Patil Automation

Operator: Good day and welcome to the Patil Automation Limited H2 FY26 earnings conference call, hosted by Kirin Advisors Private Limited. 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, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Sakhi Panjiyala from Kirin Advisors. Thank you and over to you, ma'am.

Sakhi Panjiyala – Kirin Advisors: Good day everyone. On behalf of Kirin Advisors, I welcome you all to the H2 FY26 conference call of Patil Automation Limited. From the management team, we have Mr. Manoj Patil, Promoter and Managing Director. Now, I hand over the call to Mr. Manoj Patil for opening remarks. Over to you, sir.

Management: Good afternoon everyone. On behalf of Patil Automation Limited, I am Manoj Patil. Thank you very much for joining us today. It is a pleasure to welcome all investors, stakeholders, and analysts to the Patil Automation Limited H2 and FY26 earnings call. At the outset, I would like to thank all of you for your continuous trust and support. FY26 has been an important year for Patil Automation, marked by strong business progress and our successful listing on the NSE SME platform, which was a significant milestone in our journey.

As we started last year after the IPO, the business growth was very good and the support from all investors was positive. We have grown in business across both the automotive and non-automotive sectors. The growth last year was strong and we delivered on our discussions and commitments. We have achieved a complete consolidated company turnover of approximately 172 crores for the last year, with a solid EBITDA margin of 17.7% and a PAT margin of 10.29%. This is the first time we are meeting after these results. We welcome you all and are ready for any questions. Thank you very much.

Operator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will now wait for a moment while the question queue assembles. Our first question is from the line of Sanket Sarup with Artz AI. Please go ahead.

Sanket Sarup – Artz AI: Hi team, thank you for the opportunity and congratulations on a good set of results. My first question is regarding revenue. I wanted to understand how much revenue we have been able to post this year from our new factory in Pune in FY26?

Management: Yes. As you know, we added the new facility last August, which is when we inaugurated it. Overall, we have completed almost 172 crores. The capacity of our existing plant was around 115 to 120 crores. Therefore, the gap of almost 50 crores was covered by the new facility, which was possible because of all your support.

Sanket Sarup – Artz AI: But sir, the revenue this year would also include some revenue from the subsidiaries which were acquired, right? Penteco Automation and MI Robotics.

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Management: Yes.

Sanket Sarup – Artz AI: So my question is, could you bifurcate the total revenue into how much came from the old factory, how much from the acquired subsidiaries, and how much from the new factory? I believe the new factory was inaugurated in mid-January?

Management: Yes. I want to confirm that the operations for the two companies we acquired—50% of Penteco Automation and MI Robotics—will be conducted within our new Patil Automation facility. We started from the existing facility, but the shop floor for both companies and Patil Automation Limited (PAL) is common. That is the first point. Secondly, on a standalone basis for PAL last year, we completed 157 crores. From MI Robotics, we completed around 2.33 crores, and 18 crores came from Penteco Automation. Altogether, it is approximately 173 crores.

Sanket Sarup – Artz AI: Okay, understood. And sir, what was the capacity utilization this year in the new factory versus the previous factory?

Management: Our previous factory is almost fully utilized as it was running at full capacity for the entire year. Regarding the new facility, capacity-wise we are at about 80% to 85% utilization on the new projects already installed on the shop floor. Our overall capacity after adding the new facility is around 250 to 300 crores. Currently, 50% of the projects we are executing are already on the shop floor, and the balance is expected to come in over the next few months as they are in the manufacturing stage.

Sanket Sarup – Artz AI: Okay. I also wanted to ask about the non-utilization of the IPO proceeds amounting to approximately 24 crores. Since the new plant was already inaugurated, I was wondering why this 24 crores is still kept idle, or when it will be deployed?

Management: According to the last confirmation, 18.5 crores is still pending to be spent. While we have started using the facility, some parts of the facility will be needed as we reach full-fledged activity for our current executions. We expect to finish that in another 3 to 4 months; the planning is already done. This 18.5 crores will be spent within the same plant. The current facility is in use, and the additional requirement of 18.5 crores is in process and will be covered over the next 3 to 4 months maximum.

Sanket Sarup – Artz AI: My question was that the IPO proceeds were primarily for capital expenditure. Since the new facility is inaugurated, we were under the impression it would have been utilized already. Is that for plant and machinery that is left, or how exactly will it be used?

Management: Actually, 18.5 crores is pending for specific parts of the facility like the mezzanine floor and some equipment. Once those are placed in the plant, the funds will be utilized. We have inaugurated the plant and work has absolutely started, but some mezzanine floors, which are part of the building, are pending. That is the reason we have not released that payment.

Sanket Sarup – Artz AI: Okay. There is some unsold inventory on the balance sheet of around 57 crores. Does the majority of this contain inventory held in the new factory because it was just inaugurated?

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Management: No, that is project inventory, not factory inventory. What you are seeing is the Work in Progress (WIP) inventory required for project execution.

Operator: Sorry to interrupt, but we request you to please rejoin the queue for any further questions. Thank you.

Sanket Sarup – Artz AI: I just have one last question, sir. What is the order book that we are currently sitting on, and how much of that will be executed in FY27 and FY28?

Management: Are you asking about order booking?

Sanket Sarup – Artz AI: Yes, sir.

Management: Okay. At this moment, we have an order book of 100 plus crores in our hands. Including our subsidiaries, we have more than 14 to 18 crores in orders. Altogether, we have around 118 crores in hand at this moment.

Operator: Thank you. Ladies and gentlemen, you are requested not to ask repeated questions. Our next question comes from the line of Harshal Zaveri from Crown Capital. Please go ahead.

Harshal Zaveri – Crown Capital: Hello, good afternoon sir. Thank you for taking our question.

Management: Yes, please go ahead.

Harshal Zaveri – Crown Capital: We have seen really good growth this year. With the new factory coming in for the full year, what kind of revenue can we do in FY27?

Management: For FY27, we have already planned project execution based on the strong order book in hand. We expect to cover around 260 to 270 crores this year.

Harshal Zaveri – Crown Capital: Fair enough. And regarding margins, what can we expect?

Management: Since this is an automation business, we expect the PAT margin to be 10% plus.

Harshal Zaveri – Crown Capital: 10% plus is the PAT, right? Since we already achieved that in FY26, with higher revenue and leverage, can we push towards 11%?

Management: Yes, definitely it will be 10% plus. We are definitely planning for up to 11%. The facility is all in place, so it is just a matter of execution now. We have the orders available for this.

Harshal Zaveri – Crown Capital: Fair enough, sir. Regarding current geopolitical tensions and raw material price impacts, do we have the ability to pass this on? Is there a threat to our margins due to war or imports?

Management: In automation, we majorly use indigenous materials and not many imported items. We have not faced many issues with delivery even until now. We are not currently seeing any issues even with raw material prices.

Harshal Zaveri – Crown Capital: But if raw material prices increase, can we pass that on to the customer? I mean, if our raw material prices increase, is it easily passed on or do we have to

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negotiate? Is it a fixed price?

Management: It is always negotiable. If the price increases by more than 1% or 2%, the customer will definitely amend the Purchase Order (PO). However, once we finalize a PO, we typically close it within 4 or 5 months. We freeze the plus-minus of raw material prices when we conclude the project. Because we are not doing standard production but specialized technology work, raw material is not the only major part. It is a mix of material and technology.

Harshal Zaveri – Crown Capital: Okay, sir. With our new capacity and our subsidiary, what is the peak revenue we can achieve, and how soon can we reach it?

Management: Our current capacity, including the existing and new facilities, is around 260 to 300 crores. We are planning a similar turnover this year. We might add another 10 to 15 crores if capacity is available, but currently, we plan to execute the projects within our existing facilities.

Harshal Zaveri – Crown Capital: So once the current capacity is fully utilized by next year, will we need further capex?

Management: Yes, our vision is for further growth next year. We are planning for it, but at this moment, the location and area are not fixed. Once we finalize, we will come back to you. It is currently being discussed with the management team.

Harshal Zaveri – Crown Capital: Okay, that is all from my side. Thank you.

Operator: Thank you. Our next question is from the line of Varun Mohanraj from Scandia Capital. Please go ahead.

Varun Mohanraj – Scandia Capital: Good evening and thank you for the opportunity. Regarding the order book, can you provide a split between automotive and non-automotive? Also, could you throw some light on any data center orders?

Management: Currently, our order book is over 118 crores. Out of that, around 60% to 62% is for automotive orders and approximately 40% to 42% is non-automotive. The non-automotive portion includes defense orders, data center orders, and heavy welding projects. So roughly, it is 60-40.

Varun Mohanraj – Scandia Capital: Any further details on the data center business?

Management: Yes, we already have orders in hand for the data centers.

Varun Mohanraj – Scandia Capital: You are guiding for 260 to 270 crores for FY27, and your peak revenue was previously mentioned at 270 crores. For additional revenue in FY28, do we need a greenfield expansion, or is the business more about design capabilities since we have a 160-seater design facility?

Management: Our design capacity was expanded last year and is sufficient. However, for physical facilities, the combination of our existing and new plants targets a capacity of almost 300 crores. After reaching that, we will decide whether to plan for a new shed, rent a facility, or go for a complete greenfield project. That decision has not been finalized yet, but we will likely decide in the next 4 to 5 months.

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Varun Mohanraj – Scandia Capital: What is the timeline if you decide to put up new facilities?

Management: Approximately 5 months is required to complete the plant, shed, and facility.

Varun Mohanraj – Scandia Capital: Can you update us on the order bid pipeline? I think in H1 it was around 600 crores. What is it now?

Management: We have already submitted more than 800 crores in proposals to our customers. With the 118 crores already in hand and further discussions in final phases of negotiation, we are very confident in the targets we have planned.

Varun Mohanraj – Scandia Capital: With the Pune design center coming in, does it provide any margin accretion? Do we see margins increasing going forward?

Management: Yes, the margin percentage will definitely increase. That is committed. The whole team is working on maintaining a 10%+ margin.

Varun Mohanraj – Scandia Capital: Thank you.

Operator: Thank you. Our next question is from the line of Ashwini Agarwal from Casa Capital. Please go ahead.

Ashwini Agarwal – Casa Capital: I wanted to know about the Faridabad facility that went operational in April. Have we secured any fresh orders from that facility that would not have come without a local presence?

Management: Our business from the North has been very good with OEMs for the last 10 years. While the facility was inaugurated in April, several projects for our Northern customers were already on our shop floor in Faridabad. Project execution has already started at that plant.

Ashwini Agarwal – Casa Capital: So orders in hand are now being executed from there. Is that correct?

Management: Yes, that is correct.

Ashwini Agarwal – Casa Capital: Within the automotive revenue, can you tell me the split between Internal Combustion Engine (ICE) vehicles and EV OEMs?

Management: In the automotive segment, more than 40% is EV business. In automation, the parts are largely similar, excluding the battery and engine specifics. Overall, about 33% of our total business comes from EVs, including electric cars and other electric vehicles.

Ashwini Agarwal – Casa Capital: Thank you.

Operator: Thank you. Our next question is from the line of Jignesh from Vedarth Investments Services. Please go ahead.

Jignesh – Vedarth Investments Services: I wanted to understand the focus of our two subsidiaries, MI Robotics and Penteco Automation. How do their focuses differ in sectors like defense, and what

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different products are they working on?

Management: Patil Automation already does significant business for defense projects; it is the automation part. Automation processes are similar across industries. However, when we took over MI Robotics, they brought credibility with existing customers and government orders, along with specialized expertise. This will help us add new business this year, particularly in the defense sector.

Jignesh – Vedarth Investments Services: I wanted to understand what products they are permitted to manufacture. How do they differ from Patil Automation?

Management: Patil Automation builds complete automated lines for defense, such as for bomb shells, bullets, and small arms. MI Robotics makes similar products but has experience working with government organizations. This helps in securing new business. Both are automation companies, but MI Robotics makes it easier to get direct POs from the government for defense. Larger projects will be easier to secure given PAL's expanded capacity.

Jignesh – Vedarth Investments Services: And what about Penteco?

Management: Penteco is also an automation company. They mainly focus on powertrain automation lines and fully automated assembly lines. While PAL did some of this earlier, Penteco's expertise is in powertrain for large assemblies like axles, engines, and gearboxes. They use fully conveyorized systems for the same customers we have. With PAL's credibility, we are seeing more business coming into Penteco Automation now.

Jignesh – Vedarth Investments Services: Can these subsidiaries reach 100 crores each in revenue?

Management: Over the next 3 to 4 years, we have a vision for them to go above that. Separately, both will have at least 100 crores in turnover in the future.

Operator: Thank you. The next question is from the line of Murtuza from Pinpoint X Capital. Please go ahead.

Murtuza – Pinpoint X Capital: Good afternoon. Can you help me understand what exactly we are doing in the data center vertical? Is it an assembly line or production equipment? What is the revenue size and timeline per project?

Management: Containerized data centers are a growing requirement because solar parks now require battery energy storage containers. We make the complete line, starting from container manufacturing to the automated line for battery cells, battery packs, and battery module manufacturing. This is a fully automated turnkey project with conveyorized systems for assembly and storage of the complete unit. We have already installed a line for one customer and have multiple projects in the pipeline.

Murtuza – Pinpoint X Capital: What is the timeline and revenue size per project?

Management: Delivery requires about 5 months, ranging from 4.5 to 6 months total. The pricing range is approximately 15 crores to 30 crores for one line.

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Murtuza – Pinpoint X Capital: Regarding the acquisitions, you mentioned integrating them into our facility for synergy. What is the structure there?

Management: All operations have been shifted to our PAL facility for better synergy. All teams and systems are standardized to PAL standards for long-term growth. The design, R&D, and marketing teams sit together with the PAL team to ensure the same synergy that drove PAL's growth applies to the two subsidiaries.

Murtuza – Pinpoint X Capital: Regarding geography, what is the revenue split between North, South, and West?

Management: It varies depending on greenfield projects or specific requirements. It is not fixed. In the last few years, the split has shifted depending on the orders. We can provide the specific data for FY26 offline.

Murtuza – Pinpoint X Capital: Do you have significant exposure in the South, and are you planning a facility there?

Management: We definitely do business in the South. Currently, it is easy to serve them from Pune. However, an additional facility in the future will help our growth. We are planning for it, but we have not yet fixed the area or business plan. In the future, we will definitely plan a separate facility in the South.

Operator: Thank you. The next question comes from the line of Akshay Ratchcha, an individual investor. Please go ahead.

Akshay Ratchcha – Individual Investor: Hi sir. Who are our competitors?

Management: Since we operate in multiple areas, our competitors vary by segment—defense, heavy fabrication, automotive assembly, and powertrain. For every line, there are different competitors. Majorly, Wipro PARI is a large competitor in assembly lines. For Body-In-White (BIW), there are other OEMs. There are many small suppliers in specific areas, but I don't believe any other single company covers automotive, EV infrastructure, data centers, heavy fabrication, and renewables all together like we do.

Akshay Ratchcha – Individual Investor: What is the cost difference for a customer ordering an assembly line from China versus from us?

Management: We are very competitive. Because we use components available in India, our turnkey projects are cost-competitive. Previously, customers had to buy from China, Korea, Japan, or Germany because no one in India offered these larger turnkey projects. Currently, we are approximately 20% to 25% less expensive than China.

Akshay Ratchcha – Individual Investor: We are cheaper than China?

Management: Yes, we are less expensive than China.

Akshay Ratchcha – Individual Investor: Can you throw some light on the traction for Battery Energy Storage Systems (BESS) and cell manufacturing?

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Management: We have executed projects and have more in the pipeline for fully automated battery pack manufacturing lines. We start with individual cells as input, create modules, and then complete the full pack. These packs are required for container-based BESS, 3-wheeler EVs, 4-wheeler EVs, and solar batteries.

Operator: Thank you. Our next question comes from the line of Achut, an individual investor. Please go ahead.

Achut - Individual Investor: What is the peak revenue we can generate by FY28 with our current expansion plans?

Management: For FY27, we are planning for 260 to 270 crores. For FY28, we are planning around 380 to 385 crores.

Achut - Individual Investor: So with the current setup, we don't need further investment for 380 crores?

Management: With the current setup, we can achieve up to 300 crores. For the additional 85 crores, we will be planning an additional facility, which may be a rented or new facility, though that is not yet decided.

Operator: Thank you. Our next question is from the line of Nikunj Bhanushali from Walfort PMS. Please go ahead.

Nikunj Bhanushali - Walfort PMS: Going into next year, will there be an increase in working capital requirements?

Management: As business grows, we require more capital, though our strategy is to work with advances. Currently, we do not have issues with working capital. Given our turnover plan, we will require some capital for cash flow. This is available through PAL's internal funds, advances, and customer outstandings. We can also use bank support if necessary.

Nikunj Bhanushali - Walfort PMS: Last year saw a significant increase in inventory and payables. What is the working capital cycle in terms of days?

Management: Our project cycle for working capital is around 90 to 110 days. This remains the same whether our turnover is 250 crores or 300 crores because we do business with advances. Currently, we are using internal funds and customer payments. We have no debt at this moment. In the future, if required for execution, we might take temporary support from a bank, but we do not plan for long-term debt.

Nikunj Bhanushali - Walfort PMS: The 12 crore defense order for the subsidiary, is that completely executable in the current financial year?

Management: Yes, it is completely within this year. Some parts will be dispatched in the first quarter, but the full amount will hit this year.

Operator: Thank you. The next question comes from Aniket Nikumb from ABM Capital. Please go ahead.

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Aniket Nikumb – ABM Capital: What is your vision for the PAL Group over the next 5 years?

Management: We have already planned our targets up to 2030. Up to the year 2030, we are planning for the group to reach more than 700 plus crores in business.

Operator: The next question is from the line of Sanket Sar with RAIS. Please go ahead.

Sanket Sar – RAIS: Since you have a bidding pipeline of 800 crores, what factors do your clients look at before allotting an order? What differentiates you from other bidders?

Management: For automation business, our customers are majorly large automotive and non-automotive OEMs. The fact that the complete project can be installed and trialed at our facility before dispatch is a major factor. Secondly, our expertise and experience on these projects are key. Thirdly, delivery speed is critical. While others may require 6 months, we are completing projects in 4 to 4.5 months. Our facilities are much larger than most competitors, and my own long-standing credibility in the automation field is an advantage.

Sanket Sar – RAIS: Can you name some competitors who are as big as you?

Management: There are 10 to 15 companies in this niche, most of them smaller. You can look at Comau, which is Italian, or Jendamark. Faith Automation is another. Many of these focus on specific areas; for instance, Jendamark focuses on assembly lines while Faith does spot welding. In contrast, PAL handles all areas—automotive, defense, renewables, battery lines, and EV lines. We are also starting dedicated teams for food, pharma, and white goods automation. You won't find many similar "one-roof" automation players in the market.

Sanket Sar – RAIS: How has the headcount increased at the R&D center in Pune in FY26?

Management: Our design office in the Kohinoor World Tower houses 160 people, mostly in design and business development. We added 38 people to this facility recently, and shifted some others from the plant to be closer to the city to attract talent.

Sanket Sar – RAIS: Have you done any hiring in the last 5 to 6 months?

Management: Yes, we are currently hiring more than 110 people for this facility. We are also adding a second smaller design facility for future business. We recruited 50 people recently and are in the process of recruiting 110 more to meet our targets.

Operator: Thank you. The next question comes from Paras Ghera with Purple One Vertex Ventures. Please go ahead.

Paras Ghera – Purple One Vertex Ventures: To confirm, for FY27 you target 260 to 275 crores, and for FY28 about 380 to 385 crores?

Management: That is correct.

Paras Ghera – Purple One Vertex Ventures: And the PAT margin will hold at 10% plus?

Management: Yes, 10% plus.

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Paras Ghera – Purple One Vertex Ventures: With an order book of 118 crores currently, how confident are you about those targets given the 800 crore pipeline? What is the historical conversion rate?

Management: For us, getting business is not the issue. We have the luxury of choice. we decide based on who offers good margins, a manageable delivery timeline, and favorable payment terms. If we wanted, we could win more than 30% of the orders we bid for, but we only accept business that fits our monthly dispatch plans and margin requirements. Demand is not a constraint; it is about choosing the right terms.

Paras Ghera – Purple One Vertex Ventures: So your current capacity can do about 300 crores, and the move to 380 crores in FY28 will require new expansion?

Management: Yes.

Paras Ghera – Purple One Vertex Ventures: Regarding the inventory shoot-up in FY26, is that structural or will it normalize?

Management: We are in the project automation field. We procure and assemble projects on our shop floor over 4.5 months. If we have dispatches planned for April and May, that shows up as inventory. It is not dead inventory; it is Work in Progress (WIP) on the shop floor that will be recognized as revenue in the first quarter.

Operator: Thank you. Our next question comes from the line of Parag Shah from Shah Ventures. Please go ahead.

Parag Shah – Shah Ventures: My question is about international orders. Is international revenue currently zero?

Management: We do automation projects in different countries. While our facilities are in India, several of our OEM customers have international facilities. We supply lines to those OEMs that are then installed abroad. On our shop floor currently, we are working on projects destined for different countries, but the OEMs are Indian. For example, Hero has multiple plants in other countries, and we supply those through the Indian OEM.

Operator: Thank you. The next question comes from the line of Sandeep Raj from Oculus Capital Growth Fund. Please go ahead.

Sandeep Raj – Oculus Capital Growth Fund: What is the rate of repeat orders? And regarding the life of the product, what are the prospects for repairs and maintenance?

Management: Previously, our business was 60% automotive and much of that was repeat business. Today, more than 60% of our automotive business continues to come from repeat customers. In our new non-automotive sectors like defense, infra, and data centers, we have also started seeing repeat business.

Sandeep Raj – Oculus Capital Growth Fund: Does every customer come back to you?

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Management: Roughly 60% of customers repeat. It depends on their greenfield cycles; some have projects every year, others every 2 years. Usually, we get repeat business from almost every customer, but sometimes we cannot accept it if our capacity is full for that quarter.

Sandeep Raj – Oculus Capital Growth Fund: What is the typical life of these automation products?

Management: A standard automation line has a life of around 6 to 7 years for an OEM. After that, it might need wear-out parts replaced or modifications for model changes and face-lifts.

Sandeep Raj – Oculus Capital Growth Fund: So modifications come in as well?

Management: Exactly. New models, modifications, and additional volumes are introduced continuously, requiring line additions or improvements.

Sandeep Raj – Oculus Capital Growth Fund: If you are the first choice and you are full, who is the second choice?

Management: There are many small competitors. While there are plenty of smaller players, there are very few with our level of capacity, expertise, and R&D. Not many have a single roof for powertrain, assembly, welding, and fabrication.

Operator: Thank you. We have our next question from Achyut, an individual investor. Please go ahead.

Achyut – Individual Investor: Is the data center business scalable?

Management: Yes. BESS stands for Battery Energy Storage Systems. The data center business in India is huge. We cannot capture all of it because we have other business lines to maintain, but it is a massive opportunity. Historically, this equipment was imported from China. We have now developed fully semi-automated lines in India. Once we finalize an additional dedicated facility for this, we will declare it.

Achyut – Individual Investor: What was the data center revenue percentage this year?

Management: We supplied 20 projects last year. Currently, we have one project on the floor and three to four projects in the pipeline.

Operator: Thank you. As there are no further questions, I now hand the conference over to Ms. Sakhi Panjiyala for closing comments.

Sakhi Panjiyala – Kirin Advisors: Thank you, everyone, for joining the conference call of Patil Automation Limited. If you have any further questions, you can write to us at research@kirinadvisors.com. Once again, thank you for joining this conference call. Thank you, Mr. Manoj Patil. Thank you, everyone.

Management: Thank you. Thank you everyone. Thank you very much for your support.

Operator: Thank you. On behalf of Kirin Advisors Private Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.

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