TRITON
Touching Lives. Moving India.®

March 15, 2025

To
The Secretary
BSE Limited
Corporate Relationship Dept.
PJ towers, Dalal Street, Mumbai -400 001

BSE Symbol: 505978

Dear Sirs,

Sub: Transcript of Investors Meet held on March 07, 2025

This has reference to the intimation dated March 04, 2025 and outcome uploaded on March 07, 2025, with respect to the virtual connect with investors.

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, enclosed herewith is the transcript of the above meeting with investors, copy of the same is also made available on the website of the Company.

This is for your record and appropriate dissemination.

Thanking You

Yours truly
For **Triton Valves Limited**
BIBHUTI BHUSAN MISHRA
Digitally signed by BIBHUTI BHUSAN MISHRA
Date: 2025.03.15 11:06:57 +05'30'
Bibhuti Bhusan Mishra
Company Secretary & Compliance Officer

Encl: As above

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Investors Meet

Triton Valves Limited

CIN: L25119KA1975PLC002867

Date: 07.03.2025

Meeting Time: 04.00 PM

Speakers:

Mr. Aditya Maruti Gokarn

Managing Director

Moderator:

Mr. Bibhuti Bhusan Mishra

Company Secretary and Compliance Officer

In attendance:

Mr. Appaiah K.B.

Whole-time Director

Mr. Shrihari Mahabal Udupa

Independent- Director

Mr. Naresh Varadarajan

Chief Financial Officer

Bibhuti Mishra

Good afternoon everyone and warm welcome to all of you to the investor meeting conducted through VC today and thank you so much for joining with us and showing interest in our Company.

Myself Bibhuti Bhusan Mishra, Company Secretary of Triton Valves Limited and let me introduce all the Directors/KMPs present through VC in today's Investor meet.

Mr. Aditya Gokarn, Managing Director

Mr. Appaiah K.B., Whole-time Director

Mr. Shrihari Mahabal Udupa, Independent- Non-Executive Director

Mr. Naresh Varadarajan, Chief Financial Officer.

Please note that the meeting is being recorded and will be published in the Company website.

Before start the meeting, a small disclaimer for your reference. The discussion may include certain statements that may be construed as forward looking statement. This statement is made based on the company management's current strategic plan and assumptions. We cannot guarantee that the forward looking statement will be realised, although, we believe that we have been prudent in our assumptions. We undertake no obligations to publicly update any forwarding looking statement whether as result of new information, or future event, or otherwise.

After the presentation ends, the floor shall be opened for question and answer session for a span of 15 to 30 minutes. Investors are requested to unmute and show their video and mention their names or organization name or their DP ID or client ID and the location from where you are joining before asking questions. All the questions asked by the investors will be collated and the consolidated replies will be furnished at the end by Managing Director. Investors may also note that the Company reserves the right to limit the number of asking questions depending on the availability of time, however investors can ask subject to maximum 2 questions.

With this note, I am handing over the session to the Managing Director for taking this meeting forward.

Aditya Gokarn

Thank you everybody for joining. We are delighted to have all of you with us. Thank you for sparing your valuable time to join us on this call. I have prepared a simple slide deck for everybody. I have just tried to keep it very basic so that everybody understands the business of the

company. So I will just quickly run through the slide deck and then we'll come to the question session. I would like to start with Q3, there has been a little bit of impact of that, which we believe in Q4 will get corrected, it'll get kind of, you know, trued up in the in the following quarter. Obviously, you know, I would say commodity and foreign currency movement also has been a bit volatile especially towards the end of the, I would say, quarter, particularly in December, we saw some more volatility than maybe what we had in the previous quarter. So there is a little bit of that impact built in. Having said that, you know, I, I would like to kind of, you know, just bring everybody's attention to, you know, what is the, what's the story that we are really working on in, in Triton? What's the bigger picture that we are working on? So as we all know, we have basically three verticals.

Aditya Gokarn

We have the automotive vertical, which is the legacy vertical, which we start started way back in 1975. We have the climate control vertical, which we call as Climatech and as we know Climatech is going to get merged into the holding company very soon. But at the moment it is still a separate entity. So, the climate control entity basically makes valves and components for the domestic room AC market, right! Now that is a market that has been growing very well over the last few years. I think the government policies for "Make in India" and for kind of, , you know, bringing investment into India in that sector have started to show significant results. There's a PLI scheme also for white goods which covers the AC industry and we are part of that group of PLI companies. There is huge potential in that area l for us as well, so we are building out that business, getting all are approvals under in that space under the climate control vertical. And, if you look at the 3rd vertical that we have, which we call Future Tech, which is basically our into this brass mill. right! That has also been I would say shaping up extremely well. If I look at the capacity that Future Tech has, we started the company with a capacity of about eight and a half thousand metric tons per annum. Right! we have already started the process of enhancing that capacity. We are hardly four years in the market. Future Tech went into serial production in February March of 2021, right! So it's exactly four years now. It's been hardly 48 months that the company has been in existence and keep in mind that this is a business that has, you know, returned a cash profit right from the very 1st year, right! So, we are now kind of scaling up this capacity as well from about eight and a half thousand. We are aiming for about 12000 tons of capacity in the 1st phase that is something that we are also quite bullish about because as you all know with the with the change in the technology in automotive industry moving to electric, the growth in you know all the copper related industries, if you look at solar panels, you look at you know green energy electric vehicles, all these kind of industries, the consumption of the metals businesses is has two elements to it. One, it gives us an internal hedge because most of the automotive

components and the climate control components that we produce are made out of brass, so by having our own brass mill.

Aditya Gokarn

We get your, you know, just in time delivery, we also have a cost advantage and all and above that we are able to serve the outside market, right! So, so it has kind of a dual purpose, so to speak. So the brass mill also is something that we are extremely bullish about, we're very optimistic about the long term prospects.

Aditya Gokarn

So if I look at this, the next slide, right! we have basically talked about, you know, what are the future, you know, the revenue targets and you know, where do we think this these businesses are going to land up three years from now. If you look at, of course. this is also in response to some of the queries that we received from some of the investors and the investing community in terms of where do we see the company three years from now. So, if you look at automotive vertical, what are the changes that are, you know, sweeping into the industry right now? There is a shift from the standard tube type tires to tubeless right! and the segment which was already tubeless, that is moving into something called TPMS, right! TPMS stands for tire pressure monitoring system. So these are basically, the component becomes more complex, becomes a little more difficult to engineer right when you move from tubeless to TPMS and we expect that, you know, these changes are, we are right now in the we are seeing that kind of fluid phase where things are moving from, you know, one to the other. But we think that, you know, the dust is going to settle down on this over the next two, three years and as the dust settles, so to speak, we will be benefited in India we are the only company that has really managed to make the transition from tube to tubeless and from tubeless to TPMS, right! Both these technology shifts, we have been able to, I would say very successfully navigate. In the automotive vertical, we are also working on certain programs with the electric vehicle ecosystem. We have a patented product which is used in venting of battery packs, right! So again we are the one the company in India to have a patent on something like that. So it's a kind of a safety, a passive safety component that is part of the electric vehicle battery packs. So that is also something that we are seeing a lot of traction. The top three- four players in the industry are already our customers as far as the two wheeler segment is concerned right! and we expect that, you know, as that industry grows and matures, we will see better revenues and we will see better margins also from that product vertical.

Aditya Gokarn

So, if you look at really, you know, the automotive vertical, we've said 350 to 375 cores on a standalone basis. Here we basically net off, you know, intercompany, you know, transactions. Currently, when you look at our revenue numbers, there is, you know, in the standalone there is sale of brass scrap from our own, you know, holding company

to the subsidiary, which is also shown in our sales. I have netted off that here. Just clarifying that. So if you add up the numbers that you can see on this slide, I've said automotive vertical about 350 to 375 crores. Climate control vertical to about a 150 (crores) and metals depending, on where copper ends up, you know, at over the next three years, this could be about 375 to 425 crores. So if I were to kind of summarize these three verticals all together, we believe that, you know, we are working on a (INR) 1,000 crores story three to four years from now, right! Again, the speed at which we are able to kind of, make these numbers happen. It's going to of course be dependent on how the market shapes up, how, you know, the customers, how the, you know, uptake of these products is going to happen in the market. But I would say that we are, we are reasonably confident that, you know, this should pan out. So the bigger picture for us that we're really working on is how do we, how quickly can we come to that 1000 crore sales figure, right and this is the breakup is going to be something like this. You can see about one-thirds should come from Automotive, a little more than one-thirds should come from Metals, and the rest will come from the Climate control vertical. This is the clear picture. I hope that answers some of the queries that some of the have been raising regarding the long term update.

Aditya Gokarn

Going on to the next slide, we've just tried to put together a few queries. I think most of the answers in blue color font you can see, I think we've already answered those questions, but I'll maybe just briefly touch upon some of these points before we, you know, go into the Q and A. There was some queries about, you know, I think somebody has been tracking, I don't know, our export data or something like that and somebody was asking what, hey, what's happening on Climatech export? So, as we all know, we have a, we already have a US customer that we started a program with. I think that program is going well. There's going to be more, I would say products that we are putting into that specific program. There's also a lot of I would say global interest in Climatech products because in a very real sense, the two main products that Climatech produces, right! we call them charging valves and service valves, right! The very funny part is that outside of China, there's almost nobody producing these parts, right! So I think we're in a very, very good position because this “China plus one” purchasing strategy which I think has become a kind of a playbook globally. I think this fits our product portfolio fits in very well to, into that kind of a strategy because if I look at all our, all our global brands that we are working with. So if, you look at who are the brands that Climatech really is engaged with right now, in the US market, there's Trane, there's Carrier, there's Lennox, these are the top three guys in the US market. In Japan, the big Japanese brands in air conditioning of course are Daikin, Panasonic, Mitsubishi, O-General. We are literally engaged with every one of these brands in terms of product development, in terms

of, you know, product testing, approval, and so on and so forth and we do believe that, you know, once we kind of prove ourselves in the India market, we will be working on very large global opportunities as well because all these companies, they do need to diversify their you know sourcing out of China. So they need to have additional sources, they need to have additional vendors, right and now with, you know, a lot of uncertainty around tariffs and global trade, I think it has become a necessity for all global supply chains, right! To have established vendors in at least two or three locations so that, you know, they have some options in case, you know, the tariffs become a factor in the trade. So that's hopefully answering a few of the queries that we received on Climatech.

Aditya Gokarn

In terms of the scalability for the future , I would say if you look at our numbers so far nine month YTD, our quantity sales has been more than 2X of the previous year Right and we believe that, you know, this, business is now reaching a very good I would say point. We have already with us two or three large customers in the India market. If I look at our order book for the current quarter it is probably, it's at a historic high, ok, that's of course on a small base, but I would say that there is a lot of traction that Climatech is finally seen. There is also news in the industry that, you know, there is going to be Quality Control Order ("QCO") on our components which is going to be a very good thing if and when it does come into the market, that's going to be very good for us because we are the only Indian player, right! In these products. So I would say the proud thing about, you know, our company as a company strategy, every product that we make, right! Whether it is in Climatech, Future Tech or in Triton Mills the legacy company, these are all make India products; they're all import substitutes. They're all, I would say export quality, right! In terms of their all the products that we make are actually suitable and fit for the global market, not just the India market. So Climatech in particular, I would say has huge potential. India today produces about one and a half crore air conditioners. The average let's say spend on valves for a just I would say just the stock valve or the service valve as we call it per AC is about, I would say ₹250, right! So, which would mean ₹250 times 1 and a half crores (INR 375 crores), right! so that's the size of the market today and this market is expected to grow at an average of about 12 to 16 %, right! There are different, estimates, but I think growth will be very strong. There are much larger players in this industry. All the big players are adding capacity, right! If you look at Daikin, you look at Voltas, you look at all the big players, right! Panasonic, Haier, everyone, I would say brand present in the India market is adding capacity and they're trying to convert India into their, I would say regional export base, if not global export base. So I think, you know, scalability of Climatech is extremely good. We believe that if things go well for us, Climatech might even overtake Triton (Valves) at some point of time over the

next maybe four or five years. It depends on, you know, how much traction we gain with these large customers.

Aditya Gokarn

There's another query about, you know, TVL margins and things like that. Now, typically as a policy and given the fact that, you know, we are kind of, even today a little bit exposed on currency and commodity, even though that exposure has been relatively controlled over the last few quarters, we would like to refrainfrom giving any specific, you know, guidance on margins, because, I would still say that as a company, we need, our business model needs to mature a little more before we can start, you know, giving guidance numbers. So I will request everybody's patience and understanding in terms of saying that, you know, I would not like to specifically comment at this point of time on the margins and giving guidances on that. Perhaps once we, once we mature, right! and where we are able to have a very good stable kind of a situation I will be in a better position to comment.

Aditya Gokarn

In terms of export for Future Tech, I would say Future Tech also has very good potential in the overseas market. There are some very good prospects that we are working on. If I look at the nine-month export sales, I think we've done quite well to the best my knowledge we have exported more than I would say about a hundred and fifty tons of brass over the last nine months. That's I would say a good performance, a good we've got a lot of repeat orders as well, right! which shows that the product is fairly well accepted. Again, I think the tariff situation being very fluid over the last one or two months, some of the buyers are maybe being a bit cautious right now. They don't know which products are going to be faced with tariffs and where, but I think that dust will settle down very soon and then we will we will be back on track in terms of, you know, pushing our export agenda and Future Tech.

Aditya Gokarn

Ok, there's a lot of queries. I'll move on to query number five about are we on track to achieve 500? At the moment, NO, I don't think we will hit 500, but we'll come close, right! We are not very far away from 500 also. I would say that we should be within, within 5 % of, you know, achieving that target, right! I don't think we will fall below 95 % of that, but of course we have we have less than a month to go, but obviously we are putting our best effort to make as much sales as we can in the last month of the year.

Is there any impact of commodity foreign exchange? Yes, for sure and we are working on some mitigation plans as well. In fact, I would say by and large, we have weathered the storm this time much. much better than in previous years and that's because of Future Tech, right! So, typically the commodity exposure comes through the raw material route both for Climatech and for Triton and having our own

brass mill, right! significantly reduces that impact, reduces that exposure. So I think we have that strong fairly well this time. We can do better in future as well.

Aditya Gokarn

Is the CAPEX program on track? I would say yes, by and large we are on track. The CAPEX spend for this year is going to end somewhere in the range of 12 to 13 Crores of CAPEX. Breakup of that would be about 6 to 7 Crores will go into Climatech, about 4 to 5 Crores is going into Future Tech for adding the new casting line for increasing the capacity from 8500 (MT) to 12,000 (MT) and the rest will go into for certain new programs that we are working on with some of our export customers. The last two queries are about PAT. I think the answers are already there. So maybe I'll skip those. We've talked about what's the PAT comparison Q1 YOY and stuff like that. So, yeah, so I think with that we will move on to the Q and A, right! So, yeah, so maybe I'll mute and then. Thank you, thank you. Thanks for listening.

Bibhuti Mishra

Yeah thank you. Now I request investors to ask your questions subject to maximum two questions only as we are time constrained, you may ask the questions now.

Sudhir Bheda

So may I start first? I'm Sudhir Bheda from Bheda Family office. Yeah Sir, good to see you after a long time actually.

Bibhuti Mishra

Hello? Yeah, we can hear you. You can ask your question.

Sudhir Bheda

Yeah, so what I got it was like you mentioned just one is will have a 250 kind of valve. So I think when we met at that time you said….. hello? Hello?

Bibhuti Mishra

Hello? Yeah, we can hear you now.

Sudhir Bheda

Okay, so then there are certain another two valve which are very critically important and which are imported. So those valves are higher, I believe, and these valve we got to manufacture, so what is the status of that which are used in AC only I'm referring to AC.

Bibhuti Mishra

Okay Mr. Sudhir your second question if any.

Sudhir Bheda

And 2nd question can be the next year's top line guidance if at all can you, if you can give. I am a margin person, but I'm skipping that margin question right now. So just only a top line guidance for next year.

Bibhuti Mishra

Okay, thank you. Thank you Mr. Sudhir.

Sudhir Bheda

Thanks for the opportunity Sir. Thank you.

Anil

Yeah, hi, can I ask a question? This is Anil here. Hello?

Bibhuti Mishra

Yeah, you can ask your question Sir.

Anil Shah

Yeah, just simple just one question from my side is, you know, to achieve what you talked about from a next three years' perspective, what, I mean, is this the base case and what is it that you think, you know, that one needs to do from a management perspective to make sure that this happens? I mean, you have a three-year vision where you talked about auto verticals at about 350 to 375, Climatech at 125 to 150, metals, obviously the function of the commodity pricing, but to you know that can change from a revenue perspective, but I'm just saying, you know, is how, how strong is the visibility and what is it that, you know, from a management perspective that we need to do to achieve that?

Bibhuti Mishra

Thank you. Thank you Mr. Anil Anybody next?

Dolly Choudhary-Niveshaay

Hello, so yeah, I just had two three questions. So first of all, I would like to know the climatic contributions in last quarterly result if we can share that. Secondly, I wanted to know that if I'm not wrong in Future Tech we were doing an expansion from 8500 metric terms to 14 thousand MT. So in the opening remarks it was mentioned twelve thousand MT of please correct me if I'm wrong what would be the correct figure, and if we can elaborate a little as on differential tariff that impact it could have because then there's a lot of talking going on the auto sector impact, so what impact it could have on our valves? Hello, am I audible?

Bibhuti Mishra

Ma'am, could you could you please repeat the last question?

Dolly Choudhary-Niveshaay

So I was talking about differential tariffs that if we can elaborate a little what impact it could have on our standalone business and what growth, like, what updates do we have in the EV sector? Okay, thank you for the opportunity.

Aditya Gokarn

Yeah, good evening. So If you can all hear me, since we've got three questions, I'll first answer those, then we'll take new ones. So, quickly coming to, Sudhir Bhai thank you so much for attending today and thanks for your questions. You are asking what are the next valves that are under development? What are the larger components or higher value components? So there's something called reversing valve and there's also something called electronic expansion bar, right! Now these are becoming critical in AC industry because there are very few players making these. Also to ensure that, you know, the machine performance improves, right! These are very critical parts.

So they are we would call them as function or performance parts. So this is something that you know we are also looking at. There are two approaches we are pursuing with regard to four way reversing valve and electronic expansion valve. One is we are trying to do some development ourselves. Two, we are also now looking at trying to see whether we can partner with somebody to cut the development time down, you know, because what's happening is that, you know, with this global flux happening in trade, you know, people are all confused. Nobody knows what is going to suffer duty, what is not going to suffer, you know, it's becoming very, very confusing for everybody. So we feel that in this kind of environment doing very, very long term programs is also a bit challenging with some of these customers, right! Because if I start let's say a development for let's say electronic expansion valve from development to start off let's say production, this could take sometimes, you know, 24 to 36 months because of the complexity. So by which time, you know, something else might change. So now we are looking at, can we just partner with somebody? Can we get license technology from somebody? Can we do something and jump into the market faster? So that's also something we are looking at doing.

Aditya Gokarn

You also asked what's the top line guidance for next year? Be very frank, I would refrain from giving a specific guidance, right! But I can, I can just tell you a few the trends that, you know, obviously everybody in the market knows, but from my own perspective, maybe in my own language I'll say it like this, auto industry I do think is slowing down a little bit, right! So I don't think we are going to see significant growth in the auto industry as a whole in India during FY 26, right! I Don't think there is going to be too much growth. In the air conditioning vertical also, I do expect that, you know, a little bit of this consumption story that is bit weakening, softening in India a little bit that may have some impact on the AC production and sales also, right! Having said that, I think the impact on us will be very, very limited because in Climatech vertical, we are only increasing our share of business. So even if the AC market shrinks, we will still grow because our base is very small, our share of business is very small. So we will continue to grow very well in climate tech this year. We are very, very confident about it. Auto vertical, we are pushing exports. We are pushing, you know, this move from, you know, tubeless to TPMS and things like that. So we do believe that any slowdown in, you know, OEM sector and we also have our retail sales vertical.

Aditya Gokarn

We will be able to adjust and, you know, sustain some growth, which will be better than the industry. That's for, that's why I would say very confident about it. Coming to metals vertical, yeah, there will be potentially some, you know, impact there. What are we doing to mitigate that?

Aditya Gokarn

We are developing newer alloys, trying to substitute other imports of, you know, very special allies coming into the market. So in a nutshell, I'll put it like this, the external environment definitely will not be as let's say enabling and as good. As perhaps people thought one or two years ago that, you know, this will continue for next five years, there will be a little bit of a I would say a flattening this year in FY 26, but we are not worried about the long term growth story, yeah, but there will be a little bit of a hiccup I would say in the environment and our job is to make sure that even if that hiccup happens, we insulate and protect ourselves from those kind of occurrences. Next questioning and thanks for your question. Is it the base case that we presented?

Aditya Gokarn

I would say it's a bit on the conservative side. We have maybe a little bit factored in the stuff that I just said about, you know, market expecting to become a little bit soft or little bit flat in the current year. But since it's a three-year scenario, we feel that it will average out and growth will we'll come back into the market. Having said that, like I said, because in all the three verticals, we have a lot of headroom to go. So in spite of the environment not being that conducive I think we will we will continue to grow. So I will call this kind of the base case if you want to use that term.

Aditya Gokarn

Your next question is what do we need to do as a management, right! I would say that, you know, it's all down to execution for us because if you look at the structuring of the businesses, identifying the opportunities, setting up the, you know, capability to, you know, capitalize on those opportunities, all of that has already happened over the last two, three years, right! So now it's going to be more operations focused. Management has to be, you know, eyes on the ground, eyes in the market, eyes and ears in the market. We need to be executing the plan well, right! So it's about capacity building. It's going to be about human development, you know, using our human resources, getting the best talent, putting the right people in the right place and ensuring that we execute on the structure that we have created, right! So that's really what the management needs to do.

Aditya Gokarn

Third question from Miss Dolly, thank you again for joining. Future Tech contribution last quarter, like I said, look overall we are growing, we are like literally 2X of the previous year right! so if you really want to know the number, I would say, this is I'm not netted off Interco because there are some interco transactions also, but it's about 30 Crore of sales in nine months is the contribution from Climatech. Yeah, we'll have to net off, of course, interco from that. But the previous year was less than half of that, right! So Climatech for sure is growing well. Future Tech, I don't believe we have said 14,000 tons. We are going right now from 700 tons per month to 1000 tons per month, right! Okay, somebody says cannot hear.

Aditya Gokarn

Can you just check if my system seems to be ok, maybe we're having a bandwidth issue because I can see sometimes you know are you all able to hear me now? Can anybody just.

Karthikeyan

Yeah, I can hear you.

Chirag Shah

Yeah, I can hear you clearly.

Aditya Gokarn

Thank you so much. Thanks for confirming. So, yeah, so the next question that Miss Dolly was asking is about differential tariffs. Frankly, you know, I'll say this in a lighter note, but please take it in a lighter note. I don't think even the US president knows, you know, what differential tariffs are going to hit where and how. So I'm very far removed from, you know, these things right now. I honestly don't know and perhaps nobody knows, you know, it's an evolving situation. My request would be let's wait for a few months, I think two, three months from now, the scenario will become hopefully a bit more clear But. right now in in general, the analysis, all the, you know, big analysts, I'm also frankly depending on, you know, analysts who put reports out in the market. So public domain information is what I'm just repeating for you. It is broadly believed that all these tariffs ultimately will not have a very significant negative impact on India, right! How it's going to affect global trade, you know, bilateral trade and all that, I don't know, but India it's expected to be by and large benign because whatever they're imposing to us, there would be but we'll find out.

Aditya Gokarn

I'm sorry once again just want a quick confirmation if anybody can put in the chat box, are you able to hear me? Was it a break?

Karthikeyan

There was a very brief break but you're back now.

Aditya Gokarn

Okay, great. Thank you. So EV sector I would say is also going through some I would say hiccups as far as the two-wheeler segment where most of our exposure is to the two-wheeler segment. They are going through some hiccups. But again, I think the long term story is quite strong. I don't believe that anybody has any doubt about the long term story, but, but yeah, we, you know, the projections that some of our top customers gave us, it could be either, it could be TVS, it could be all these big players in the all the big players in the market from what they told us that they would do versus what they're doing, there is a gap, right! So surely EV is taking a little bit more time perhaps to mature than maybe what people initially expected but long term story I would say we are quite confident, right! So we'll now move, we'll take another three questions and, yeah. So I'll mute and Bibhuti if you can just moderate here.

CLIMB CAPITAL SERVICES PRIVATE LIMITED

Hello? Yeah, hello, Sir, I'm from Climb Capital Services, I have two questions. So what is the CAPEX guidance timeline for Triton Future Tech? and my second question was, have you done any tie up for the TPMS segment?

Bibhuti Mishra

Okay, thank you.

CLIMB CAPITAL SERVICES PRIVATE LIMITED

Okay. Okay, thanks a lot.

Bibhuti Mishra

Next. Yeah Karthik.

Karthikeyan

Yeah, thank you. Somebody else was speaking. Yeah, someone else was trying to speak so I thought I'd let him speak. Anyway. So thank you very much for the opportunity. Two questions Sir. One is when you speak to the international customers, (A), what is the mindset that they have in terms of sourcing from you, and pricing differentially if any with whatever currently they are. Sourcing sources they are buying from, A and, point number (B) two is, you know, say next year I assume, you know, will be relatively muted growth based on whatever you described. But from a profitability control point of view, at what stage do you believe that you will be able to assert and say with confidence that you will achieve a certain, you know, predictable kind of profitability? Those are the two broad questions from my side. Thank you.

Shanki Bansal

Yeah, I'm audible.

Bibhuti Mishra

Yeah, yeah, you're audible.

Shanki Bansal

Yeah, thank you for the opportunity. So, I'm Shanki and individual investor based in UAE. I have seen a post on social media regarding the companies working for development of some critical part in aerospace and defense. So can you talk about what is the prospects there or what is the future about this defense and what broadly you are developing and how we can scale up that opportunity and my second question is the follow up from the last call. We have talked about that we are finalizing one contract, some of the contract with the TPMS for TPMS with big players. So, and there will be an announcement regarding that contract. We are on the verge of sealing that contract. So what is the status of that contract?

Bibhuti Mishra

Okay. Thank you, Mr. Shanki Bansal

Shanki Bansal

Thank you.

Bibhuti Mishra

So we'll take this after this will wind up. Okay.

Aditya Gokarn

So I'll take 2nd batch of questions and then we'll circle back. Thank you so much once again, client capital I'm sorry I didn't get your name, but your question was when will the CapEx of Future Tech get completed? When will that production come on stream? We should be able to go into mass production with the additional capacity by next month, right! Actually the line setup is almost completed already. We are just doing, you know, some initial setup so that once we start the line, we don't have to stop for, you know, any tooling changes. So we could have put into production immediately, but we are just working on some, you know, further you know efficiency improvements, some small changes before we go because you know in the in the brass business, once you commission a line, it becomes problematic to stop, right! You lose a lot of time and you output. So before we start, we were just doing a better set up.

Aditya Gokarn

Second question was, is there any tie-up for TPMS? So I just want to clarify, when we say TPMS, we will continue to make the tire valve only for these customers that we are working with right now. At the moment, we are not producing sensors, right! So we are becoming suppliers to the sensor manufacturers. Do we have the capability, let's say the design capability or the technical capability to make sensors? Potentially yes. The company has developed some, you know, IP on TPMS, you can see some of the you know announcements which we made last year, particularly Really with the regarding our patent portfolio. So we did the hard work initially of, you know, understanding the electronics around it, building out some IP around that whole story. We kind of slowed down on that because we found that, you know, the scale required to be profitable in that was becoming bigger and bigger. The Chinese as usually commoditized the business. Just give you an example, when we 1st started doing prototypes of sensors, we have produced some sensors at a prototype level many years ago in our company. A sensor was being sold at that time for about $5. Today I think a sensor is sold for under $2 in the market, right! So the commoditization has happened, you know, quite significantly in this. So we decided to stay out of it because it will not, this kind of pricing will not justify a big investment for us to put up a, you know, a SMT line, to, you know, get into the software embedded software, all of that, we will not be able to recover our cost at these kind of levels. So therefore we are only doing the valves, but the valves are also fairly complex. Since I'm on that question, maybe just to give you all a flavor, if I'm selling a regular, let's say tubeless valve for X, we are selling a TPMS wow for 2 to 3X, right! Depending on the design in some extreme cases it's 4X and 5X, right! So the revenue realization per component is significantly higher in TPMS than a regular one, so therefore, that is also good for us and typically the margins, the raw material

contribution on is much, much higher than order of magnitude would be like 10-15 percentage points more than the regular one. So we decided that this is profitable. There are very few players in the market. We already have a 50 year legacy. We have everything going for us. So we decided let's stick to our core competence as far as TPMS is concerned, right!

Aditya Gokarn

The next question was regarding what players say regarding the market conditions, to be honest, I would say that by and large, people are kind of fence sitters right now. Nobody knows there is, there are people worried about inflation in the US there are people who are worried that, you know, Europe is also not in a very good shape. So, you know, global players are not in a very, very, I would say highly optimistic frame of mind. But having said that, they're very clear on one point that they want to diversify their supply chain. So let's look at it like this. Let's say an international player, let's say AC manufacturer or a car maker or even a let's say aftermarket distributor sitting in the US He's selling hundred units of something. Even if he's only going to sell hundred the next year also or even if he's going to sell only 95 of the sourcing requirement, right! If he's buying today, hundred percent from China, he wants to reduce it to 70 or 60, and he wants to offer 30-40, some other vendor. He wants to introduce a new vendor, right! So that is the opportunity for us.
Not the absolute growth per se in the market, right! We are not yet dependent on that absolutely. So that's the good thing about us, right! Our base is small; we are just entering the market. So, and the market is looking for vendors. So that is the I would say the good news. The not so good news is that I don't think global growth is, you know, going to be something very fantastic this time in the next few months. People don't know actually what is going on and everybody's speculating. So I think let's wait and watch. I think you know as far as we are concerned, we are not too worried about it right now. Maybe this is something we will need to worry about two, three years from now, once we're already well said, we've taken significant share, then growth, you know, will, will be a factor for us. So we'll, deal with that when we when we encounter that issue.

Aditya Gokarn

Mr. Shanki once again, thank you for joining defense and aerospace. So basically, obviously, you know, we, we, we have capability to, we have been in the aerospace industry for many years. Our valves today are already on many defense platforms. Primarily HAL is our main, I would say focus customer and I think that business is only going to scale up. I think it's again the make in India policy. I think a lot of components, air force and you know Department of DRDO and also HAL, they have, started preparing something like a negative list, right! So government has started telling them that for certain components, they are literally going to not allow them to import from a certain cutoff date. So that is kind of speeding up, I would say

something that should have happened three or four years back is now kind of, you know, speeding up because now the government is squeezing these guys very hard saying that look, you guys better localized. So I don't want to, you know, comment on the specific nature of some of this because it would be competitive information. I don't want to put any competitive information out there in the public domain that will hurt our business strategy, but I can say that we are working on some very profitable products. Some products where you know there is a niche where we have some capability which we believe is not so easy for an alternate player in India to develop. So we are focusing on niche special opportunities where we can make very good margins.

Aditya Gokarn

What is the status of contracts with some of these big players? Again, I don't want to comment maybe on this call specifically on any customers specifically, but I can tell you that as far as TPMS is concerned, I can tell you that the engagement is, very very strong and close with the top three, four sensor manufacturers globally, right! With all these big players, we are some of them we have already received you know the initial documentation for you know becoming a global vendor to them and I'll assure you that as in how these mature and we believe that this information is, you know, fit to be put into the public domain. We will do that, right! So that that will create the necessary, let's say confidence with the investing community that, you know, we are cracking these accounts, we are getting into these customers. So we will do that in in due course of time when we, everything is done, all the documentation is done, signed of paperwork is all completed. We will, announce it because till such time I would say it's still confidential, it's still competitive information. We don't want to unnecessarily bring competition on our head by revealing too much too early. So we'll wait, but I can tell you that we are on a we are in a good track, right! We are engaged with all of them and we believe that TPMS will be a very significant part of our business over the next two to three years. Right! so I'll stop here. Maybe we'll take one or two more last questions and then close. We have just literally 5 min to go.

Chirag Shah

Yeah, can I ask a question? Hello. Can I ask.

Bibhuti Mishra

Yeah you can ask.

Chirag Shah

This is from investments. So two broad set of questions. The 1st is if I draw your product/rather SKU/customer basket or a grid, so if you can just highlight how many SKUs in each of the business are required or which you can potentially do over next two, three years and how many are approved. and secondly, generally what is the validation process for a new SKU that you introduce or a new product that you intend to introduce? So that is the 1st set of question. This

includes defense also if you can help us understand on defense because it will not be a single world that will be going in defense for you in aerospace for you.
And second is if you can just comment on client concentration. What it is today maybe top five customers or top two customers and how do you envisage it three years out when you achieve the thousand crore revenue, whenever you achieve that aspirational number of thousand crores, how do you look at client concentration or how it how you would prefer to look at it to achieve that number of thousand crores?

Bibhuti Mishra

Thank you, Mr. Chirag. Could you repeat your 1st question? Could you please.

Chirag Shah

The 1st question? Yeah, I was asking if you draw your SKU/customer grid, you know, so one how many SKUs in general you are making for a particular customer ok 1. second how many SKUs you can potentially make today? Okay or next three years and the validation process that it will require for you to actually start seeing it in your revenue. So the validation process and the number of SKUs you can make. Across each business vertical, if you can give a broad indication, it would be helpful. And please include defense in this or however you want to take it ahead. And I hope second question you want to repeat 2nd question that how should be your customer profile.

Bibhuti Mishra

Okay NO it's fine fine. So Mr. Sudhir, if you have any questions please ask. We'll take the final round.

Sudhir Bheda

Yeah sorry sorry I was on mute, so mentioned that growth will be flattened out next year, but however in our future we are increasing the capacity, so how it is possible that growth should be much better with the increased capacity coming in next year. So that that's why wanted to understand.

Hemant Ashar

Hemant here, I just also wanted to have a similar question we have created capacity of what we had described and when we are expecting with this capacity creation to double our tone over in the next two to three years, which is reflecting a growth rate of say 40-50 %. So one of the participants mentioned about the muted guidance and all so that impression was I'm not sure how did it get it because when we are planning to grow at 40-50 % with the capacity what we have created 1. and second is the product mix what you said which we have picked in terms of climate in terms of the TPMS and all which are better margin products. Once the scale is there, there will be definitely 1st the growth is there and also the margins will also improved, so maybe if we can just elaborate on that.

Aditya Gokarn

Yeah, you can hear me, right! So I'll just take the easier question 1st that I'll come back to. No, I would like everybody to understand once again what I said. See, I said the external environment, right! is looking like it is going to flatten a little bit, not the Triton environment, right! What I mean to say by that is, if you look at, e.g., AC industry, right! Because of the fact that I would say disposable income, right! This is all over the news, right! This is not there's not, these are not my analyses. I think if you look at the FMCG sales over the last maybe one or two quarters, one of the reasons perhaps also that, you know, stock markets also have corrected to some extent, there is a kind of a sense or there is a sense that there's a feeling in the market that the consumption story is a little bit flattening, right! Now, does that mean we are going to flatten? My answer was actually to say that, NO, we are not going to flatten in spite of that. Why? It's very simple. In AC industry, the share of business that we hold today is maybe 5-6 % market share of service valve. So what I was trying to say is that even if the AC industry contracts, we will still grow tremendously because we need to make that journey from 5 % share of business to at least 15 % right! So I'll put it like this assume that this year, AC sales don't grow at all over last year. Last year, India produced 1.5 crore ACs, this is an estimate, market estimate. Nobody really knows the figure because you know, a lot of these companies don't reveal the exact figure, but our estimate is approximately 1.5. I said ₹250 worth of stop valve or service valve goes into every AC. So ₹250 multiplied by 1.5 crore is (INR) 375 Crores.

Aditya Gokarn

Right! So the market size for service value is (INR) 375. We are doing like a fraction of that. Maybe, maybe less than 10 % of it. So even if the market doesn't grow, even if this year service valve market is going to continue at 375. Even if it comes to 350 crore, I'm saying that maybe we may we'll have a huge growth, right! Because QCO is coming, imports are becoming restricted, the dollar is going up. You know, people don't want to import and government is putting a lot of pressure in industries to stop importing, particularly from China right! so I'd like to clarify, I'm not suggesting we are going to flatten. What I was trying to say is that in spite of the expectation that market will flatten, we will continue to grow, right! The same is the case in Future Tech. In Future Tech also, right! If you see the India market for excluded brass, just India market, right! Our very, very conservative estimate is that it could be 30000 tonnes per month, right! We are currently talking about a capacity of thousand tons per month, right! So because our base is small, even market might flatten, we will continue to grow, right! That is what I was trying to say, right! The external market, we all know it's not. You know, like I said, there's not a new revelation that I am kind of announcing. It's I think very well understood in the market and I think the stock markets have already priced themselves into that kind of scenario where you know growth is going to be a bit hard to combine this year. But we

will continue to grow, and we are very confident see the capacity addition that we have also done. We'll ensure that we will also be able to do specialized, right! So if you look at Future Tech business plan, what is the way forward? Obviously, we want to keep scaling up the products that we already developed already in the market, but we also want to add new products, right! We want to add value added products, we want to do, you know, specialized alloys higher margin. It's like the same journey that let's say your steam will have from going from doing let's say regular steel to doing alloyed steels and tool steels. It's that kind of a journey in us, right! That's what we are trying to embark on. So, I'm very bullish and confident about our own let's say story in the whole scenario and as far as automotive vertical. People is concerned. We have exposure to the tire industry. Tire industry at the moment is still growing well, right! Tire industry, most of the tire industry sales are to the aftermarket, right! Where as long as you know movement is still happening, there is a, there is a replacement demand tire is one of the most frequently replaced parts of the vehicle. We all know that particularly it's very frequently replaced. So we don't see any significant, I would say dangers for us, but it's my job to apprise everybody that, yeah, there is a, you know, there is a expectation that, you know, market is going a bit slower than expected. It's there. So in that environment, I still think we will do it.

Aditya Gokarn

Coming to the question that I think Mr. Chirag Shah asked, ok, SKUs of customers or matrix of customers versus SK one, like a two by two matrix. Maybe I'll just give you a high level flavor, right! If you look at, e.g., a customer like let's say Voltas, right! Currently we are maybe giving them five or six SKUs. What's the potential I could take it to 10-15 SKUs? I'll take an example of let us say. Let's say two wheeler EV manufacturer, today I'm giving them, let's say battery component, what is the upside? There are a lot of, you know, other brass components they're already working on. So maybe we can go from four SKUs to maybe seven-eight SKUs. So That's how I would look at it. In Future Tech, again, hard to say, it depends on what development maybe that customer is doing with our raw material because we are only a raw material supplier there. So sometimes it's not so much about the number of alloys that I'm supplying to the same customer, you know, so I would say up selling is not really a very viable strategy there. I'll give you an example. It's something like this. Let's assume Titan industries is buying brass from us for watch cases. Is he (it) going to come up with a new alloy for a different kind of a watch case? Unlikely, right! But is he (it) going to buy more, you know, material from me if his watch production goes up? Yes, for sure, right! So in, in the brass industry it's more about, you know, making an alloy for every application you know, every, every specific application. So e.g., we are making alloys for the writing instrument industry. We are making alloys for watch industry. We are making a alloys for oil and

gas industry, right! So our job is to keep adding new such, I would say industry verdicts. Right! So that is really the play there, not cross selling to the same customer more SKUs. So I hope that answers that part of your question. Validation process depends for automotive components and for climate control components from enquiry to mass production could be anywhere from 6 to 12 months, sometimes even more, sometimes, you know, 15 months, 18 months depends on the complexity of the product. Whereas for Future Tech, typically the turnaround time is only two to three months, right! Somebody wants a new alloy, we submit a sample, they test it, then they buy a small quantity, all everything ok. They will, immediately go to mass production. So it depends depending on the business and the type of component that you're offering. Top two, top three to five customers, I would say entire tube vertical, if I look at it, I would say MRF is our biggest customer we have JK, we have I would say top three would be MRF, JK and maybe Apollo, be the top three. Automotive side, I would say Maruti Suzuki would be obviously number one for us. Number two would probably be Tata motors. Number three would be Hyundai KIA. two wheeler segment I would say possibly HMSI is our biggest customer in number terms, Hero MotoCorp, TVS, these are the top three. If you look at climate control vertical, I would say right now perhaps Lloyd is our biggest customer, then we have of course we have Samsung, we have right now a little bit of exposure to carrier media. So I would say those are maybe the top three. Yeah, I would say that I've covered perhaps all the verticals to give am Idea. I hope I've answered your question. I think we are, we are out of time, so I think we started about four o' five. I think with all your permission I think we will close here. Thank you once again to all the investors for showing interest and thank you for joining the call. I hope that we've been transparent and I hope you've answered most of your questions. Look forward to your continued support and thank you so much.

Karthikeyan

Thanks very much for the call.

Chirag Shah

Yeah, thank you for the call. It was very easy.

Bibhuti Mishra

So thank you thank you everybody.