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Megatherm Induction Limited
(Formerly Megatherm Induction Pvt. Ltd.)
Megatherm Tower,
Plot L1, Block GP, Sector-V, Electronics Complex,
Salt Lake City, Kolkata - 700 091, India.

Date: 05th June, 2025

To
The Listing Department,
National Stock Exchange of India Ltd,
Exchange Plaza,
Bandra Kurla Complex, Bandra (East),
Mumbai– 400051

Ref.: Megatherm Induction Limited / NSE/2025-26/18
Symbol: MEGATHERM
ISIN: INE531R01010

Dear Sir/Madam,

Sub: Submission under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of Post Earnings Conference Call

With reference to our Company's Post Earnings Conference Call held with the Investors/Analysts on 3rd June, 2025 at 2:00 pm., and pursuant to Regulation 30 and Part A of Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, we, Megatherm Induction Limited, are submitting herewith Transcript of the said Meeting.

Kindly take the same into your records.

Yours faithfully
For, Megatherm Induction Limited

ABANTI SAHA BASU Digitally signed by ABANTI SAHA BASU
Date: 2025.06.05 15:00:25 +05'30'

(Abanti Saha Basu)
Company Secretary & Compliance Officer

Place: Kolkata

MEGATHERM INDUCTION LIMITED

H2 & FY25

POST EARNINGS CONFERENCE CALL

June 03, 2025

Management Team

Mr. Satadri Chanda - CFO & Whole time Director
Mr. Arunava Bhowmick - VP - Finance & Accounts
Ms. Abanti Saha Basu - Company Secretary

Call Coordinator

KAPTIFY

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the H2 and FY '25 Post Earnings Conference Call of Megatherm Induction Limited. Today, on the call from the management we have with us, Mr. Satadri Chanda, CFO & Whole time Director; Mr. Arunava Bhowmick, Vice President, Finance & Accounts; Ms. Abanti Saha Basu, Company Secretary. As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements, which may involve risk and uncertainties. Also, a reminder that this call is being recorded.

I would now request the management to brief us about the business and performance highlights for the period ended 31st March, 2025, the growth plan and vision for the coming year, post which we will open the floor for Q&A. Over to the management team.

Satadri Chanda: Thank you everyone for joining this post earnings call. And so for the benefit of those who are looking at Megatherm or interacting with us for the first time, we'll just quickly go through the introduction part within five odd minutes. And, we'll dive into the performance and more importantly, the way forward and what we are planning.

So I'll just switch off my video in order to save bandwidth. Yeah. So like, you may or may not know, Megatherm manufacturers induction, melting, and heating products, transformers. These are the larger transformers, 5,000 KVA up to 50,000 KVA, and various other equipment, metallurgical equipment like, casting machines, and various types of furnaces like arc furnace, a ladle refining furnace, etc.

And we cater to various industries like primary, secondary steel, auto ancillaries, ordinance factories, railways, ductile iron pipe producers, and various other engineering industries. And apart from India, we also export. So we have already exported to quite a few countries and we are increasing our export business gradually. Can we have the next slide? And, how our company came into being? So our group was founded by my father, Mr. S. B. Chanda.

He did his engineering from, Jadavpur University. He's a gold medallist, and a recipient of various awards in electrical engineering. And post his education, he was working with Tata and GEC, a General Electric Company. That was the company that brought induction technology into India. And then in 1989, he quit and started his own business. So that is how, we got into the field of induction.

And my name is Satadri, I'm the Whole Time Director and CFO. And I did my Bachelor's from West Bengal and Master's in Engineering; I did from Virginia Tech US. After that, I was working in Mumbai in KPMG's Strategy and Ops division, before joining Megatherm. And like, induction technology, it's a relatively new technology.

So whether you want to heat or melt metal for various purposes, either it could be to work the metal, harden or to cast into various shapes and sizes, you can either use direct heating that is done in these blast furnaces that use coal or oil or gas, or you can use this induction technology, the heat is generated from within the metal. So there is no loss, there is no pollution, and it is a very efficient and modern way of working with metals. And, we have a range of products.

So we have induction melting furnaces that are actually used for melting. Then we have heating and hardening equipment that go into various industries again, and they are powered by the induction power source. So these, it could be one plus four or two plus four or three plus four. This is how we sell the products.

And these induction power sources are also fed by transformers, so that is how we originally got into transformers. But now, we have expanded our transformer portfolio and more on that in the growth plans. And so that is how we started our business. But gradually, since the furnace becomes a central part of any plant and we generate the specs for the rest of the items.

So we have also started manufacturing the rest of the items, like, ladle refining furnace, electric arc furnace, continuous casting machines, and, various types of other equipment that go into these plants that use induction equipment. And most welcome to visit, our manufacturing facility. So right now, we have three manufacturing facilities. One is the induction manufacturing facility. One is the precision machining and machine building workshop.

This is basically backward integration work. And one is the transformer manufacturing shed. And these are some of the glimpses of the transformer manufacturing shed. And, way forward, we have targeted ₹500 crores revenue with 8% to 9% bottom line within two years, and that has certain drivers. So one is the capacity expansion. That work has been completed.

So from this financial year, we are expecting to see the turnover increasing. A new capacity for transformers has been commissioned,

and that is also going to free up the space for induction, to grow. So the CapEx has been completed, and now we are working on building our teams, joint ventures, agencies, etc to tap the export markets.

So this is a new information that we wanted to declare that we have done a joint venture with Cyprium Induction USA. We will be pitching all our products to the North American market. So Cyprium Induction also is a induction company. So they have experience in handling these products, and it will be a mix. It will be a mix of either we supply the entire equipment, or in certain cases, they will supply certain components and we will supply certain components.

And we wish to capture the American market, which is expecting to have an sort of resurgence in the Industrial segment after laying low for quite a few years. And if we look at the performance highlights, basically, it's similar compared to last year. As it was expected, our capacity was completely full. But now our new capacity has been added.

So this financial year onwards, we are going to see the changes primarily. These are some of the annual highlights. So you can see that we have grown, and at around ₹300 odd crores, the capacity has been exhausted. And the PAT improvement is there, but it's not showing much significant here, but we have another slide on that, which I'll explain. Here it is. So, basically, although the revenue hasn't increased much, but the bottom line has increased. But we have maintained the bottom line. We have spent more on HR and marketing because we are projecting growth now.

So we have done more marketing expenditure, more HR expenditure. We are building our teams to cater to the growth of our company for the next three, four years. So if we added, if we did not make that extra expenditures, then our bottom line would have been more into the tune of ₹1 crore or ₹2 more crores. But, so keeping basically which means that the bottom line would have been percentage wise, it would have been the same, but we are projecting growth.

So we have built our team. We are still building the team, and we are also ramping up our marketing especially for the Export segment. So, broadly these are the key highlights. And the earnings for the running financial year, that is where we are going to start seeing, if you look a couple of years back, the turnover was around ₹180 crores.

And now we have reached that ₹300 odd crores level. And within two years, we have targeted 500 odd level. And to reach ₹500 crores, turnover or whatever CapEx has to be done, it's almost done.

Couple of machines are pending. So our utilisation report has also been uploaded. I think you will find it online. So from our IPO proceeds, we have utilised most of the CapEx. I think couple of crores odd might be left. But we have not utilised the working capital as of yet. Much of that is still left. And the corporate general expense that budget is also left.

So those two we have kept for when the expansion when the new orders start to flow in for the transformers for projects, induction products, those will be utilised in this year and coming financial year. So more or less, this is broadly what we wanted to share in a nutshell, and I like to open the floor now for questions. So, Vinay, if you could, host that.

Question-and-Answer Session

Moderator: Yes, we'll now begin the question-and-answer session. Anybody who wishes to ask a question, please use the option of raise hand. Yes. We'll take the first question from Mr. Sanjay Shah. Please go ahead.

Sanjay Shah: Yeah. thanks for arranging a meeting and updating. My question was regarding the prospects of our industry. How do you see that and how we are competing with the large manufacturer like Electrotherm and how we place ourselves in that scope of growth and the business. Do we have that market and what are the rational of looking at optimism of doing ₹500 crore? That is my first question.

My second question was to update us on your JV that is for U.S. Cyprium. So what are the rationale of that JV, and what the company was previously doing? Are they into manufacturing or only marketing? And how the JV will work for us in our favour?

Satadri Chanda: Yeah. Thank you for your question. So, you see that both the transformers and the induction products, they cater to various market segments. So Electrotherm is primarily into the Steel segment. They sell their induction and other products into the Steel segment. So that is one area where we compete with them.

But even there, most of the larger companies, secondary steel companies who were buying Electrotherm equipment, now we are

selling to most of those large client like among the listed companies, we have Shyam Metalics, Sarda Energy. You have Rungta Mines, Rashmi Metaliks they are the larger companies Shakambhari, Bajrang Steel. So most of these companies were being catered to by Electrotherm, but now we are getting bulk orders from them.

The news as and when is confirmed, it will be uploaded online. And the primary reason for that is, you don't require coal, gas, and all these things. Here electricity is the raw material. So whoever can make their equipment more energy efficient, they actually get a greater market share. So we are continuously doing R&D, lot of small, small, small, small gradual changes are being done with the help of customers, also their feedback.

So we always try to keep one step ahead in terms of the energy consumption, productivity of our equipment. That is the main driver. When it comes to the other induction products like foundry heating, there we are primarily competing with a company called Inductotherm. They are U.S. based, but they have their largest manufacturing facility in, it's in Gujarat.

So that is where we compete with them. Again, the energy consumption, but in the field of heating and hardening, the energy consumption is more or less same because the parameters are quite stringent. So there is not much enormous difference like we see in steel melt shops. But here it is more of, the robustness of your equipment, minimising the downtime, and service. So our service is one, very strong area for us. It's more hands on. Maybe because our organisation is smaller compared to American counterparts, Inductotherm.

So that is where we excel. So multiple factors. And when it comes to transformers, so we have been making transformers for the induction products for quite some time. But, since the manufacturing facility is same, the know how is same, the design concepts, parameters, they're all the same. So that is why we had got into other types of transformers like distribution transformers, substation transformers, etc. But we have not gone out of our way to market them strongly.

But now we have built a separate shed. We have built a separate marketing team, and we are also doing a testing that is the accreditation testing, the CPRI testing that will be completed very, very soon.

And once the testing is done, we are expecting a lot of orders from the solar transformer or the renewables transformer. That is one area where we are seeing a lot of interest, lot of traction. So (technical issue @ 14:55)we are quite confident of getting a good market share in these products. So (technical issue @ 15:38) And ₹500 crores is just a start. I mean, the market is quite big, especially if you look at the international market. The potential is enormous. So ₹500 crores is just a start. We are quite confident.

And your second question was regarding the JV. So, basically, we have tried pitching our products into the U.S. market, but the U.S. market people over there are more comfortable, if the servicing or if the manufacturing facility or at least some backup is there, which is American. So that was our rationale behind having a joint venture. Instead of just trying to market the product there and try to sell it from India, it's quite difficult.

So the current Cyprium Induction, they manufacture equipment in very limited quantity. Their sales is around $2.5 million. But they are quite confident that with their expertise in sales and the price differential or the price advantage that we will be able to give them from India, they are quite confident, and we are also quite confident that we can grow that market.

Sanjay Shah: So in this case, the sale price, what we'll offer to the JV company will be our profit here at our parent. And then from there, what we'll sell and commission or whatever…?

Satadri Chanda: Yes. So we usually what happens, the induction products there is two, there is one domestic pricing and export pricing. So the export pricing is typically anywhere between 5% to 15% higher than the domestic pricing. So we will be selling at the export pricing. And from there, whatever additional amount which we are able to get from the customer that profit will be kept there and that company is almost 49.99%. That also was done because ease of taxation and some laws over there. So the profit over there also half of that belongs to Megatherm Induction only.

Sanjay Shah: That sounds good.Very good. And my previous question was regarding the market size of our product in India, because we've got three players. Inductotherm, Electrotherm, and ourselves. In that where we stand and what's the prospects over there?

Satadri Chanda: Yes. So if you look at the transformers market, there we are primarily competing with companies like you can say, Shilchar. T&R is now gone into much larger transformers, but Indotech, Shilchar, etc. So there the transformer market is multi-billion dollar market in India. So the upper limit is not there. We're also pushing for the exports. So transformers is an enormous market.

If you look at the induction products for the foundry and the heating sector, that roughly in my opinion, is around ₹700 crores, ₹800 crores market in India. Again, export it, the potential is enormous. And, if you look at the steel plant products that that we are getting to, that is another approximately say ₹2,000 odd crores, ₹1,500 crores odd market in India. So you can say ₹1,500 crores plus about you can say ₹800 crores. So ₹2,300 crores, ₹2,400 crores market is there in India. But, again, the export potential is enormous, and the transformer potential, again, is quite a bit.

Sanjay Shah: Got it. Thank you. I'll come back in queue for more questions. Thank you.

Satadri Chanda: Thank you.

Moderator: Thank you, Sanjay. We'll take the next question from Saurabh Poddar. Please go ahead.

Saurabh Poddar: Hi, appreciate you taking my questions. Firstly, can you just repeat the ₹2,400 crores numbers? Basically, I wanted to know what is the total addressable market for both our induction and transformer business, and at what rate do you see them growing?

And my second question would be to that ₹500 crores target that you've stated, over the next two years, what CapEx would you require?

Satadri Chanda: Right. So I'll take the second question first. For, achieving ₹500 crores, we don't need any more CapEx. We've already done that. So now it is essentially utilising that the capacity that we have added. And you can see, if you look at our induction product, transformers is a multi-billion dollar market. So around $8 billion, $9 billion is the transformers that the distribution, the furnace transformers, and the solar transformers.

And the growth rates for the solar segment, especially, it's quite high. Approximately 20%, 30% every year, it's growing. Most of the

transformer manufacturers are getting into solar, and still there is not enough supply we are importing by VM in India. But the distribution transformer is, it's a very large market, and it's chugging along every year anywhere between 5% to 10% depending on the power requirement. As it increases, in India, typically, it increases at between 5% to 10% year-on-year. But the solar segment is one which is growing rapidly.

When it comes to the induction products, that market I would say is around induction products. Also in the steel plant, you have non-induction products like arc furnaces and all. So that market is, in our opinion, around ₹2,400 crores, ₹2,500 crores market. And of that, you can see that from the steel segment Electrotherm, they do roughly around ₹1,000 odd crores. So over there, Electrotherm is there and Megatherm is there, and some of the other companies are there.

And Inductotherm also does about ₹1,000 odd crores, but not primarily in the steel. They also export a lot, because Inductotherm India is basically the global manufacturing hub. So they export a lot of components abroad, but they also do around ₹400, ₹500, ₹600 odd crores business. Although it's not public company, so that detail is not there. But from our sales teams and all, we arrive at the figures that they do it in India. But Inductotherm basically get us to the engineering sector, not the steel sector primarily. Engineering means you have the foundries, various auto industries, auto components, pipes and tubes, these type of industries.

But the export potential for these products again is enormous, and that is why we are tying up with various agents. And where we find that just having a sales agent is not good enough to get credibility, we will need to do JV. So that is why we plan to do a JV in the U.S. And from the U.S., the European market, etc., will be much easier to…

Saurabh Poddar: Understood. And also going back to the transformers, solar transformers that segment that we're exploring or expanding into. Are there any technical capabilities that help us stand out, or is the demand for just the generic product extremely high and the growth rate does opens up for us like multiple dose?

Satadri Chanda: Yes. So see the transformers business in general, the transformers are required everywhere from your local from your house, the locality where you'll see a small transformer on top of a post, or you'll see these large transformers that go into the industries or power generator. Transformer requirement is enormous. It's quite a bit. So here it is

more about capturing market share. And in the Eastern Region, there is no one as large as ours with the kind of facility that we have now set up. So we are expecting a lot of orders from the Eastern zone.

When it comes to the solar, there is competition. No doubt. But at this moment, the requirement, like in the renewable sector is quite a bit, and you can see the PE ratios of most of the transformer companies now. So here it is more about gaining market share. See in transformer, there is you can't, so the losses and everything are basically predetermined. So you have to say 0.5% loss. So here arc furnaces where I can say that I'm giving you 5% better efficiency. In transformer, you can't do that because the losses everything are predetermined. But here it is more about getting the approvals, so getting the CPRI rating, getting the registration done. So it's more about that.

Saurabh Poddar: Understood. And lastly, do you see any impact on our working capital cycle or cash conversion with the expansion into either solar on the transformer side of the business? Or do you see it being stable?

Satadri Chanda: Yes. So the working capital requirement will obviously increase. And that's why, if you look at our fund utilisation, I think it's there along with the audit report. We have kept that. We have not touched too much of the working capital as of yet. So that has been kept for our future requirements.

Saurabh Poddar: Okay. Thank you. Appreciate it.

Satadri Chanda: Thank you so much.

Moderator: Thank you, Saurabh. We'll take the next question from Viswanath K [Please go ahead.

Viswanath K: Yeah. Good afternoon. Thank you for the opportunity. So my first question is with regard to our raw material sourcing. So how much of our raw material was based on copper?

Satadri Chanda: Yes. So, if you look at our key raw materials, number one is copper. So copper contributes anywhere between 20% to 25% of our purchases, 25% rather. And the second largest category is the electronics. So copper, we are sourcing locally. The electronics we are sourcing from China, Germany, we were sourcing from Russia, and various other resources of electronics component that is like capacitors, thyristors, diodes, etc.

And the third largest category is the silicon steel, CRNGO. That we are procuring from companies like Nippon and companies like Baowu Steel, etc. That is a silicone steel. So these are our three primary raw material. Then comes the regular steel and insulation, etc., so that we procure from sale Tata Innova etc.

Viswanath K: Okay. Got it. So do we have any price protection mechanisms for proper register availability?

Satadri Chanda: No. Since we are an OEM, so we sell the equipment based on the price. But we usually take, we have certain clauses in our order. Like, if the price changes quite a bit, then we can go ask for escalation. That again becomes a tactical call, because if it's a very important customer who we don't want to lose, there we can absorb some of it. And in certain cases where it is not so important, we can, so it basically becomes a point of negotiation.

But right at the start in the costing itself, we assume slightly higher prices of all the raw material that you just mentioned to cater for that fluctuation that may come within six months.

Viswanath K: Understood. Okay. My second question is with regard to our EBITDA margin. So what is our target for furnaces, and as well as for transformers?

Satadri Chanda: See furnace, transformer, the industrial equipment, it's more or less the same. Our bottom line currently is hovering around 6%, 7% odd. That we want to increase it to 9% within a couple of years, driven primarily by all the backward integration that we have done. That is we have just bought our core CRNGO processing machine. We've just installed our copper drawing machines, etc. So the backward integration, as well as some of the value engineering is being done.

So we want to, and of course, as the turnover increases, we have already incorporated means recruited most of the people that we want to get to that ₹500 crores level. So there won't be too much of overhead increase either. So overheads being more or less same and the backward integration, coming into the picture, we expect that if we are able to hit ₹500 crores turnover, we can get 9% bottom line.

And also we are not increasing any, we have just paid off our term loans, whatever was there. So we don't have a term loan. So the

interest reduction will also come out. So the bottom line, we are confident of getting approximately 9% within a couple of years.

Viswanath K: Okay. Got it. Thank you.

Satadri Chanda: Thank you.

Moderator: Thank you, Vishwanath. Anybody who wishes to ask a question, please use the option of raise hand. We'll take the next question from Mrunal Kadam. Please go ahead.

Mrunal Kadam: Good afternoon.

Satadri Chanda: Yes. Good afternoon.

Mrunal Kadam: For H2 and for full-year, can you share what was the volume growth and timings for the core business, and what was the volume growth in the transformers during the year?

Satadri Chanda: Right. If you see, the differential was about approximately ₹15 odd crores. And of that, ₹15 odd crores, actually there was primarily the capacity squeeze. So we only got the transformer factory for the last one or one and a half months. So our transformer grew by about ₹10 odd crores compared to last year and the furnace grew by about ₹5 odd crores compared to, last year.

Mrunal Kadam: Yeah. My second question is the JV that you have entered into with, Cyprium, do you have all the technology needed for the North American market? Would you need some tech transfer or upgradation?

Satadri Chanda: So, we are primarily pitching the products that we are making right now, the technology that we already have. But if they have also since they are specialised in high frequency applications where we are not there in a big way, a very high frequency applications. So there we can but it's less of tech transfer. It's more like a collaboration.

So they'll guide us on in how to make those particular products, and it's more of a collaboration rather than tech transfer. But primarily, we'll be pitching for the products that we're already selling in India.

Mrunal Kadam: Okay. And how will your inventory and receivable cycle work in this JV, and will our margins be similar or higher after adjusting the marketing margins?

Satadri Chanda: So the marketing cost, etc will be borne by the JV company. In Megatherm Induction, as far as Megatherm Induction, India is concerned, we are going to have the export pricing. The export pricing is typically anywhere between 5% to 15% higher than the domestic market. So usually in countries like say Africa or SAARC countries, it is typically 5% more. In the Middle East, Gulf countries like UAE, etc, it's typically 10% more. And in Europe, U.S., South America, it's typically 15% more. And if you're able to get a higher margin or whatever the costs are, that will be borne by the JV company.

Mrunal Kadam: Okay. In your presentation, you are saying, your interest cost won't go up. But if we sell more to North America, it will increase lead time for supply and subsequently receivable. It will lengthen your working…

Satadri Chanda: In our products, our production cycle is same. Our working capital is typically, we have three to four months of working capital requirement. Three to four months. So, that will not change. Our products, we usually take payment before dispatch. There is only a 5% to 10% retention that the clients keep that they release, after the commissioning of the equipment. So that same process is going to be followed there.

Mrunal Kadam: What is the spare sales as percentage of turnover today since you are talking about hyperlocal sales support, where do you see it as a percentage of sales in three years?

Satadri Chanda: Yes. So, if you see, one of the primary bottom line drivers of our company is the spare sales because that is where we give the margin, and it is true for most capital goods companies. So, our spare sales only a few years back was anywhere between ₹15 crores. ₹20 odd crores. And it is basically a function of all the equipment that you have sold about two, three years ago.

So once the equipment become one year, we have warranty. After two, three years, once the wear and tear start, that's when the spares business starts. So right now, we have reached a level of around ₹60 crores to ₹70 odd crores of spare sales. And all the equipment that we have sold in the last, you can say, two years, the effect of that will come in the following years. So in our ₹500 crores target, we have targeted about ₹80 crores to ₹90 odd crores of spares.

Mrunal Kadam: Okay. And so my last question, the spares segment tends to have higher margins, will this aid our margins in the longer term?

Satadri Chanda: In which one? Could you repeat that?

Mrunal Kadam: Spares?

Satadri Chanda: Spares , yes, definitely. So if you look at our, when we were selling ₹15 crores to ₹20 odd crores of spares, that time our bottom line was in single digit crores. Now we are selling about, ₹60 crores, ₹70 crores of spares. Our bottom line is around ₹20 odd crores. So as and when, basically the spares increases, your bottom line is going to increase.

Mrunal Kadam: Okay. Thank you.

Satadri Chanda: Yes. So we factor that in also, when we are talking about 9% bottom line.

Moderator: Thank you. We'll take the next question from Prasad. Please go ahead.

Prasad: Hey, good afternoon. Thanks for the opportunity. And my question is, like, how close are we for getting all the necessary approvals and certifications for our transformer facility? I mean, when can we expect to see some orders flowing?

Satadri Chanda: Yes. Good question. So, how the process is that the primary test that is required is CPRI. So we have already started discussions with various companies for the approvals within their company. Now everyone is, giving us, the factory inspections etc have been done. So now everyone is basically looking at the CPRI testing. That was scheduled actually for the last month, but we have to get a date also. So we are expecting to get the date, this month itself. And once that is done, the last you could say, the tick for most of the companies will be done.

So the once the CPRI testing is done, then within a few months, we'll start to see the orders. Initially, the companies, like Renew or Tata Solar, Adani, etc, they will give small orders initially. But, after once you execute those small orders, one, two, three transformers orders, then you will start getting the bulk orders. So I think from the initial orders, we'll start from the second half of this year, and we'll start seeing increase in transformer sales. And in the coming financial year, we will be able to hit target that. Out of the ₹500 crores for the next financial year, we have targeted approximately ₹150 odd crores of transformers.

Prasad: Thanks a lot, and I wish you good luck.

Satadri Chanda: Thank you so much. Thank you.

Moderator: Thank you, Prasad. We'll take the next question from Amit Kumar Kochar. Please go ahead.

Amit Kumar Kochar: Good morning, my question was regarding JV with the company in U.S. How will it go? Like, the company in U.S. will procure the orders. We here will do the major part of the work, and we'll send it in parts over there that the same will be assembled, and will it be made in USA or Made in India?

Satadri Chanda: Yes. I'll explain that. So, the primary role of Megatherm, Cyprium USA is basically selling of the products. So the manufacturing of the products will happen here. Now in certain applications where the mechanical aspect is very critical or maybe with certain customers, if the finishing requirement is of a certain requirement, then we will… see primarily the major cost of the equipment is the static frequency converter, the brains, the panel basically.

So that we will be making here. That is the core product. Now whether we make the mechanical here or the mechanical is made there or mechanical is partially made here, that depends completely on the client. So the static frequency convertors, 100% is going from here. And the mechanical items are dependent either here or there or partially from here and partially from there. But Megatherm, Cyprium Induction Company, that is primary work of that company is just to sell, sell and market the products.

Amit Kumar Kochar: But now when the current government in USA is also focusing on Made in USA. The tariffs which they are levying on the other products which are being imported, won't that be, like, I wanted to understand the metric that how the transformer we're selling are in India…

Satadri Chanda: Yeah, so one thing is there that we are hoping that the trade talks will be fruitful. So, if the trade talks are fruitful, then that opens up a completely big market for us. Even if tariffs are there, the tariffs are roughly at the, I think around 27% plus, around 35 odd percent for this particular product. We did a sample case with one of the clients over there. So that 30% also can be absorbed, because the primary differential between selling a product there and here is the engineering cost. So in India, the engineering cost actually is many fold times cheaper than the U.S.

So, if a product we sell at, say, costing is say here over there, it's selling for almost double. So even if we consider the 35% tariff, even then we'll be able to make money both here and some portion of money there to cover the costs.

Amit Kumar Kochar: Other than China, who else is exporting such product to U.S. right now?

Satadri Chanda: Yes. So these induction products, actually, the primary manufacturers are in A, India, B, actually China. But China, they sell within their own country mostly. But they also export. India exports, there are companies like ABB, etc in Germany that make these products, and there are couple of companies in Turkey that make these products. Now what happens is if the price of any of these equipment is, say, 100 or ₹1 crores in India, that same equipment cost will be ₹1.5 crores from China. And the same product, from Europe or Turkey, it will be around ₹3 crores, ₹4 crores.

So that is why, unless you're selling within the European market but in Africa, Middle East, SAARC, South America, nowhere, they are buying, very rarely they'll buy European. It's mostly Indian or Chinese. Now what is happening is that compared to Chinese, these products require 24 hours, 365 days products, they require service.

So the service is one area where the Indian companies like Electrotherm, Inductotherm India, and Megatherm. We are able to provide much faster service. Communication is easier. Also the energy consumption since the energy rates in India are very high, and by that reason only, the Indian equipment are more energy efficient. Chinese equipment rely more on high productivity. They don't focus too much on the energy part.

So that is why in spite of China being a large manufacturer for these products and most of the electronics are imported from China only that are used in the panels. But still, India has become primary driver of these induction products. That is why Inductotherm has shifted most of the manufacturing of Inductotherm, you can say, Inductotherm Australia, Inductotherm North America, Inductotherm South America, but their main manufacturing base has become India for these particular products.

So that is what we are benefiting from. The low engineering costs and, better service and the energy consumption.

Amit Kumar Kochar: And last question, like we say that we were to schedule the plant visit of four or five of the major renewable manufacturers. Has the site visit happened for those companies, or I just missed the last one?

Satadri Chanda: Yes, yes. So site visits are ongoing. Few of them happened. There is one site visit going on right now, I think with Waaree. So it's ongoing process, but everybody's ultimate that last pick is going to be the CPRI testing. That is what everyone's looking for.

Amit Kumar Kochar: And when are we expecting the same? Next week?

Satadri Chanda: We're expecting it, this month. So the transformer is complete. It's undergoing testing. So we'll take the date from CPRI. It's in Bangalore or Bhopal. There are two places that is authorised testing centres. So one of the two.

Amit Kumar Kochar: Thanks. That's all for my side. Thanks a lot, and good wishes for you.

Satadri Chanda: Thank you so much.

Moderator: Thank you. Anybody who wishes to ask a question, please use the option of raise hand. We'll take the next question from Rahil. Rahil, please go ahead.

Rahil: So firstly, on this target you've given up, in two years, you want to reach ₹500 crores. So I just wanted to know what kind of visibility do you have for this particular year. Will it be linear growth towards that target, or it's going to be more in the coming financial year? Because this year, you'll be spending more on CapEx and stuff. But I also believe you're done with the CapEx, so maybe marketing and stuff, if you can explain that.

Satadri Chanda: Yes. Primarily, the marketing activities for this year. So how you can look at this question is, out of our say, ₹300 odd crores, we have done approximately, you can say ₹45 crores, ₹50 crores of transformers. So you can say ₹250 crores of induction and ₹50 crores of transformers. Broadly, you can think of it that way. And in the ₹500 crores target, we are looking at ₹150 crores of transformer and ₹350 crores of furnace. So what we can expect is, for this financial year that ₹250 crores to ₹350 crores, then maybe from ₹250 crores to ₹300 crores of induction can be achieved. So we are looking at a ₹50 crore jump.

And from the transformer side, from the current ₹50 crores to ₹150 crores that depends basically on getting those bulk orders, once the

initial orders are done. So I would not say the transformers are going to be linear, but you could say that ₹50 crores should at least become ₹80 crores, ₹90 crores. So if we look at a ₹50 crores from there and about ₹20 crores, ₹30 crores more. So about ₹70, ₹80 crores additionally, we can expect compared to the financial year that went by approximately.

Rahil: And next is the on the revenue mix. Like, how much is export for us and domestics mix of revenue, percentage of revenue?

Satadri Chanda: Yes. Usually, our exports is anywhere between 20% to 30%, but I think last financial year, I think it was around 10%, 12%. But I think this financial year, a couple of largest orders are in the pipeline we are fighting for. The news will be uploaded, as and when we get it. So then I think it should come back to around 20% odd.

Rahil: Okay. So in the next two years, any percentage target you have, how much you want your exports to be? Because you said you want to grow that?

Satadri Chanda: We wanted to get it to around 30%.

Rahil: 30% of total revenue. Okay.

Satadri Chanda: Not total. Of the induction side, the transformer export will take little bit time, because the transformers, first, we have to be an established company in transformers in India first, then only we'll get the export orders.

Rahil: And lastly, is there any seasonality in a particular fiscal year for you in terms of order booking?

Satadri Chanda: Yes, it's primarily second half driven, because most of the CapEx work doesn't happen much during the monsoon season. So the second half that creates the differential usually. Also for March closing, most of the government contracts for most of the products happen. We get the pressure in basically January, February, and March.

Rahil: And your business is on an order book basis, right? Do you have like a solid absolute number order book?

Satadri Chanda: Yes, yes. We have order book. It's roughly around ₹350 odd crores.

Rahil: Okay. And in the pipeline, you have bid pipeline?

Satadri Chanda: Yeah, deadline, see, what happens is that some orders take time, some orders are urgent. The orders that get delayed also something…

Rahil: Sorry. I was asking on the bid pipelines. How many more orders have you bid for?

Satadri Chanda: Yeah. The bid information, actually, it will be uploaded online very soon. Some large bulk orders are being discussed, so I can't reveal that now. It will be a new forward looking, but we'll upload that very soon.

Rahil: Okay. No problem. Thank you and all the best.

Satadri Chanda: Thank you so much.

Moderator: Thank you. We'll take the next question from Anil Jain. Please go ahead.

Anil Jain: Yeah. Thank you for the opportunity. I wanted to know what is our current order book vis-a-vis, the order book as on-date in the same time last year?

Satadri Chanda: Yes. So compared to the same time last year and it was I think around ₹300 odd crores. And right now, it's around ₹350 odd crores. But some largish orders information will be uploaded very shortly. We're just waiting for the confirmation.

Anil Jain: Current order book is ₹350 crores?

Satadri Chanda: Yes, yes, approximately.

Anil Jain: Which is to be executed in how much period?

Satadri Chanda: See usually, an order what we see usually is that whatever order book is there, it should be executed within one year.

Anil Jain: Within one year. Okay. And what was the order book last year?

Satadri Chanda: Order book last year, it was going up and down, but on average, I think it was around ₹300 odd crores.

Anil Jain: Okay. That's good. So in terms of execution, what do you see upside from here, like more orders are in the pipeline or how the order and

execution take place? What is the timeline between order and execution?

Satadri Chanda: Right. So what happens is that suppose somebody places an order for say one furnace, so that delivery is expected within four, five months. But then some bulk orders come for like 20 furnaces. So that will be executed over a period of one, 1.5 years. So it's sort of mix. You can't really point, put your finger and say within this time. It depends on the customer, since these are capital goods. They have to also set up their plant and everything. So that also sometimes it's early. Sometimes it gets delayed. Sometimes new orders come in where there is tremendous urgency. So it's sort of mixed.

Anil Jain: So the order book contains the transformer orders also?

Satadri Chanda: Yes. So transformer most of the orders right now that we have are basically the induction transformers. So for getting the other category transformers, we are going to do the CPRI testing, and the factory inspection, etc., is we have done already with a few companies. Few more are lined up.

Anil Jain: Okay. So how do we see the things planning out there in terms of numbers in the current year?

Satadri Chanda: Yes. Current year, like I mentioned, based on the order book that we have, we can expect approximately you can say anywhere between ₹60 to ₹80 odd crores additional compared to the current financial year. And in the next financial year, there's when we get that big jump because the transformer facility, then it'll be fully utilised.

Anil Jain: Right. Thank you.

Satadri Chanda: Thank you.

Moderator: Thank you. We'll take the next question from Amit Agicha. Please go ahead. Amit? We'll move on to Mr. Hiren Modi. Please go ahead.

Hiren Modi: First of all good afternoon, and congratulations for great set of numbers.

Satadri Chanda: Thank you so much.

Hiren Modi: [Technical Difficulty] [0:53:04].

Satadri Chanda: Yes. So sometimes a client will ask for the products in a package. Sometimes some clients, especially the larger clients, they have their electrical division that orders for the transformers and the melting division orders for the furnaces or the heating division will order for the heaters. So it's a mix. Sometimes it's a package and sometimes it's a separate order.

Hiren Modi: So most of the time, we receive advance and that's what I want to know?

Satadri Chanda: Yes. Typically, we take you can say 10%, 5%. We take advance. And then before dispatch, we take bulk of the payment. Either we take the payment or it's LC backed.

Hiren Modi: Here's my second question. That's a broader one. Apart from the expansion that currently signing on from the few proceeds, how much further expansions for just all the deep plans are there?

Satadri Chanda: Yes. To achieve ₹500 crores, there won't be any significant expansion as such, some machineries in transit, etc. But, our next phase of growth to get to ₹1,000 crores that will require one phase of expansion. So that investment, etc., for that will start in the coming financial year. So that is when, we will invest more and to target the ₹1,000 crore revenue.

Hiren Modi: So we are having a sufficient landmark for the same?

Satadri Chanda: Yes. So, if you look at Google Maps, and type Megatherm Induction you will see the entire land which is there. So it's total 15 acres of which we have right now developed about 10 odd acres and then 5 acres are still remaining.

Hiren Modi: Thank you. Best of luck.

Satadri Chanda: Thank you.

Moderator: Thank you, Hiren. We have a question from Saurabh Poddar. Saurabh?

Saurabh Poddar: Hi, thank you for taking my question again. Just wanted to know, moving forward, once the transformers business kicks in, what is the blended ROC or study set ROC profile you're looking at?

Satadri Chanda: Capital employed. So the capital employed at this moment, whatever is the capital employed, that's there. Now it's the question of just increasing the turnover. The bottom line should, if you look at it, it in a blended perspective since it is going to be the same company. If you look at it in a blended perspective, then it's going to come at around 9%. That is what we are targeting.

So and in general, even for the transformers that we sell now, and the furnaces that we sell, it sort of follow the same trend. In the domestic segment, you can say the gross margins are around 20% odd. In the export segment, it's anywhere between 5% to 15% more.

Saurabh Poddar: No, I was asking in return of capital employed, currently, I think we are anywhere between 20% to 25%?

Satadri Chanda: Yes. Yes. Yes. So it's around 20%.

Saurabh Poddar: So that's what you're hoping to maintain moving forward once the power?

Satadri Chanda: Yes. So in our products, the capital employed is primarily working capital. It's less of CapEx. It doesn't require since these are more knowledge based products, like engineering products, we don't require big plant and machinery. So the major investment is essentially in stock.

Saurabh Poddar: Right. Understood. And last question from my end, so how does the receivable cycle work on the power side of the business? Is it similar to how the current business model is, or do you think the receivable cycle is longer on that?

Satadri Chanda: It's similar. So they'll ask for anywhere between 5% to 10% retention. And the balance, in the case of furnaces, etc., we get the payment before dispatch or maybe just upon receipt. Same with transformer. It's either before dispatch or just maybe after you receive it, you get the payment.

Saurabh Poddar: Understood.

Satadri Chanda: Since we are under MSME, because the MSME umbrella has been increased to about ₹500 odd crores. So we should get the payment within 45 days at max.

Saurabh Poddar: Understood. Thank you so much. Good luck for the remaining year.

Satadri Chanda: Thank you.

Moderator: Thank you, Saurabh. Since there are no further questions, would you like to give any closing comments?

Satadri Chanda: Yes. So, I'd like to just mention that ours is a multi-disciplinary engineering company, and this particular field overall, be it transformers, be it the induction field is growing rapidly in India. And the export potential also is enormous overall as a nation as India, but also for Megatherm. So that is where we are focusing on, and we are looking forward to investors who are going to be with us long-term. There will be consequate rounds of fundraising in the future. Our migration to the main board, all those things are there. So we are hoping our investors are going to be with us over a medium term to truly get the type of returns that they expect. So that's all.

Moderator: Thank you. Thank you to the management, and thank you to all the participants for joining on this call. This brings us to the end of this post results conference call. Thank you.

Satadri Chanda: Thank you so much.

Moderator: Thank you.