GALA
PRECISION ENGINEERING

Date: 30-05-2025

BSE Limited **Department of Corporate Services,** **P. J. Towers, Dalal Street,** **Mumbai - 400 001** **Scrip Code: 544244**	**National Stock Exchange of India Limited** **Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051** **Scrip Name: GALAPREC**

Dear Sir/Ma'am,

Sub: Transcript of Earnings Call held for the quarter and year ended March 31, 2025

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the transcript of the Company's Earnings Call held on May 29, 2025, regarding discussion on operational and financial performance for the quarter and year ended March 31, 2025 (Q4 & FY25) is enclosed herewith.

Please take the same on your records.

Thanks & Regards,
For Gala Precision Engineering Limited

POOJA LADHA

Digitally signed by POOJA LADHA
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Pooja Ladha
Company Secretary and Compliance Officer
Encl:

Gala Precision Engineering Limited
Q4 and FY’25 Earnings Conference Call
May 29, 2025

Moderator: Ladies and gentlemen, good day and welcome to the Gala Precision Engineering Limited Q4 and FY’25 hosted by Valorem Advisors.

As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing ‘*’ then ‘0’ on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mrs. Purvangi Jain from Valorem Advisors. Thank you, and over to you Ma’am.

Purvangi Jain: Good afternoon everyone and a warm welcome to you all. My name is Purvangi Jain from Valorem Advisors. We represent the investor relations of Gala Precision Engineering Limited.

On behalf of the company and Valorem Advisors, I would like to thank you all for participating in the company's Earnings Call for the 4th Quarter of Financial Year 2025. Before we begin, let me mention a short cautionary statement. Some of the statements made in today's earnings call may be forward-looking in nature. Such forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ from those anticipated. Such statements are based on management's beliefs as well as assumptions made by and information currently available to the management. Audiences are cautioned not to place any undue reliance on these forward-looking statements in making any investment decisions. The purpose of today's Earnings Call is purely to educate and bring awareness about the company's fundamental business and financial quarter under review.

Let me now introduce you to the management participating with us in today's Earnings Call, and hand it over to them for opening remarks. We have with us Mr. Kirit Gala – Chairman and Managing Director; Mr. Balkishan Jalan – Whole-time Director; Mr. Satish Kotwani – Whole-time Director; and Mr. Srinivasan Giridhar, Chief Financial Officer.

Without any delay, I request Mr. Kirit Gala to start with his opening remarks. Thank you, and over to you, sir.

Kirit Gala: Good morning, everybody, and a very warm welcome to this Earnings Call. In the interest of some of the people who are new to the company, let me first give you a brief overview of our organization. Gala Precision is basically a preferred manufacturer of high-quality precision components. We serve various sectors like renewable energy, industrial, and mobility sectors. Geographically, we are diversified across sales in India, Europe, and USA. We supply mainly to OEMs, Tier 1, as well as to channel partners. We are manufacturing customized products for over 750 SKUs to sell almost 175 active global customers across 25 countries. Our facilities are fully equipped with advanced technologies and capabilities for designing, developing, and manufacturing diverse product portfolios. To further strengthen our manufacturing footprint and expand the product range, we have established a new facility in Chennai. This plant will focus on producing various high-tensile fasteners, including bolts. These are mainly complementing the existing products and enhancing our ability to meet customer demands.

With that said, I would request our CFO – Mr. Giridhar, to brief you on the financial highlights of the period under review. Yes, Giridhar, please.

Srinivasan Giridhar: Good morning, everyone, and welcome to the earnings calls today. Let me provide you a brief overview of the financial performance for the fourth quarter and annual results of financial year 2025. For the quarter under review, consolidated revenue from operations stood at around Rs. 75 crores, which increased by 31% year-on-year and 30% quarter-on-quarter. EBITDA for the quarter was around Rs. 13 crores, which shows a decline of 6% year-on-year, mainly due to the accounting treatment relating to AIP **3.56**, but grew by 65% year-on-year, with EBITDA margin reported at 17%. Net profit was Rs. 10 crores, representing a growth of 45% year-on-year and 85% quarter-on-quarter, and PAT margins around 13.28%.

For the financial year under review, the consolidated revenue from operations stood at around Rs. 238 crores, representing a growth of 17.4% year-on-year. EBITDA was around Rs. 41 crores, which grew by around 5% year-on-year, with EBITDA margins reported at 17.16%. Net profit for the period was approximately Rs. 27 crores, representing a growth of 20% year-on-year, and PAT margins were 11.27%.

Now our Executive Director, Mr. Balkishan Jalan, will brief you on the operational highlights.

Balkishan Jalan: Thanks, Giri. Good morning, everyone. FY'25 has been an overall healthy year in terms of performance, driven by strong growth in our faster business, where we recorded strong annual sales growth of 63%, with revenue rising from Rs. 40 crores to Rs. 65 crores in FY'25. Our export contributed 55% of total SFS sales in FY'25, a significant jump from 37% in FY24, reflecting growing international demand.

Operationally, we have also improved our net fixed asset turnover ratio, which grew to 3.65x in FY'25 from 3.05x in FY'24, a clear sign of better asset utilization and efficiency across all our existing plants. I am also happy to report that our Chennai plant was successfully inaugurated on 27th Feb, 2025. Since then, we have initiated customer visits, audits, process for the relevant approval, which are progressing well.

We have also made a strategic move by initiating development of the bolt products, which open up additional addressable market of approximately US $1 billion. I am proud to share that we have already secured first order from an industrial customer based in the United States. Additionally, we have received product approval from the industrial customer for our fastener segment, with commercial sale expected to commence in Q1 of FY'26.

Lastly, we have developed and launched new product, the Grip Lock washer, significantly targeted at construction equipment sector, further diversifying our product offering and market reach. This development demonstrates our continued commitment to innovation, capacity expansion and global market integration. With this, we can open the floor for question-and-answer session.

Thank you. Thank you very much, sir. We will now begin the question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have a first question from the line of Nisarg Desai from RRR Investments. Please go ahead.

Nisarg Desai: Thank you for the opportunity, firstly. So, our company was open for any inorganic opportunities in India and Europe. So, any update on that front?

Balkishan Jalan: So, as we mentioned in our last call as well, yes, we are open for inorganic opportunity as well. And the evaluation expositions are going on, particularly in the domestic market.

Moderator: Thank you. We have a next question from the line of Mayank from Asian Market. Please go ahead.

Mayank: I just wanted to understand this new order that you received from a large customer in the US. How big is that order?

Satish Kotwani: Basically this order is from a fastener distributor, and they are supplying these items to the OEMs mainly in the US market. So, after successful testing and validation of products, they have given this order for Gala spring division.

Mayank: So, any magnitude of the order would you like to disclose?

Satish Kotwani: Yes, this order value having potential to supply every year approximately 8.5 crores to them.

Mayank: 8.5 crores every year?

Satish Kotwani: Yes.

Mayank: And I just wanted to understand, in the mobility, Schaeffler is our key customer. So, we are hearing that Schaeffler is doing a lot of CAPEX in India for the next 5 years. So, how do we see that in terms of opportunity?

Satish Kotwani: Yes. So, Schaeffler has large requirements of spring, and we have been associated with Schaeffler for more than 6 years now. Based on their growth plan and also getting more opportunities to Gala, our sales have been growing consistently with Schaeffler, including in last year. So, they contribute almost 3-4% of our annual sales and considering their investments in India, particularly in powertrain segment, we are also looking at growth opportunities with Schaeffler for our product

Mayank: And FY'25 revenue of 240 odd crores. Vestas would be how big out of that?

Satish Kotwani: Vestas, as we discussed in the previous call, we supply a fastener, wedge lock washers and disc spring. So, all the products we supply to Vestas in India as well as in their global market and last year they contributed approximately 23% of our sales for all the products grouped together.

Mayank: And any forecast for this year, particularly for Vestas?

Satish Kotwani: So, based on the projections and forecast, given we like to grow the business with Vestas in this year also, apart from adding new products also which are under development with them. So, we continue to grow as a revenue with Vestas. But as a percentage, maybe our share with Vestas will slowly come down, which is 23%. It will slowly come down in this year onwards. But overall, the business will continue to grow in value terms with Vestas at the global level.

Mayank: And just in terms of understanding the tariff thing, we understand that there is a 3-month window given to China in terms of the renegotiation of the tariff. So, what is the dynamics in terms of tariff differential with respect to India and China? Any number would you like to provide? I mean, what is the tariff currently that you are facing and vis-a-vis Chinese companies are facing? And what will be the differential maybe after July? Anything, any color on that?

Satish Kotwani: Basically, in general, we feel that China tariff will be higher than India. But that doesn't impact us at all because when we supply in the U.S. market, we don't compete with Chinese manufacturers for our products of springs and fasteners. In the U.S. market, we compete with U.S. disc spring manufacturers or fastener manufacturers from Europe. So, considering this situation, we don't see any impact of China's situation of tariffs on Gala at least and particularly for U.S. market also, if manufacturing is happening in U.S., the cost difference is more than 50-60%. And also, we understand if the tariffs are there on Europe, India will be either similar or maybe we will have the positive situation in that situation for tariffs. So, considering all these factors, we don't see impact of tariffs at least on our business for U.S. market. So, either it's **(Inaudible)** or it will be positive going forward.

Mayank: How much is the tariff currently on these springs and all?

Kirit Gala: Currently, as per the discussion, it is 10%. But all the tariffs because we supply on FTA basis or DAP basis. So, all the tariffs and import duties on our products are in the customer account.

Mayank: Okay, FTA basis and…

Kirit Gala: Delivery basis, but in that when we deliver the tariffs and the duties are in the customer account, that is not the liability or in the Gala account has been put out. All the tariffs and import duties are borne by customer wherever we export globally.

Mayank: Okay, and this 10% number is similar, I mean how much is it for a Chinese player when we supply to U.S.?

Kirit Gala: I think it was 35% in some categories and 55% in some other categories. Because we supply multiple products like springs, fasteners, within fasteners also different categories. So, for China it is 35 to 55% at present.

Mayank: Okay, and have you seen any kind of pre-buying in Q4 because of this tariff thing and now the procurement has slowed in the last 2 months?

Kirit Gala: No, we have not seen such situation at least for our products. We have been supplying as per the forecast and the orders played with the lead time of 8 to 12 weeks. So, we have not seen any such temporary increase in Q4 or temporary decrease in Q1. That is not the situation with us.

Mayank: July and you have not seen anything in April? No, no. Even the next 2-3 months whatever orders we have; they are as per the plan and going to be supplied as per the requirement of the customer base.

Moderator: Thank you. We have our next question from the line of Nitin Gandhi from Inoquest Advisors. Please go ahead. Thank you for taking my question.

Nitin Gandhi: Regarding Chennai, can you just share what is the CAPEX totally will be incurred by the time facilities up? What kind of asset turnover and how are the utilizations likely to shape up for next 2-3 years? And what will be maximum potential revenue possible after Chennai is commissioned for the company.

Balkishan Jalan: Sure. So, as in DRHP also we disclosed, in Chennai we emphasize the total CAPEX of 48 crores in phase 1 and phase 2. In phase 1, we already incurred 25 crores and capacity is approximately 55 to 60 crores depending upon the product mix and phase 2 will be starting end of this year and next year. There we will be deploying the balance of 23 crores and the capacity after completion of phase 2 will be around 110 to 120 crores.

Nitin Gandhi: And how do you see the utilization shaping up for next 1 or 2 years?

Balkishan Jalan: Sure. In current year, we think we will be producing and delivering approximately 25 to 30 crores and in next year, targeting around 60 to 70 crores and the peak capitalization will be in FY'27.

Nitin Gandhi: Thanks. And what will be the total max potential revenue after all facilities are up?

Balkishan Jalan: Yeah. Capacity point of view, Wada and Chennai put together capacity what we will be planning to add in current year and next year with some CAPEX. We will be reaching 325 crores something in Wada and 120, 110-120 from Chennai. So, capacity point around 425 to 450 crores.

Nitin Gandhi: Okay and what is the cash level and gross debt and net debt?

Balkishan Jalan: Yeah. In March 2025, we raised this IPO where we got the money of 121 crores. We deployed 62 crores or something and 59 crores still lying in the FD. So, FD and working capital knockoff and still we have a good surplus fund lying and going forward, at least for current year also, we don't see any cash debt position. Debt position will be very negligible.

Nitin Gandhi: Okay. And this Schaeffler, after their whatever plans they have announced, it seems like there will be substantial growth at least minimum 15-18%. So, are we in sync with those kind of growth for our products or are we widening our share with them and we can have much better growth than what Schaeffler themselves are envisaging?

Balkishan Jalan: Yeah. So, this Schaeffler is one of the customers and maybe top 5 customers. But overall, considering the product mix and the geography and customer and all, we are thinking our top line will grow 20-25% in current year. It is going to be better than what Schaeffler is saying.

Nitin Gandhi: Okay and what about margin?

Balkishan Jalan: Margin, EBITDA margin, we always mention. We are seeing the range amount of 17-19% EBITDA margin.

Moderator: Thank you. We have our next question from the line of Shubham Gupta, an individual Investor. Please go ahead.

Shubham Gupta: So, sir, I wanted to know the reason why the margins were reduced this time and going forward, is there any possibility to increase the margins because there is a sudden drop in the margins?

Balkishan Jalan: If we basically work on overall year margin, like in FY'25, our EBITDA margin dropped to 17% from 19%, 2%. I can give you more detail about that. So, basically, if you see the RM ratio in

FY'25 versus FY'24, it increased by 0.7%, which we see is not significant. It depends a lot on the overall product mix and within that, the customer mix item level. So, I don't think going forward, we are not seeing any major increase or decrease in RM to sale or GP margin. As far as EBITDA margin is concerned, there is a drop-off from 19% to 17%, 2%. And in that, the 2 factors, one factor was the RM percentage increased by 0.7% and the second factor is there is an increase in other expenses to the tune of 1.3%. So, we did our detailed analysis and basically, there are 2 types of costs. One cost is a one-time cost, which may not be going forward with this year. Like, for example, we are fighting one legal case, patent case. For that, we are incurring some fees. The second more important case is we hired the universal consultants, UC consultants for our market study, particularly for the fastener division growth opportunity in India international market and phase 2 study where we covered which new product we can add out of this considering the margins and potential. So, we paid that some good amount to UC consultants. Apart from that, there were some business promotions. We started aggressively on market development and then we incurred slightly higher amount than the regular amount, which to the tune of 5.5 million. One more thing which is slightly changing is in fastener particularly our product mix export is increasing. In that, compared to the domestic market, slightly margin is better. But at the same time, the freight cost is slightly higher. So, that is just higher by 0.18%. But again, that's a taken hit of differential 3.8 billion. So, these are the small, small area where we incur a slightly higher amount. Going forward, our estimation is EBITDA margins will be able to maintain 17 to 19%.

Shubham Gupta: Okay, sir. And like, will there also be increase in exports going forward?

Balkishan Jalan: More or less, 35 to 40% of the revenue which we are seeing will be there from the export market. There is a similar level of export we are expecting in FY'26 as well.

Moderator: Thank you. We have our next question from the line of Stuti, an individual Investor. Please go ahead.

Stuti: Thank you. Firstly, I wanted to have some idea on working capital cycle. So, in FY'25 we can see a working capital cycle have increased. So what is the reason for that and how do we see it structuring going forward?

Balkishan Jalan: Yes, your observation is correct. There is an increase in working time in FY'25 compared to earlier year and there are two major components, the receivable and the inventory. So, the DSO was 85 days in FY'25 which increased to 105 days or so and the major reason, there are 2. One is in fastener division export started where one customer to whom we are exporting in U.S. market, the credit period compared to the domestic is high which resulted into almost 10 number of days which resulted into higher DSO. For that, again, we are seeing how we can reduce this credit period and what can be the alternative way to address this. Secondly, we have goods in transit which for year-end, there was a comparative to FY'24. The FY'25 reversal of goods in transit was lower which resulted into a higher debtor at the year-end. So, that mathematically calculated and then it comes out to be five days. And the last point is the overall customer mix. Suppose there is a customer having a slightly higher number of credit period as compared to other customer lower. So, there can be some fluctuation which may keep taking place. So, these are the broad reasons for the higher debtor in the March 25 compared to 24. As far as the inventory is concerned, we analyze if we go by number of days. So, the number of days increased by 5-6 days. But if we consider the reason, then we have built some inventory to cater to the Q1 demand of FY'26 and going forward, we should be able to stabilize in this inventory days as well.

Moderator: Thank you. We have the next question from the line of Nisarg Desai from RRR Investments. Please go ahead.

Nisarg Desai: So, my first question is acquiring new customers versus increasing wallet share with the existing ones which is more challenging. And secondly, second question is that how do we actually acquire customers? Is it through better pricing or is it through better quality? How does that exactly work?

Kirit Gala: Okay. So, to answer your first question, I think normally it is difficult to acquire totally a new customer as against increasing the wallet share with the existing customer because existing customer because of Gala's very strong track record in quality, delivery and performance. Normally, once we enter the customer, both Gala and customer are together keen to increase the business to have more opportunities to work together. So, acquiring new customer, of course, we do a lot of efforts starting from mail campaign, exhibition participation, campaigns on LinkedIn. Now, we started using AI to understand which are the potential customers. So, like this, we are doing for mainly 3 segments which are our focus areas, renewable, mobility and industrial and mainly in three markets which is India, Europe and America. So, this is the situation as far as the new business is concerned for the development and increasing the wallet share. Can you repeat your second question again if possible?

Nisarg Desai: Yes, sir. So, second question was how do we acquire new customers? Is it through better pricing or better quality? How does that exactly work?

Kirit Gala: So when we acquire totally a new customer, for example, if it is in export, normally it is. Discussion with the price entry, because normally we compete with European producers or American producers. So normally as an entry we have to offer little lower price to acquire the new customer. But going forward monthly enter then we are at the same level play of the prices at the market level. As far as India is concerned, I think we are working on all the options like we do a lot of work on import substitute. So, we try to understand what product customers are importing and how Gala can work with these customers. So, when they consider import plus import duty, logistic cost, we are able to offer them saving with up to good margin for Gala. In a lot of cases, we are able to compete on technical. For example, they have tried with Indian companies but they were not successful to meet the technical requirements. So, definitely better pricing, we are able to compete on technical level also. So, I think it depends on the market condition and which market we are competing. There are different strategies to enter the new customer.

Moderator: Thank you. We have our next question from the line of Anirudh Shetty from Solidarity Advisors. Please go ahead.

Anirudh Shetty: Thanks for the opportunity. So, three questions from my side. So, you mentioned how there is a U.S. customer wherein the debtor days tend to be higher. So, my question is, in exports, usually is the credit period that we offer higher versus our Indian customers and do we compensate for that by getting a higher margin, or how does that work?

Balkishan Jalan: Yeah. Yeah. So, as I mentioned, yes, the U.S., the credit period is slightly higher as compared to domestic, and the margin also slightly higher or better than the domestic. Particular customer I am talking, otherwise, customer to customer, market to market, they are different margin period.

Anirudh Shetty: Okay. So, we can't say that exports are higher, debtor days, and higher margin as a rule of thumb. It is customer to customer. It could vary.

Balkishan Jalan: There are very few customers where we are supplying in India an export. There, I can say comparatively, the credit period is higher and margin is higher. But if you combine the basket of all export and all domestic, it is very difficult to comment that.

Anirudh Shetty: So, my next question is, say, at, you know, peak sales of 435 to 450 crores, and with EBITDA margin of between 17 to 19%, what is PAT margin that we can achieve at that point in time?

Balkishan Jalan: Yeah. So, just I want to clarify. Somebody asked for the capacity, and my answer to that was a 425 to 450 crore as a capacity. And capacity utilization is always that can be depend upon the product mix. And in engineering company, you can have a slightly lower and higher utilization of the capacity. So, I don't want to comment with the sale of 435 to 450. As far as the PAT margin is concerned, we are seeing 10 to 12% is a stable margin which we are seeing.

Anirudh Shetty: And sir, my final question is, we could hit a peak utilization in FY'27. So, with Chennai and Wada plant, so typically by when do we think about when should we be doing our next round of CAPEX? And if you have any CAPEX numbers for the next round, if you could share that, that will be helpful.

Balkishan Jalan: Sure. So, I will just correct one thing. The peak capacity utilization will be in FY'27-28. And as far as the CAPEX round is concerned, we are seeing in FY'28, we may need some additional space and CAPEX round. Land, we already started evaluating and how we progress quarter on quarter and how we see the growth, based on that, maybe 6 to 9 months we will be able to finalize the location and the CAPEX plan.

Moderator: Thank you. We have our next question from the line of Mayank from Asian Market Securities. Please go ahead.

Mayank: Just in terms of your raw material procurement from some steel mills in Europe, I think 20% of your raw material comes from Europe, China and all. Just wanted to understand, I mean, is it like that the domestic procurement is much expensive than the procurement from overseas or how is it?

Balkishan Jalan: So basically in FY'25, the import in quantity term was just 7% and in value term is 17.5%, 18%. This itself says to wherever there is a special material, high grade material, which Indian companies are not producing or cannot produce, that particular raw material we import from Korea, Taiwan or some small quantity from U.S. market.

Mayank: That is all steel wire is what you are...

Balkishan Jalan: Steel wire is very small quantity where some particular customer has specified particular wire or the particular mill that we need to import. Otherwise, the alternatives are available and we are continually working with the customer to approve the local mill wire as well. But there are some small steel, flat steel, like Inconel material in disc spring which we use, which we import from USA. There is very special material or a special requirement of the customer which we then need to import if they are not available in India and we keep on developing Indian sources so that we can reduce this 7% dependency as well.

Mayank: So basically 21% of number that you have given in DRHP is 24 number, right?

Balkishan Jalan: Yes, correct. So, in value term it is 18%, which now in FY'25 is 18% which we will keep on reducing. That is our efforts.

Mayank: No, sorry. I could not follow. What is the 7% number you told?

Balkishan Jalan: In term it is 7% and in value term, in the import value term it is 17.5%.

Mayank: 18% in FY'25.

Balkishan Jalan: And that we are still trying to keep on reducing by continually developing the Indian mills sources and get the customer approval for the same.

Mayank: Okay. Who is your supplier for steel wires?

Balkishan Jalan: In India, Usha Pengg and in import it is Kiss wire.

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

Srinivasan Giridhar: Thank you all for participating in this Earnings call. I hope we have been able to answer your questions satisfactorily. If you have any further questions or would like to know more about the company, please reach out to our IR managers at Valorem Advisors.

Moderator: Thank you sir. On behalf of Gala Precision Engineering Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.