.

Pratik Chaudhary: Sir, there are roughly numbers that, that somehow I am not able to get well so please help me out with the same, first question, what was your volume that you did in first half this year?

Akshay Pitti: We did in first half, what I am saying is for the quarter first half, I think it close to 15,000 tonne first half.

Pratik Chaudhary: And second quarter was around 8,500?

Akshay Pitti: Yes, 8,600 was second quarter, first quarter is about 6,500 odd around that number.

Pratik Chaudhary: And you are also saying that you will be able to do around 40,000 this full year?

Akshay Pitti: We are trying to.

Pratik Chaudhary: And then you mentioned that Q3 machines would not be able to come, so basically the 40,000 tonne is roughly 1100 Crores of revenue, if I simply multiply that with the blended realization of 2,00,081, which has been given in your presentation, am I going wrong somewhere?

Akshay Pitti: Yes, you cannot do that right, see quarter one you have to take on quarter one actuals, quarter two you have to take on quarter two actuals and then you can add what you want to forecast for quarter three and four right, H1 we have done 412 Crores that is only a number which is done, now if I add for H2, quarter one is the absolute tonnage we may try to achieve and multiply with the blended sale realization.

Pratik Chaudhary: So, that sharp increase, which is potentially going to happen in Q4 that is almost like I mean if I back calculate the numbers?

Akshay Pitti: Let me answer your question upfront right, so 6,400 just round it 6,500 and 8,500 you have done 15000 tonnes in H1 plus quarter three you are tracking about 9,200 tonnes and for quarter four you are estimating that if the equipment come in time we will be able to do about 12,000 tonnes this is all subject to execution 12,000 is your comfortably estimated, if you total this you will get around about near 40,000.

Pratik Chaudhary: Got it. Thank you.

Moderator: Thank you. Ladies and gentlemen, that is the last question. I now hand the conference over to the management for their closing comments.

Akshay Pitti: Thank you everyone. If you have any other questions you may reach out to Mr. Khandelwal, CFO or Mr. Ramanaidu our investor relations incharge. Thank you.

Moderator: Thank you. Ladies and gentlemen, you can get in touch with Mr. Ramanaidu from Intellect IR on 9920209623. On behalf of the Pitti Engineering Limited that concludes this conference call. You may now disconnect your lines.