Company Name: Gala Precision Engineering Ltd.

Management Participants :

Mr Srinivasan Giridhar - Chief Financial Officer

Mr Satish Kotwani- Whole Time Director (Marketing)

11th Annual Valorem Conference Highlights :

- The company is on track to achieve ~30% growth for the year, supported by consistent business development. Any moderation in volumes from existing customers has been effectively offset by new customer additions, ensuring steady overall momentum.
- Exports contribute ~35% of total revenue, with Europe (~20%) and the US (~12%) forming the core markets. Demand conditions remain stable across geographies, supported by ongoing customer acquisition and market expansion.)
- Annual addition of 15–20 new customers contributes ~10–15% to revenue. In parallel, increased wallet share from existing customers contributes an additional ~10%, creating a balanced and repeatable growth engine
- Products such as disc springs and specialized fasteners require rigorous qualification and technical expertise. Once approved, the company typically achieves high share of business, often ranging between 70% to 100% for specific applications
- Wind energy contributes ~35% of revenue. The company has expanded product offerings within existing wind customers, moving from springs to fasteners and other components, thereby increasing overall wallet share.
- Fasteners currently account for ~35% of revenue and are expected to increase to 40–45% over time. Expansion into bolts and larger fasteners is enabling entry into new sectors such as industrials, railways, and heavy equipment
- The Chennai plant has reached ~70% utilization in Phase 1, with Phase 2 underway. Total capacity at Chennai is expected to reach INR 120 crore. Combined with Wada, total capacity is projected at ~INR 450–460 crore by FY28
- The company is targeting ~25% CAGR over the medium term. Growth is expected to be balanced across disc springs, fasteners, and Gallock products, with fasteners gaining higher share.
- The company maintains a 5–15% pricing advantage over European competitors due to lower labor and manufacturing costs in India, enabling competitive positioning without margin dilution.
- Operating margins are guided at 17–19%. Internal initiatives such as automation, lean manufacturing, and backward integration are expected to support margins despite inflationary pressures.

Key Questions & Answers discussed during the Conference:

- **How sustainable is the current growth trajectory?** The growth trajectory appears sustainable due to a well-defined and repeatable model. We consistently add new customers annually, contributing 10–15% incremental revenue. Additionally, expansion within existing customers through new product offerings adds another ~10%. This dual-engine approach reduces reliance on any single growth driver and provides resilience against demand fluctuations in specific accounts.

- **What is the long-term growth target?** We are targeting a revenue of INR 850–900 crore by FY31, implying ~25% CAGR. Growth is expected to be driven by capacity expansion, new customer additions, and increased penetration across existing customers and new sectors.

- **How is the projected FY 31 revenue expected to be distributed across the company's various product categories?** By FY 31, Disc Springs and Gallock products are projected to be the largest contributors at INR 400 crores. The Fastener segment is expected to follow closely, contributing slightly less than INR 400 crores. Coil springs are targeted to reach a revenue of INR 100 crores by the same period. This indicates a strategic shift toward a more balanced revenue mix between springs and fasteners.

- **What is the margin outlook and key drivers?** We are aiming for EBITDA margins of 17–19%, with internal targets of ~20% over time. Margin improvement is expected from operating leverage, automation, and process efficiencies. However, external factors such as inflation, raw material costs, and forex movements may create near-term pressure.

- **What is the expected revenue potential and total capacity of the Chennai plant following the completion of Phase 2?** The 18-crore investment in Phase 2 is projected to generate an additional INR 60 crores in revenue potential. This high return on investment is possible because the land, buildings, and common facilities were already funded during Phase 1. Once Phase 2 is fully operational by September 2026, the total revenue capacity of the Chennai plant will reach INR 120 crores, the company is also looking to invest in a new 5 to 10-acre land bank during the upcoming quarter

- **What is driving growth in the fasteners segment?** Growth in fasteners is driven by expansion into larger products such as bolts and nuts, enabling entry into industries like railways, industrial equipment, mining, and infrastructure. These products offer higher realization and a significantly larger addressable market.

- **Who are the primary competitors in the fastener segment, and what is the scale of their operations compared to the company?**We compete with large-scale players such as Sundaram Fasteners, which is a INR 4,000-crore revenue entity, though its direct competition in the specific fastener segment the company occupies is roughly INR 250 crores. Other major competitors include Randack, which does about INR 400 crores. Globally, we compete with European firms like Cooper and Turner (UK,INR 1,500 crores), August Friedberg (Germany, INR 1,500 crores), and Dokka (Norway, INR 1,000 crores)

- **What is the outlook for the wind energy segment in India, and how does it compare to global trends?** The Indian wind energy market is showing strong momentum, with installations growing from 3.5 to 6 gigawatts this year and expected to remain at 6 to 7 gigawatts annually for the next three years. This represents a 20% CAGR for the Indian sector. This outlook is significantly more robust than the global wind industry, which is projected to grow at a CAGR of 8% to 9% over the next five years.

- **What is the Fixed Asset Turnover (FAT) expectation for the Chennai plant at full capacity?** Fixed Asset Turnover ratio of 2.5 times is anticipated for the Chennai facility. This means the total investment of INR 48 crores in the plant is expected to generate INR 120 crores in annual revenue once it reaches its target run rate of INR 10 crores per month by FY 28.

- **What is the company's market share across its primary product segments, specifically Fasteners and Disc Springs?** Our market share for Fasteners generally ranges between 10% and 30% depending on the specific customer. In the more specialized Disc Spring (DSS) segment, we hold a dominant position with a market share between 70% and 100%. For specific automotive applications, such as transmission parts for companies like Scheffler, we often serve as the sole supplier for a particular model, maintaining a 100% share

- **What is the current inventory situation and outlook?** Inventory levels remain elevated as the we are supporting a ~25% growth run-rate and need to maintain adequate stock to service expanding demand. Additionally, some buildup was required due to capacity ramp-up and scale-related constraints. However, receivable days are expected to normalize during the year, and inventory days are being actively managed with a target of ~130 days going forward, leading to gradual improvement in overall working capital efficiency.

- **How does the company plan to increase its "wallet share" with major wind energy clients like Adani and Suzlon?** Historically, we only supplied studs to the wind industry, which represent roughly 60% to 65% of a customer’s fastener procurement. By expanding its production to include bolts—the remaining 35% to 40% of the customer's spend—we have begun securing new orders from major players like Adani, Senvion, Invision, and Suzlon. This diversification within the fastener line allows for significant growth even in a stable market

- **What is the strategy for entering the Electric Vehicle (EV) and electrolyzer segments?**We are aggressively targeting the EV segment by hiring senior-level experts from the automotive industry to lead precision engineering and machining opportunities. In the electrolyzer segment, we have already executed a prototype order for L&T. This segment is particularly attractive because it requires both fasteners and disc springs, allowing us to leverage its dual-product expertise

- **What are the company’s internal targets for Return on Capital Employed (ROCE)?**We aim for any new investment to reach a 20% ROCE within two to three years. While the current ROCE is approximately 15% due to recent heavy capital expenditures in Chennai and DSS, this is expected to climb back to the 19-20% range as these facilities reach maturity and peak utilization.

- **What is the pricing dynamic with customers?** Pricing is partly linked to raw material costs, with increases passed on selectively depending on magnitude and customer agreements. Typically, any price change beyond ~5% is passed on to customers through renegotiation clauses. In certain segments such as automotive, there is an annual expectation of ~2–3% price reduction, which we offset through internal cost efficiencies and process improvements.

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