Management Discussion

Unidentified Speaker
Good evening everyone. This is the first day of Bharat Khan Conference 2026 September edition. I welcome you all to the call of Megathem Induction Limited today. From the management we have Mr. Satatri Chandra who is the whole time director and CF of the company. And Mrs. Abanti Sahabasu who is the CS of the company. Before I hand over the call to the management, I will lay out the flow of the event. We will start with opening remarks by the management and then we'll move on the question and answers round.

So if any particular participant want to ask any question they can raise their hands or put them in the chat box. Firstly, we will take the questions from the. From participants who have raised their hands. And if the time permits, we'll go to the chat box. Please note, we'll take the last question five minutes before the seminar webinar ends due to time constraint. So without any delay, let me hand over the call to management. Yes sir. Please proceed.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah. Well, thank you everyone for joining all participants and those who are following Megathome. So just to. For the benefit of those who have not been following us, we'll just quickly brief through maybe 10, 15 minutes on about our company and who, where all we want to go, what all we are doing, what all products and services we are into. Once that is done, we'll go straight into the question Q and A because a lot of you have been following us for a while. So they're aware of these things so quickly.

Just the first ten minutes. About us. So we are manufacturers of induction melting and heating equipment and also transformers. Along with that we are also into other allied products like casting machines, arc furnaces, refining furnaces. So the metals side of the business, anything to do with metal working, we are there. And of course the electrical side, anything to do with, you know, power distribution in. In terms of transformers, basically we are there. So these are our two primary verticals.

Next slide. So this group was actually founded by My father, Mr. He's an electrical engineer from Jadapur, gold medalist, recipient of various Awards and he was originally working with gec, that is the company that brought this technology into India. And he quit GEC and then started Megathome around 1989, 1990. And I did my engineering from Virginia tech in the US. I was working in KPMG's strategy and ops team in Mumbai for a few years and then I joined the business. And before we start, I'll just briefly explain this induction technology so that everything else, you know, the rest of the presentation becomes easy to understand.

So basically, whether you want to melt metal, whether you want to melt metal for casting it into various shapes, it can be for casting into steel rods, or it can be aluminium, engine block or valve, or it can be a cast iron, you know, component or anything, gold, jewelry, silver, stainless steel, whatever you have to melt the metal. Also there is requirement for heating metal, not melting it, that goes into forging, heat treatment, hardening, etc. So whenever you want to melt or heat metal into that red color shape, you need energy.

And typically it was done previously with coal fired oil fired gas fired furnaces, but they were highly polluting and not so efficient. That is why this induction technology is not picking up because it's completely pollution free. So if you, if you pass an alternating current through a magnetic substance, then it will immediately start to heat up due to eddy currents. And if you put your hand inside, unlike

other forms of heating, if you put your hand inside, nothing will happen to your hand because your hand is not magnetic.

However, the ring or watch on your hand will immediately start to heat up and melt because that is magnetic. So this is how this induction works. The energy is generated from within the metal, so it's completely clean and it's a direct form of heating. Next slide. So like we were mentioning, so we have various products. One is the melting furnaces that goes into the steel and casting sector. When it comes to castings, it can be ductile iron pipe casting, alternative automobile parts casting, manganese, heavy engineering, castings, railways, defense, etc.

We also have the induction heating and hardening heat treatment equipment. Again they go into pipes and tube sector, they go into various engineering sectors, auto, auto, ancillaries, etc. And these are driven by the induction power sources. Of course these first three applications cannot work without an induction power source. So this is why this is completely in house technology. It's our R and D. And this power source is the reason we are classified as an electronics manufacturer in India. And we are recipient of government of India capital subsidies, 25% capital subsidies due to the Electronics and of course these work in the voltage range of around 6000 volt, 2000 to 6000 volt range.

However the factory voltage range is around 33kV or 11kV etc. So we need step down transformers. So originally we used to buy the transformers from outside but since 2006 we have been slowly, slowly, you know, using our own transformers for our products. But now transformers is going for a bigger expansion. So more on that in the, in the following slides. And whenever, wherever we supply those equipment, those same plants require these products also, you know, for further refining, for further metallurgical processes or fume extraction.

So these are the allied products that we have also started supplying now. And like I said, so typically we used to manufacture transformers for you know, our own products but and those were multi winding transformers. And since we developed some amount of experience and expertise on the multi winding transformers we thought it would be a good idea to get into solar transformers because it is similar multi winding and it's a fast growing market and we have invested heavily and we continue to invest in this area.

And we'll discuss more on this in the following slides. Our manufacturing facility is in Kharagpur in the industrial, the Vidyasagar Industrial Park. It's very close to IIT Kharagpur with whom we have various, you know, activities going on like R D and things like that. And it's very close to the Orissa border. And this is of course the transformer factory that, that we have recently launched. And it has capacity of around 2000 MVA but it can, it's scalable to around 3000 MVA and it's one, it's the largest of its kind in Eastern India.

And like I said, all our engineering and development is in house. The IP is owned by us and we have from time to time for upgrading the products. We have tie ups with foreign as well as Indian academic institutions. So we have supplied, you know, almost 3,000 plus equipment to 50 plus countries. But the export side is one area where we are looking at with a much more focus now. And we'll discuss more on that when we're discussing way forward. So these are typical client list. So the transformers will typically go to bhel, cesc, various other.

This is of course the older ones. Now we are supplying to the ipps also the solar sector. Then in the government side, government side it's railways, defense, navy etc. Then the automobile we have Tata Motors, Mahindra Talbot, MM4, Jinx, etc. And from the steel side we have or the Metal side we have companies like Sham Metallics, Hindalco, Rungta Group etc. So it's a diversified clientele. So

industry overview, we won't get into, I won't get into it too much. So the power sector is not growing. I mean it's got steady growth.

But within the power sector the equipments transformer sector is growing very rapidly, primarily driven by, it's going to be driven by data centers, renewables, grid upgrades, etc. So we can research more on that whenever you get the time. And in terms of the foundries, castings, auto sector, this is doing very well both due to government push as well as the private side, especially the automobiles, the auto sector. So both from government side, government push for defense, aerospace, ship building, you know, those kind of products as well as the automobile side.

So this, this market right now is doing quite well in India. Yeah, we can just skip this. Yeah. Coming to the steel side, this table shows so India produces about 200 million tons of steel. Of that we have arc, induction and blast. Blast is typically giving the all the sheet metal that is required, the flat products basically arc is giving all the consumer durables, your automobile, aerospace, so specialized steels and most of the construction steel, regular steel that you get, TMT, rebars, wires, channel angle, beam, etc.

They are produced through the induction route. Now they are interchangeable but due to certain metallurgical reasons and due to certain cost reasons, the industry has split itself in, in this way. But they can, you know, interchange, be interchanged. One of the advantages of electrical steel, we, we, we operate in the induction and the electric arc segment. You will see that the carbon equivalent emissions is much less. So a lot of our clients have started to get the European green steel certifications and even you know, we are seeing inquiries now.

We have supplied to sail, we have supplied to a couple of other big steel companies also who are slowly, slowly trying to reduce their overall carbon footprint by installing electric steel. Now these are typical market sizes in India along with the growth rate. However, all these products are required abroad. So in India it might be a 15002000 crore market, but all these countries require castings. And so this is the basic, basic metal working industry for everywhere. So we are heavily focusing on the export segment and how we are doing that.

We will explain that in the presentation. But there is a big market in India as well and there are not too many players in this. So last year, first half typically, so we will be having, this year's half is about to end. So we Will have a discussion maybe sometime in the future. But this is the second half and what all we have achieved. So basically we have strongly entered the transformer space. We were delayed in the transformer space because of multiple factors. Primarily driven by getting the approvals from the solar energy manufacturers.

So every manufacturer has its own QA quality process. We had to change our factory layout and a lot of things. But all that is behind us and now we have approvals from companies like Tata Power, Sprang Energy which is a part of shell group, re etc and the orders have started to come in and the deliveries have just started. So I think from August and September the deliveries of these non traditional or non furnace transformers, traditional in our case has started from the last month and this month the induction business.

So we've had a strong order book carryover from last year. One area where we are facing some headwinds is the Middle East. So we have about 100 odd crores of orders which is sort of in a limbo. The clients want it but the shipping cost, the insurance costs for the gulf customers right now is making them a little jittery. So the moment I think the war situation dies down that entire 100 crore bulk of the order book is going to activated. But apart from that we have about 300 odd crores of orders and we are expanding into pipes and tube sector with joint ventures with a European partner.

They will be giving us the technology here. And apart from that we have created a joint venture with an American company to access the US market. And large investment has been planned for for the export marketing. So we want to become a global alternative to InductOtherm. InductOtherm is the global leader of induction in India. It's a large group, US based, they have operations pretty much everywhere. And our ambition is to become a global alternative to that. So if you look at the in terms of the financials you will see it's pretty flat.

And in spite of our, you know, increasing our expenses. So if you can go to the next sl. So you know we are building a team so we are front loading a lot of our costs. So we have built a team to expand into the engineering sectors, expand into pipes and tubes. We've incurred a lot of costs for the export side of the business in terms of marketing. So marketing expense including some others have increased by 17% HR costs have increased by 23%. We are trying to professionalize the company, recruit the right talent, retain the right talent.

And so right now the margins are. Can you just go back to the previous slide. So in spite of that the pat is sort of increased slightly but negligibly. But what's important to note here is that the moment we get the scale, because the overheads are not going to increase in that fashion, most of the expenses we are, you know, front ending it like front loading it right now. So that is so it's finance. The bottom line right now is not something to look at but long term or even, not even long term, you can say medium term.

The typical industry EBITDA here is approximately around 15 to 18% and the bottom line is typically around 10 to 12%. So that is what we're targeting. And of course the exports, if that comes in in a bigger way then this will obviously increase. So right now looking at the bottom line is not, it's a growth phase company. So right now looking at the bottom line will not be give you the proper picture of what is the actual industry bottom line. Yeah, so this just, this is just showing those two arrows where the costs have increased and they will not increase that much, you know, as the turnover increases.

Yeah, yes. So way forward. So way forward. We are targeting EBITDA growth will be more than 25% through if we look at up to FY31,32. And the revenue growth we are looking at is around 20 to 25%. The transformer segment which took some time to kick off, now it is up and running. And the induction side also we are growing in spite of the Middle east which was a chunk of our business, the exports, in spite of that being currently off the table, we are still able to grow. And when that comes back onto the table then that growth is going to be much more.

But that will be for one specific year there will be a jump. And if you're looking at the. So, so what we are doing, expanding global footprints. So we are creating agencies or dealerships all over the world. Wherever the dealership model will not work, we are planning to do joint ventures. And so this process is ongoing. And so the to, to sum up the whole thing, the immediate growth that you are going to see is going to basically come from the transformer side. So three, I would say there are three key takeaways.

The immediate growth is going to come from the transformer side. The long term goal for us to get to 1000 crore business that is going to come from the induction side and that to the global markets. And at this moment, bottom line should not be read into too much because you know the company is in the growth phase. So a Lot of the expenses, you can say R and D expenses, the manpower expenses, the, the teams that we have built, but they have not started generating revenue yet. Marketing that we are doing, not starting to generate revenue yet.

But that will come in the next few FIs. So these are the three key takeaways I would say in this

presentation. Yeah. So like I was saying, the road drivers is basically the induction products and the transformers business. This is just an update on, on the joint venture. Yeah, I think that's. Yes. So that's more or less it. So we, we can, we can take Q&As.

Unidentified Speaker
Thank you. Thank you so much sir for your presentation. Investors who have questions, please raise their hands. So I have my first question from Goro. Mr. G. I'll allow them to talk. Hello. Yes, you're audible. Yeah. Sir firstly wanted to understand on the margin profile.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah.

Unidentified Speaker
So like we saw H2 was impacted to some extent. Right. That was I think because of the team ramp up etc you all had mentioned on your previous call.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah. But

Questions & Answers

Unidentified Speaker
Now in the first half or you know, for this year, what is the outlook? Because we see that copper and copper odds are a major part of our raw material. So how much has that impact? Because copper prices have shot up a lot. So how much is that impacting us currently? Are we able to pass on or will we see some pressure in this year on the margins?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah, good question. So see, you know why I'm, I'm saying not to look at the bottom line right now it's two areas. One is the, the team building the R D costs and like you know, to enter any business. So we are not showing those in our balance sheet as an investment, we are showing all these things as costs. So that is one. The second point is to enter the new markets. Like suppose I want to enter a new market like transformers or if I want to enter pipes and tubes. There we are undercutting our opponents and taking the orders.

So just to get that initial order, once we are through, we will scale it up. So that is why I am saying given a medium term, the EBITDA figures are looking like that. Looking at this year, of course the copper prices have gone up, the transformer oil prices have gone up. But we have something called it is approximately 20% of our business, that is the after sales spares. So that is where we can typically adjust the pricing to maintain our bottom line. So in terms of that, in terms of purely on account of copper and all these things, I would not say too much of the bottom line will be impacted.

But Primarily the bottom line is impacted because of the growth in the various, you know, the verticals that we are entering right now.

Unidentified Speaker
Okay. But we'll be able to maintain our at least, you know, these margin levels. We'll be able to maintain at least a 6, 7%. Yeah, because so,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
So most of that, most of that, the impact of copper and all these things. Also, also the impact, like I said, of undercutting the opponents to get those first few orders. Most of that is the first half scenario. Because now all the cop. Because now whatever the new orders have been taken and all, they are basically assuming the new input costs. And we have already entered transformers in a decent way. We've already started executing the orders. So those, those impacts will now like it's only the first half phenomenon.

But in spite of that, in spite of that, because we have that spares, we can, we can, you know, adjust because spares is basically what allows us to do this undercutting and everything.

Unidentified Speaker
Okay. And so now on the transformers part, like we are doing the lower capacity transformers, right? Like low 25 MVA. So that generally there is a lot of competition and like you mentioned, you are undercutting them. So how do we see the margin shaping up there? Okay, now initially, what is the margin profile? And later on, where do you see that margin profile as a whole? On an ebitda fat level.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah, yeah. So if you look at this transformer business, so you have three categories. One is the distribution or up to like say 9 MVA, 767 MBA. Then you have the 15, 20, 25, 30. We can supply up to say 30, 40, 50. And then you have the larger, the 132 KV plus range. So what is Happening usually most of the large transformer manufacturers, they were already there like terrain, world time.

Lot of the next level was say Danish Atlanta and many others. Including many others, they have also now going towards the large transformer, you know, capacity and the smaller companies who are there who are doing distribution, some of them are getting into this medium sized scale, but not too many. So right now, you know, medium size transformers is of course and there are many companies, but it's not like there is.

The supply is more than demand. It is sort of even Steven, you know, it's coming rather I would say still the demand is more than the supply across the medium and especially more so for the large size transformers. Regarding The margin, typically if you look at all the transformer companies, their margin is typically 15 to 18% EBITDA and of course for six months maybe this first half it will be less for everybody.

And if certain companies like Silchar who are doing a lot of exports, their margins will be on the higher side. And maybe some companies like WorldTamp or Terrell who are now, you know, almost exclusively going for big transformers there, the margins will probably improve after the first half. But typically it is a 15 to 18% EBITDA sort of margin.

Unidentified Speaker
Okay. Even for our power level like the capacity that we require. More Or less. More or less. So you can see,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
You can see like our size transformer companies also like you can say Indo Tech, Transformers. You can take a look at maybe Marsons. We are competing with in a lot of the idts. We will. If you can privately connect later, we can, we can share a few more names.

Unidentified Speaker
Okay, sure. Second question is. Thank. Thank you. Hello. Sorry to interrupt. Can I take one last question? Yeah. Okay. Sir finally is on the induction business. Right. So we are actually newly tracking your company. So just wanted a brief color on where the growth. Because the market size is that, you know, part of a presentation. It looks quite small. We are already having a 25% market share, I think. So how is our pricing versus competitors? How will our growth come say will it come from global?

Are we going to go aggressive on the global standpoint and you know, where do you see the induction business? And even on the technology part, if you can give us some color like is it in house and you know, some something technology is completely.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Technology is completely in house. This of course is a niche segment in India. You can say 1500 odd crore of market. However, out of that 1500 crore market we are only doing maybe about 200 odd crores. The rest of the business, like I said, is spares and transformers and things like that, projects and things like that. So 200 to 250. So we don't have a big market share. The primary market share is owned by inductotham. They're a global company. But we have certain advantages being a smaller company.

Our implementation of technologies is very fast and it is more of developing your products. So inductorthumb basically gives every application of induction that is, you know, available in the market. But we are giving say, you know, 50% right now. But there are other applications. So whenever we develop some new application, we get into that market. So right now the application we have targeted is the pipes and tube sector, the welding, high frequency. So it's like that. So it's a process and of course it has to be global.

So you know, we have already sold to almost 50 odd countries. We have already sold to 50 odd countries but you know, in a piecemeal sort of basis. So we don't have any proper establishment or sales team or a dealership network as such. It was mostly the inquiries have come in and we've bid and got the order. So now we are going for a much bigger export momentum. That momentum unfortunately got. And we did get a lot of big orders. Unfortunately got you know, sort of headwinds situation due to the war.

But the moment that opens up then that you know it's going to be the much faster growth.

Unidentified Speaker
Okay. And our pricing versus our competency. Sorry, sorry Gaurav. Sorry to interrupt but there are multiple questions ahead. I'll get back to you. If the time permits I'll give you the opportunity again. Thank you. Thank you for understanding. Okay Mr. Mukesh, I'll allow you the time to talk.

Unidentified Participant
Oh

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Hello.

Unidentified Participant
Am I audible? Yes

Unidentified Speaker
Sir. You're audible. Yes.

Unidentified Participant
Good afternoon sir. Now my question is on the transformer side.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes.

Unidentified Participant
You said we are moving from thousand MBA to three thousand means how much time? When. When will reach three thousand.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. So currently our capacity is around two thousand mva. And typical realization is anywhere between for aluminum transformers it is around 800 rupees per KVA or 8 lakhs per MVA. And it goes to say 1200 up to for the copper transformers. So maybe 1100 copper transformers. And we are currently, you know just from you can say September or August onwards we are running at almost full capacity. So however if we are, if we see that you know we are completely booked out up till I think January. So we stopped taking fresh orders again.

I think from post the pujas and all we'll start the order, open the order book again. And so once we see that you know the capacity that we are manufacturing, it's fully utilized and once we see that there is attraction and all then we are already doing the groundwork for the next transformer shed also. And we are doing some backward integration work also. So we've just done the piling and the flooring part. We have not touched the shed. But the moment we see that our capacity is being utilized and we are getting good traction.

So these are little complicated transformers, multi winding. Once the products are properly established, so then immediately we will set up another shed and that will be enhanced to about another 2000 just replica of the current shed. So if you see Google maps you will see there are three sheds now. So 11 4th shed is coming. You you'll be able to see it on Google Maps.

Unidentified Participant
Okay, got it. So 27, 28 will have a good contribution from the transformer side. Yeah.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
So see, typically in our last year say turnover, our transformer contribution was 30, 40 crores. That was our capacity. Now you will see the first half was again 30, 40, 40 crores. Half means 20. However, the second half of this year if we are, you know, completely booked out. So then you can assume that we will get say 150 or 140. Half. 70.

Unidentified Participant
70. So if

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
You add like 70 and 20 then this financial year we should be ending up with something around say 80, 90. And then next financial year we should get that full 150. And then from the next financial year we should again get that, that new shed and will grow accordingly.

Unidentified Participant
Okay. And sir, on induction side, which you said that Middle east order is pending. I mean it's still pending, right? It has not cancelled yet?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
No, no, nobody's canceling. In many cases the advance has come. In many cases the payment has come, but they are not lifting. In many cases the shipment is on the ship. The ship has disappeared a little bit Chaos situation is going on. But we are protected because most of our orders are FOB means up to India port. So we are protected in that way.

Unidentified Participant
Okay. Okay, that's it. Thank you very much and all the best.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Thank you.

Unidentified Speaker
Thank you. Thank you. Mr. Mukesh, Mr. Sat the V.

Unidentified Participant
So my question again was just trying to get a sense of the market size that you are addressing in the transformer space. How big? That. And like you talked about the induction space. That, that's great. But I'm just trying to get a sense of like how big are you and your addressable market within the specific type of transformers that you are making?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. See we are doing two types of. We are basically supplying two types of transformers. One is the induction furnace related transformers. And of course when we supply these induction furnaces to various plants, induction heaters also to various plants there also they require some auxiliary transformers, they require some distribution transformers. So. So that market is there, but the big market is basically the, the renewals, the Bess transformers, the solar transformers, the. Then we are trying to get into the data center.

So this, this entire transformer market size is about 2,500 to 3,000 crores in India and abroad it is again, there is a market also.

Unidentified Participant
Okay, and how competitive are the transformers that you make versus A established players and B, like in the export market, is there a competitive advantage like in terms of labor cost or anything in. Yes,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. That is why I see. Silchar has been very smart. They have got their ratings and they've created a good base abroad. So we are a little late in this vertical. But still we already have an export base. So we want to get some credentials in India with good companies and then we also want to export and to get the credentials you have to, you know, first supply in a, in a much larger way in India. So we are already supplying to good companies. Like we've got orders from Hero Futures, we have got orders from RE plus for Bess, that is the battery storage.

That is again a big scope. Then we are supplying to Shell Group company that is spraying energy.

We've got approvals from Tata Power and various others. So and this entire approval process is basically what took us a long time. It is a very stringent process.

Unidentified Participant
Right. And if the order book like scales up quickly, how long does it take to build more capacity like your business? See, capacity

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Building in terms of shed, we already have land and in the same industrial park. And I mean it's the same place out of 15 acres, we've developed about 10 acres so far. We still have ample space to grow. The only challenge is the just like transformers, like most of the transformer companies, their order books are booked out. The large ones, their order books are booked out, you know, one and a half years, two years situation right now. So similarly the transformer capital goods segment is also booked out.

Means if you want a machinery like vacuum autoclave or a winding machine or things like that, those are also having extreme lead times, automatic foil winding machines and things like that. So but however we have good sources in China so we try to get those from China faster. So you can say that if the demand picks up but unfortunately it will take one year to get the entire thing up and running. So we have to take. Usually what we will do is that we have to preempt this. You can't wait for the demand and then go for the expansion.

You have to preempt the demand and expand.

Unidentified Participant
And one last question for me, I know I've asked you a lot but what is the capacity cost for let's say 100 crore turnover in transformers? What is your capex for that? Not including land?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah, 400 crores, not including land. See the shed for example, we can take this shed that we built like that is 2000 kv. 150 crore, you can say approximate capacity. So 150 crore capacity with all the machinery and everything was to the tune of around 25 to 30 crores.

Unidentified Participant
25 to 30 crores. And normalized margins on this business would be what?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
And normalized margins is around 15 to 18% EBITDA.

Unidentified Participant
Okay, that, that's, that's pretty decent.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Oh no, because you are not considering the, the working capital. So the working capital is the main investment in this business.

Unidentified Participant
Okay. And working cap cycle is how long?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Around four months.

Unidentified Participant
Okay,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Three, four months. Because you have to stock up on the imported items like core, then copper, transformer, oil. There is going to be a lot of finished goods which are. People are going to come for inspections and things like that.

Unidentified Participant
And major raw materials are passed through in your contracts for transformers.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Depends on order to order. So you know, first the entry orders we have not kept because we are just. We wanted to get through. But then typically yes, if it's a long term, if it's order for 2, 3, 4 transformers, then no. But if someone gives you order for say 20 transformers, 30 transformers which will be supplied over a year, year and a half. So in those cases you have the price variation clause. There are certain established mechanisms also or you can privately have an understanding. This is a rate at copper.

This is the total amount of copper and it will grow like that. So

Unidentified Participant
Okay, great, thank you. Okay,

Unidentified Speaker
Thank you. Thank you sir. Now, Mr. Mukesh, Hello.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Hello.

Unidentified Speaker
I guess you Mr. Mukesh, are you there?

Unidentified Participant
Or else you can take questions from chat?

Unidentified Speaker
Yeah. Yes, that's what I'm going to do. So firstly Mr. Sandeep wants to ask what is your competition scenario at domestic and global level? What is TAM for induction in domestic?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah. So in the domestic segment basically there are three companies. One is Megathome, one is Electrotherm, one is Inductotham. Electrotherm typically is a steel manufacturer. So the most of their turnover comes from steel and ductile iron pipes and all that. So but we compete with their projects and engineering division. So our main competition in the steel sector with induction products and the allied products is with Electro Thumb. When it comes to the engineering sector, which is, you know, casting sector, automobile defense, things like that there our main competition is Induct to Thumb

Inductotham.

If you look at the global situation again, Inductotham is the primary supplier in the world ind China is China although has a lot of induction manufacturers but they are not so competitive primarily because these products are very engineering heavy. So right from production to drawing, design, customization, commissioning, service, everything it requires, even manufacturing, it requires engineers. So that is why India has become the. Since engineering is available widely and at cost effective prices, India has become A global induction hub.

In fact it is going to become a global transformer hub also very soon. But still transformer, you still commoditize because the core who, the person who has the control over the core copper, they will dominate. So difficult to you know, dethrone China but in induction India is the hub and Inductotham's global largest factories in India they basically manufacture everything here and then they send it to various countries and do in semi knockdown condition. So that is why we are also confident that globally we will be able to compete because our infrastructure is good, it's growing and we are developing these products now and it's performing better.

So the main USP of an induction equipment is basically two things. One is reliability and one is the energy consumption. So energy consumption because the raw material here is energy you're not using coal, oil, gas. So energy consumption we are excelling and reliability we are excelling. Typically you know, if any design change has to be made, it's a very lengthy process in a company like Electrotherm but we are able to adopt changes to technologies very fast. Apart from that, in terms of reliability our equipment are tuned to work in the Indian conditions, you know, 50 degrees heat that the equipment is supposed to be an air condition, the air conditioner is not working, dust, you know, so, so those things again the, the market feedback you can, you will have, if you take feedback it'll be even better than me that that inductor thumb furnaces are very, you know, say sensitive because it's a, the design is more international than ours.

So in terms of reliability and in terms of energy consumption we score well. So that is why we are confident that if you're able to do proper marketing, penetrate those markets, develop the products, we can be a global alternative to induct.

Unidentified Speaker
I'll allow him to talk.

Unidentified Participant
So do we have any market data related to how much of the new finances which are being installed has ARC and how much has induction market share in terms of that of the additional capacities coming.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
See the arc data you will get easily and the blast data you will get easily for two reasons. One is that mostly the ARC and the blast is installed by larger companies. So and, and, and arc also requires, unlike induction, arc requires a very like they have to apply it to the grid and to get the clearances for pollution and all that because it is a the pollution is one angle and B the other angle is the grid stable because arc has a lot of jerk load because when you are arcing there is tremendous voltage spikes and all that.

So. So you will get that data very easily. The induction data, it's practically impossible because there are about thousand plants plus in India and you can set up one induction project in a few months. So

that way too. But typically as per the government data that we are seeing we showed that slide that about 43%, 43 million is ark or 75 million is induction and the rest is blast. So I think it is going to grow typically in. In that direction only.

Unidentified Participant
So how, how much has that share share changed in the last five or 10 years? If you have that figure.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
No, in the last five, 10 years induction has come up in a big way. Typically Induction has always been a smaller, you know, only the local companies. But now there are a lot of big induction list publicly listed companies like Sham Metallics, Prakash Industries, J. Balaji Group. So many more, you know, there are many more. So but that was not the case about you know maybe say 10 odd years back. So induction has grown significantly in India and it is mainly driven by sponge iron. There are big groups unlisted also you've never heard of probably Rungta Group, Rungta Mines Group, Reshmi Group.

They have I think 5, 6 million tons capacity still they are making but they're under the radar and so it's very difficult to get that data for induction.

Unidentified Participant
Got it. And finally can you share the breakup between your complete equipment versus spares on general basis what the mix remains?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. So if you look at the our say last year 350 odd crores. Out of that about 60 odd crores was spares. And 20% of our business typically has always been spares. And that drives the bottom line basically in the growth phases we sort of give at break even. But we know that for the next 20 years we'll get the spares business. So at least 10, 15 years. So that's 20%. About 40 odd crores was from transformers and the rest was from the induction and allied products.

Unidentified Participant
Yeah, Sorry. And just one more last question if I can squeeze in. So I. We are very clear that the growth got tumbled down because of our export orders which didn't got picked up. So what's the domestic growth if we exclude that from in last two, three quarters.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. So basically you know if you look at our exports it typically has always been about 20, 25% of our business. But last financial year you will see a lot of you know it came down to Almost I think 15 odd percent because it was only being driven by South America, Africa. But the bulk used to capacities Used to go to the Middle east and also Southeast Asia to some extent. But that entire Middle east segment got wiped out. And even for a lot of transformer companies also who are exporting, you will see this trend that got wiped out.

But at the same time it's not like those orders are cancelled. I mean they are still continuing with the. The factory shared development. Those projects are all on. They are just waiting for the ship. What most of our clients are saying is that the. The shipping has become a challenge now. Of course, their existing equipment they're running and they're taking spares for that. But those spare items are. They go in boxes and things like that. So that is not an issue. But taking large furnaces and transformers in the ships, that is what the insurance costs.

And all these things are now. That whole situation is now very volatile. So that is why they have all. They are continuing the work but they're not taking the shipments.

Unidentified Participant
Yeah, yeah, that I understood. I'm asking what's the domestic growth has been whatever. Yes,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. So whatever growth you will see now suppose our result is going to come out. You can say that the degrowth in the export side, but the domestic side has basically helped us to. You know, so. But of course I can't share the data exactly right now. Exact. But the domestic side has grown obviously and 10 to

Unidentified Participant
12% domestic is still growing for us, right? Yeah,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah. Domestic is growing. Domestic will grow because the induction overall field and the industrials, I would say the engineering segment especially driven by the things like defense automobiles, this, that these are growing. Steel is very cyclical. Steel has, you know, some sudden spurts and typically first half of the year for us, every year is the same. Last five years, first half has been the same. The second half of the year is where mostly the capital goods come in because of the rain and everything.

Nobody installs anything first half of the year. Business mostly picks up after the Diwali or after Puja and all. But steel again is cyclical this way. But the engineering sector and the transformer sector, these, these sectors are growing now tremendously.

Unidentified Participant
And it could be better once the pipes and tubes induction starts coming. Yes, pipes

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
And tubes is again a very big area where we have not entered only inductotherm and a couple of other foreign companies have the technology. So we have tied up with a company called Sigtech Spain. We are doing a joint venture. So they want to get those modules manufactured by us as in this Megasm Induction, our company. And we will give them the royalty and we'll sell the products.

Unidentified Participant
Okay, thank you.

Unidentified Speaker
Okay. Thank you. Thank you so much. There's Mr. Ketan chha.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Hello.

Unidentified Speaker
Hello Mr. Ketan. Okay, so I don't know. There's one more question from the chat box and then I'll. From Mr. Himanshu, could you clarify which type of pipes you mean? Are they similar to the pipes manufactured by Man Industries, lsew and hsew? Sorry, I'm not aware of the terms.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
So we are here talking about basically the pipe. I'll give some examples. So let me just. So mostly it's what you call the narrow, the small. I think man is. Is one of the companies who are using the induction welders. Because I have heard this name from our salespeople talking about it. So yes, it's like those, it's the small diameter pipes not the. If you're talking about the ductile iron pipes and those big pipes they are basically casted. So. So electro steel castings and things like that, they are completely casted.

But these small diameter steel pipes, those are the ones we are basically trying to get into. But yes, I think man is also making the small diet because I have heard my sales people talking about that.

Unidentified Speaker
Okay, thank you. Mr. Lala Ram Singh,

Unidentified Participant
Good evening.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes

Unidentified Speaker
Sir, you're audible.

Unidentified Participant
Thank you for the opportunity. I have one question. I was looking at the numbers of inductotherm.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah. And

Unidentified Participant
It's around thousand crore more than the top line.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah.

Unidentified Participant
Beta margin is near 25%.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes.

Unidentified Participant
So I want to understand number one on what basis are we trying to take market share from inductotherm? That's my first question. Second, our aspiration is 15 to 18% EBITDA margin which is still below 25% of induction. So what, what is the reason for a lower aspiration? Thank you.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. So good that you have seen the inductance of numbers because it's a not a listed company. So. But we know that because of the internal, you know we find out intelligence and all. So the Inductotham is basically you. You'll see out of their 1500, 1300 crore or turnover a lot of it is basically exports. So they are exporting to Inductotham, say Australia Inductotham

Unidentified Participant
Turkey,

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Inductor usa. So it is like their sister company sale.

Unidentified Participant
Okay. Intercompany

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Sale. And since they are doing vast quantities of exports there, you know it's going to be much higher.

Unidentified Participant
Okay.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
So they are, they are not doing that much in domestic. The export is big. So that is why you know their Ebitda margin will always be higher than us. But coming to your first point, why would someone buy a megatherm and not an inductive thumb? So that ideally that question should go to people who have migrated from inductotherm to megathome. So typically you know the reason is one reason I can say is temporary because they are, we are a much smaller company, they are a much bigger company. So you know these equipment require servicing.

These are 24 hours equipment. So 24 hours, 365 days. So the servicing angle is a little bureaucratic. You can say in inductor thumb in our case, you know I know most of the clients they. So it is more you know, owner driven. So that service and all is more prompt. So that is that, that is one temporary reason. But the more, what gives us more confidence is basically the reliability of the equipment and in terms of sensitivity especially in the Indian context or a third world country context like Africa, South America and all those things.

So the manufacture the equipment in such a way that it will you know work even in under very harsh conditions where there is no maintenance, no you know, proper facilities, water quality is poor and all things like that. And the other major, major, major angle is the energy consumption. So typically the induct in inductotharm equipment you can take the market feedback also the energy consumption is. Consumption is on the higher side and we have over the last 10, 15 years made lot of incremental changes and we continue to do it and we make sure that the energy consumption is less.

So this and this is the main factor in fact. But that of course this more than me saying if you can take a feedback from say people who have migrated from Inductotham to us like say Sharda Energy listed company, Prakash Industries, Sham Metallics or some of these if you can get some contact. Yeah, thank

Unidentified Participant
You so much. I'll do that. I have one more question. Sorry to.

Unidentified Speaker
Sorry to interrupt. No problem.

Unidentified Participant
Maybe I can connect separately with the management.

Unidentified Speaker
Yeah, yeah. Due to time constraint there are a lot of, a lot of questions left. But due to time constraint we'll have to end this webinar. I think the management, the participants on behalf of Aryan Capital. For any further queries you can reach out to the team at Ariane Capital or the management will definitely support you guys. Thank you so much sir. Thank you so much Captiva. So much management.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Thank you. So we are, we are looking forward to if required you we can arrange one on ones as well. So, so just send us, send us an email and and we, we can, we can have, can

Unidentified Speaker
You let us know your email id?

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah, so we have the. We have. Yeah, you can connect

Unidentified Speaker
Through us actually.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yeah, you can connect through. So our Captiva.

Unidentified Participant
Right? Yes. Okay.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Yes. Yes.

Unidentified Speaker
Or

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Our website has cs megathon.com that's the company secretary. So we she. She routed through Captify. They'll host the, the one on ones.

Unidentified Participant
Sure, sir. Thank you so much.

Satadri Chanda - Chief Financial Officer & Director, Megatherm Induction Limited
Thank you. Thank you so much.