

SKP Bearing Industries Limited

H1 / Q2 FY2025–26 Post-Earnings Conference Call

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Introduction

Ladies and Gentlemen, on behalf of Captify Consulting Investor Relations Team, I welcome you all to the H1 FY2025–26 Post-Earnings Conference Call of SKP Bearing Industries Limited.

Today, from the management team, we have with us:

- Mr. Shrinand Palshikar, Chairman & Managing Director
- Ms. Sangita Palshikar, Non-Executive, Non-Independent Director
- Ms. Shripada Patil, Chief Financial Officer & Director – Business Development

As a disclaimer, I would like to inform all participants that this call may contain forward-looking statements involving risks and uncertainties.

Please also note that this conference call is being recorded.

I would now request the management team to take us through the investor presentation and key business and financial highlights for the period ended September 2025, along with the company's growth plans and vision for the coming quarters, post which we will open the floor for the Q&A session.

Over to the management team.

Management Presentation

Financial Highlights

A very good morning to everyone present here.

Thank you for joining us for the earnings call for Quarter 2 and the Half-Year FY2025–26 presentation.

I would like to begin with our financial highlights.

Key Highlights of Quarter 2

As we can see, the numbers are improving from Quarter 1 to Quarter 2.

For Quarter 2:

- Revenue from Operations stood at INR 150 million
- EBITDA margin improved to 40.9%
- Earnings stood at INR 61 million

Profit Before Tax and Profit After Tax margins are also reflected in the presentation slides.

Even on a consolidated basis, we are seeing a similar improving trend from Quarter 1 to Quarter 2.

The income statement for Quarter 2 and H1 on a standalone basis shows an overall improvement in Revenue from Operations. Quarter 1 revenue stood at approximately INR 13.6 crore and has now improved further.

Profit Before Tax improved from INR 41 million to INR 69 million.

Similarly, PAT improved compared to the last quarter, increasing from INR 25.5 million to INR 45.5 million.

The half-yearly consolidated performance also reflects a similar trend.

Capacity Utilization

As we know, the ball plant has commenced operations and the current capacities are reflected in the presentation.

The geographical breakup between domestic and export sales compared to last year and this year has also been provided.

Key Operational Highlights

Some of the key highlights from the past quarter include:

- Ongoing integration and turnaround of the France business
 - Ramp-up in production and customer additions
 - Commencement of operations at Plant 3
 - Increased utilization levels at the new facility
 - Debottlenecking operations resulting in capacity expansion
 - Improvement in margins and sustainability at the France subsidiary
 - PM Kusum Scheme contributing substantially to revenue generation
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About SKP Bearing Industries

For new investors joining the call, SKP Bearing Industries is a manufacturer of rolling elements, primarily:

- Needle Rollers
 - Cylindrical Rollers
 - Steel Balls
 - Special Chemistry Balls
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Company Journey

The company started operations in 1991 with needle rollers.

Over time, the company expanded into:

- Cylindrical Rollers
- Steel Balls
- Renewable Energy Segment

In 2024, SKP acquired a French company, which significantly expanded its overseas presence and product portfolio.

Manufacturing Facilities

The latest photograph of Plant 3 was presented during the call.

Product Range

Needle Rollers

Needle rollers are components used in:

- Needle Bearings
- Single Row Bearings
- Double Row Bearings
- Cage Needle Complements

Cylindrical Rollers

Cylindrical rollers are used in cylindrical roller bearings.

Precision Pins

Precision pins cater to a wide range of industries beyond automotive, including:

- Gearboxes
- Industrial Machinery
- Various engineering applications

Steel Balls

SKP manufactures balls ranging from 4 mm to 22.25 mm.

These balls are used across applications including:

- Accelerators
- Water Pumps
- Steering Systems
- Brake Systems

The French portfolio also includes:

- Satellite Balls
- Glass Balls
- Plastic Balls
- Coated Balls

These products serve industries such as:

- Pharmaceuticals
 - Cosmetics
 - Specialty Engineering Applications
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Key Strengths

SKP highlighted the following strengths:

- One of the few manufacturers offering such a wide range of products under one manufacturing roof
 - Manufacturing presence across two continents and two countries
 - Positioning itself as a stable global supplier for global customers
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Green Energy Segment

The company also highlighted its involvement in:

- Windmill Components
 - Solar Energy Segment
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Way Forward

The Jamar Plant commenced operations in March and utilization is expected to increase in the coming quarters.

The France subsidiary has completed one year of operations and management highlighted visible improvements in both revenue and margins.

Capacity expansion at the existing roller plant has also commenced following the shifting of the ball plant, creating additional operational space.

The company also emphasized leveraging the France–India synergy to enhance exports and global presence in the coming years.

Chairman & Managing Director's Address

Mr. Shrinand Palshikar

Chairman & Managing Director

Good morning everyone.

Thank you for joining early in the morning despite busy schedules.

I would like to discuss the company's future approach.

As you have observed, the figures are improving. Our strategy of acquiring the French plant, integrating both facilities, and providing comprehensive solutions to customers with multi-location requirements is beginning to show positive results.

Our positioning as a “global supplier to global customers” is now yielding benefits.

Over a short period of time, we foresee even stronger potential and higher export volumes.

We are very confident that new customers will continue to join our portfolio.

Our French operations are gradually stabilizing and improving.

Of course, there are global challenges and market uncertainties, especially over the past six months. However, we are handling these challenges positively.

Customers to whom we proposed solutions are slowly returning and placing their trust in SKP again.

They have seen our delivery capabilities over the past one-and-a-half years.

We are also expanding our roller segment capacities.

We see strong growth potential and are in the process of doubling capacities.

The ball facility is already fully operational.

Customer approvals, sample submissions, validation processes, audits, and testing are ongoing.

As these are engineering products, the approval process takes time.

However, we are confident that over a period of time, utilization levels for both ball and roller plants will improve substantially.

That is our future roadmap.

Question & Answer Session

Question 1 – French Entity Revenue & Growth Guidance

Investor Query

The investor asked about:

- Revenue fluctuation in the French entity between Quarter 1 and Quarter 2
- Revenue guidance of INR 100 crore for FY2025–26
- Long-term aspirational revenue targets

Management Response

Management explained that the French entity experienced fluctuations due to:

- Global demand uncertainty
- Tariff-related concerns impacting European customers
- Summer holidays in Europe during July and August
- Reduced operational weeks during the holiday season

Management reiterated that the company continues targeting migration to the Main Board and remains focused on achieving ambitious revenue milestones.

The company expects stronger performance during the second half due to:

- End of holiday season
 - Improved order visibility
 - Better operational stability in both India and France
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Question 2 – Quality Control Order Impact

An investor asked about the impact of delayed Quality Control Orders (QCOs).

Management Response

Management stated that SKP is not concerned about competition, including Chinese competition.

The company's focus remains on:

- Productivity
- Quality Levels
- Delivering value-for-money solutions
- Long-term sustainable customer relationships

Management further explained that once Quality Control Orders are implemented, Indian manufacturers are expected to benefit significantly.

The bearing and component industry currently exceeds INR 10,000 crore in size and a substantial shift toward Indian manufacturing would create large-scale opportunities.

Question 3 – Capacity Utilization

An investor requested details regarding utilization levels.

Management Response

- Roller Plant utilization was stated to be above 90%
- Ball Plant utilization remained relatively low due to newly expanded capacities

The ball plant currently operates at approximately 40–50 tons per month against a target capacity of 200 tons per month.

The company expects gradual utilization improvements as customer approvals progress.

Roller capacity expansion is also underway, increasing from around 100 tons to approximately 200 tons.

Overall combined capacities are expected to increase significantly over the next one to two years.

Question 4 – Geopolitical Situation & France Subsidiary

Management acknowledged that global uncertainties initially impacted customer confidence and demand forecasts.

However, the company now has:

- Improved order visibility for the remainder of FY2025–26
- Stronger customer confidence
- Better demand visibility for FY2026–27

Customers are gradually returning with higher order volumes.

Question 5 – Ball Plant Customer Approvals

Investors asked about progress on customer approvals and large-volume orders.

Management Response

Management explained:

- Large customers are currently conducting evaluations and audits
- Sample submissions are underway

- Approval cycles for engineering products take time
- Major customers may eventually contribute substantially to capacity utilization

The company emphasized that many customers are currently dependent on imports and SKP is working to replace imported products with domestic manufacturing solutions.

Question 6 – Margins & Cost Structure

Management explained that:

- The France subsidiary's focus remains on topline growth
- Cost optimization measures are ongoing
- Employee restructuring in France has already reduced costs
- Operational stability remains the priority before implementing further optimization measures

Management also highlighted that SKP's historically strong margins are supported by:

- Product engineering capabilities
 - In-house processing
 - Inventory-led operational strategy
 - Value-added manufacturing
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Question 7 – Working Capital & Inventory

Management clarified that inventory levels remain relatively higher because:

- SKP develops products internally
- The company focuses on engineering and product development instead of pure trading
- Higher inventory enables better customer solutions and stronger margins

Management acknowledged inventory optimization remains an ongoing focus area.

Question 8 – France Subsidiary Long-Term Vision

Management stated that the French entity historically operated at approximately EUR 16 million turnover before declining to around EUR 8 million prior to acquisition.

SKP's long-term objective is to restore and eventually exceed those historical operational levels.

Closing Remarks

Mr. Shrinand Palshikar concluded the session by thanking all investors for joining the call.

He reiterated that:

- The company's future strategy is clear
- Operational focus remains strong
- Customer confidence is increasing
- Large global customers are returning
- The company remains flexible, dedicated, and solution-oriented

He emphasized that SKP Bearing Industries has a "very bright future" ahead.

Conference Conclusion

The moderator thanked the management team and all participants for joining the conference call.

The H1 FY2025–26 Post-Earnings Conference Call of SKP Bearing Industries Limited concluded thereafter.