JAY BEE LAMINATIONS LIMITED

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October 28, 2024

To,
The Listing Department
National Stock Exchange of India Limited,
Exchange Plaza, Plot no. C/1, G Block,
Bandra-Kurla Complex, Bandra (East),
Mumbai - 400 051

Trading Symbol: JAYBEE

Sub.: Submission of transcript of Post results / Earnings Conference call for H1-FY 2024-25 pursuant to Reg 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir / Madam,

Pursuant to Reg 30 read with Para A of Part A of Schedule III SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the Transcripts of the Post results / Earnings Call for H1-FY 2024-25 held on Friday, October 25, 2024.

Further, please note that transcripts of Post results / Earnings Call for H1-FY 2024-25 will also be available on website of the Company at https://jaybeelaminations.co.in/corporate-announcement.php

We request you to kindly take the above information on record.

Thanking you,

Yours faithfully
For **Jay Bee Laminations Limited**
(Formerly known as Jay Bee Laminations Private Limited)

ARTI CHAUHAN
Digitally signed by ARTI CHAUHAN
Date: 2024.10.28 16:01:21 +05'30'

Arti Chauhan
Company Secretary & Compliance Officer

JAY BEE LAMINATIONS LIMITED

H1-FY 2024-25

POST EARNINGS CONFERENCE CALL

October 25, 2024 12:00 PM IST

Management Team

Mr. Mudit Aggarwal, Managing Director
Mr. Subhash Raghav, Chief Financial Officer
Ms. Arti Chauhan, Company Secretary
Mr. Ashutosh Singh, Deputy General Manager, Finance

Call Coordinator

KAPTIFY®

Strategy & Investor Relations Consulting

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the H1 FY'25 and Maiden Post Earnings Conference Call of Jay Bee Laminations Limited. Today on the call from the management we have with us, Mr. Mudit Aggarwal, Managing Director; Mr. Subhash Raghav, Chief Financial Officer; Ms. Arti Chauhan, Company Secretary; and Mr. Ashutosh Singh, Deputy General Manager, Finance.

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.

We will now request the management to quickly run us through the investor presentation with the business performance and highlights for the quarter, their growth plans and vision for the coming year, post which we will open the floor for Q&A.

Over to the management team. Mudit, you can go ahead.

Mudit Aggarwal: Thank you. Good morning, everyone. I hope you're having a nice day. Thank you all for joining this call today. We are new to the markets, and this is our first investor call. So bear with us, if there's any issue.

We would like to start by introducing our company. Our company, is Jay Bee Laminations Limited. We have a strong employee base of 300 plus numbers. We are in the business of production of CRGO Silicon steel cores for the power and distribution transformers industry of India as well as exports.

We established our company 35 years back in 1988. We have two manufacturing units based in Noida and Greater Noida. Currently, our installed capacity is 11,700 metric tons, and we are looking to increase our capacity to about 18,000 metric tons with addition in the second unit, which is the Greater Noida plant.

Our products include cut laminations, slit coils, and assembled cores all going into the transformer industry. We have an in-house lab for raw materials and finished goods testing. And we also have a tooling division for blade sharpening that is used for cutting of sheets. Currently, we cater to transformers, transformer cores up to 220 kV class. And now with the new expansion, we have a plan to target customers in the range of 400 and 765 kV class. Next slide, please.

Our journey has been quite long. It's been a long 35-year journey. We started exports in 1995. We received the ISO certification in 2011. We also are approved by Power Grid and PSPCL that happened in 2015 and 2016. We started Unit II operations in 2017, and we received a Certificate of Conformity from BIS in 2021. And we became one star export house, and we converted our company to Public Limited into 2023 and '24. Next slide, please.

Our promoters are Mr. Munish Aggarwal, who started the company, who founded the company, and Mr. Mudit Aggarwal, that is me. I joined the company in 2012. And Ms. Sunita Aggarwal, she has also been with the company since the last 35 years. Next slide, please.

Our core team exists of our Board of Directors, which includes the three promoters, as well as our three Independent Directors, Mr. Atul Ladha, Mr. Arun Verma, and Mr. YK Gupta. Our team exists of our CFO, Mr. Subhash Raghav, who has been with the company since inception. Ms. Arti Chauhan is the Company Secretary. Mr. Paras Dhawan is leading our sales, and Mr. Ashutosh, is involved in Finance. Next slide, please.

We have a strong customer base in India as well as some customer base in export market. In India, our presence is shown on the map. And in the export market we are catering to 10 plus countries and hoping to add more countries and more customers in the future. Next slide, please.

We have two units of production. Unit I is on the left, which is a total area of 2,800 square metres with the capacity of 6,600 metric tons. And on the right is Unit II, with the capacity of 5,100 metric tons. Total area is 8,000 square metres. In both the plants, we have the required machines, automatic machines for cutting and slitting, and also testing for CRGO steel. Next slide, please.

Our process consists of purchase of raw material, then sample testing in our lab. Then the first process, actual manufacturing process is slitting, then cutting. Then there is assembly of the cores, which is a labour-intensive process. And then there is final testing and then dispatch. Next slide, please.

Our customer base includes, big names like Skipper, Supreme Power, which recently got listed on the NSE EMERGE platform. Meiden Transformer and Transmission & Distribution, Esennar Transformers, Shirdi Sai Electricals, Bharat Heavy Electricals, Crompton Greaves, Indo Tech and Kanohar Electricals. As far as end customers are concerned, these transformers are generally going to customers like Adani Power, KPTCL in Karnataka, Power Grid, PSPCL in Punjab, and the Indian Railways. Our top five customers consist of 42% of our total revenues. Next slide, please.

Our products include cut laminations, slit coil, and assembled cores. Basically, these three products are different steps of manufacturing. So it depends on the customer's requirement. All of these products go into the transformer manufacturing as the core of the transformer. Next slide, please.

Our competitive strengths include a strong promoter and management team, which has a long experience of 35 years. We have the experience of producing CRGO with high accuracy and speed, which ensures the quality and safety of transformers. We have excellent relationships with our customers as well as suppliers, and we have certain approvals like power grid up to 220 kV class. We are soon planning to go for power grid approval of 400 kV class in the Greater Noida plant. Next slide, please.

So coming to the new expansion process, as I said, we are targeting customers in the range of 400 kV and 765 kV class. Considering that, there is scarcity of suppliers as well as customers who can supply good quality transformers to the end customers like especially power grid. We also plan to add export customers, which will give us a better margin. Recently, we also imported high end lab equipment from Germany, which is already has been received by us, and we will soon establish a world class lab, which will be accredited by NABL.

Further as we pointed out earlier, in the Greater Noida plant we have a new facility, where a new shed which has all the facilities required to process 400 kV and 765 kV class orders, and that takes our capacity to 18,000 tons, which we are hoping to utilise on a full capacity basis in the next financial year. Next slide, please.

Our key performance highlights include production data, the total volumes that we have produced. We have actually increased our volumes compared to last 2.5 years by about 20%. Though the prices came off, the raw material prices as well as the selling prices, but we were able to increase the quantities of production by about 20%. In terms of capacity utilisation, till last year, we were at a level of between 80% and 85%.

Currently, we are dealing with the capacity utilisation of about 90% to 95%. This has been possible because of better orders on the machinery, on the workstations that we have. As well as to some extent, we also were facing shop floor area issues. So space has been created with the new plant coming in, and we were able to utilise a better capacity in the last half year. Next slide, please.

Our revenue has been close to ₹153 crores, which is almost at the same level as the previous half years. As I said, this was mainly because of the prices coming off, but the volumes have increased. Our EBITDA margin has increased because on a per kg basis, our EBITDA margins do not vary with the raw material or the sale prices. Hence, the margins on a percentage basis are increased to an extent of 52% YoY and 39% at half-yearly basis. Our PAT margins have increased by 49% on both YoY and HoH basis. Next slide, please.

Our half yearly numbers as I previously said, our sales was ₹153 crores. The PAT margin was 9.4%, which was contributed mainly because of decrease in the cost of materials consumed. Our expenses, other expenses, employee expenses, and everything else has been mostly in line with our previous performance. And we continue to keep that at the same level. Next slide, please.

Our annual financials for the previous three years have been going up and better. Our revenue has steadily increased from ₹141 crores to ₹302 crores in FY '24. Our EBITDA margins are constantly going up from 8.8% to 10%, and now reaching almost 15%. Our PAT margin has also increased from 4% to 6.4%. And in this half year, it has gone up to 9.4%.

Similarly, our focus is on return on equity and return on capital, which we hope to continue to keep at higher levels, considering our low equity base and higher profit margins. We will continue to also focus on debt-to-equity ratio of, as low as possible. And in the future years, we will plan to have a good mix of debt and equity to fuel the further expansion. Next slide, please.

Like I said, our sales increased from ₹141 crores to ₹302 crores. The revenue, CAGR has been 46%, and the PAT CAGR has been a healthy 84%. Next slide, please.

Our balance sheet is becoming healthier, as we move forward. We had a very healthy equity base of ₹62.9 crores at the end of FY '24. And now with the IPO that happened in September, our equity base has further increased. Our borrowings are on a decreasing trend, and we will continue to maintain the borrowings in a healthy debt to equity ratio. Next slide, please.

Our industry is growing at a healthy rate. We believe that the Indian transformer market is growing at about 10% to 11% on an annual basis, which is a very good growth rate considering our power sector. We would like to participate in the growth of our customers as well as our end customers who are buying transformers. The biggest buyer of transformers in the Indian market is the government. But we are also seeing an increase of transformers demand from the private sector, especially with solar and wind energy is concerned. Because for new generation types, there will be requirement of new transmission and distribution infrastructure that will require new transformers.

And with the requirement of new transformers will come the requirement of CRGO steel. Next slide, please.

Like I said earlier, we are proud to be ISO certified, and we have a star export house certificate, that is given to manufacturers who have a consistent and increasing export. We are committed to quality to our customers, and we hope to increase our business keeping in mind the needs of the customers.

Thank you. If anybody has questions, I would be happy to answer them.

Question-and-Answer Session

Moderator: Thanks, Mudit. We already have people in the question queue. We'll immediately go to the Q&A. We'll take the first question from Parin Dodhiya. Parin, please go ahead.

Parin Dodhiya: Yeah. So my first question is, given that we are currently operating at 84% capacity utilisation, and like we are projected to reach 100% by end of FY '25. So can we realistically expect our revenues to approach, approximately ₹370 Cr in FY '25?

Mudit Aggarwal: So our capacity utilisation till now with the existing capacity, while we added a very small capacity in the last six months. When I say small capacity, which was put to use, so that is why it moved from 11,350 to 11,700. Going forward, in October, we have already put to use the new capacity, which will be 18,000 tons. So as I said, right now, till September, we were at a utilisation of about 94%, which will certainly come down as the new capacity kicks in. So we are hoping to end the year with the capacity utilisation between 70% to 80% on a total basis.

Parin Dodhiya: On over 18,000, right?

Mudit Aggarwal: Correct.

Parin Dodhiya: Okay. And my second question is like, we are establishing new manufacturing unit for like 400 kV and 765 kV class products. So like, are there any other publicly listed companies who's currently operating in this space?

Mudit Aggarwal: You mean specifically for 400 and 765 kV class?

Parin Dodhiya: Yes.

Mudit Aggarwal: No. There are no public listed companies who are operating in that.

Parin Dodhiya: So, basically, you are the only one right now?

Mudit Aggarwal: Yes.

Parin Dodhiya: Okay. Thank you.

Moderator: We'll take the next question from Agastya. Agastya, you can go ahead, please.

Agastya Dave: Thank you, Vinay bhai. Good afternoon, everyone. Well, first of all, thank you very much for the opportunity, and thank you very much for holding the con call immediately after the earnings. I really appreciate it. I'm pretty sure everyone else does that as well. A few questions from my side. First is that, can you talk over a little bit about the sourcing of CRGO? Where are you getting the CRGO from? What kind of tie ups do you have?

And on the expanded capacity, so not just these 18,000 tons, you have also taken a land on lease. So that's I believe 3,600 square metres, right? So how much capacity will come there? And then for the entire capacity, including the new greenfield one, how is the sourcing looking like of CRGO itself of the steel itself?

Mudit Aggarwal: Okay. So first question would be about sourcing. We have tie ups with the most of the CRGO steel producing mills. There are about 10 to 15, CRGO mills in the world who are commercially and largely producing CRGO steel. We have the tie ups with most of the mills, and we directly purchase from the mills as well as we purchase through their stocking centres or through traders within India.

So our import, as I said, CRGO steel is mostly an imported product. But our imports are less. We almost have a ratio of about 80:20. 80% is domestic, and 20% is import.

Agastya Dave: Okay. But one thing is so sure, you won't have any sourcing problem even with the expanded capacity. Because CRGO, I believe has been perennially in shortage. It's the key bottleneck in transformer industry, right? Every transformer OEM says that CRGO is an issue. So sourcing is tied up for the expanded capacity. We should assume that.

Mudit Aggarwal: Yes. And this is the main reason. I mean so the problem is not that the CRGO is in short supply. It happens because there are multiple grades in CRGO steel. The customer generally has a very shorter forecast of, which grades will be required and with what quantities. And that that becomes a problem for us also sometimes.

So we basically purchase CRGO steel different grades on the basis of our projection, basis of our customer feedback. And because of that, our inventory level has also gone up. So we are basically covered with a good level of inventory with respect to targeting the new customer base.

Agastya Dave: Understood. Mudit, what about this new land that you've taken? How much capacity do you plan to build there?

Mudit Aggarwal: So, basically, what happened was this piece of land is something that came up to us, and it was a good opportunity. We saw the facility. It was already a very good, very well-built facility. So we have already signed the lease on that basis. And now we are upgrading the capacities that we can optimise with the three units. And the best possible scenario that can be found from that considering that, what is the capacity that we can put up, and what is the market segments that can have the most demand and margins, of course.

Agastya Dave: Understood.

Mudit Aggarwal: So believe that in all three units put together, theoretically, we can go up to about 25,000 to 30,000 tons.

Agastya Dave: In all three put together, debottlenecked?

Mudit Aggarwal: Correct.

Agastya Dave: That's 30,000, you said? 30?

Mudit Aggarwal: Yes.

Agastya Dave: Okay. And, Mudit, you mentioned in your opening remarks that, your EBITDA per kg, gross profit per kg is a fixed amount, and it doesn't change. But if I look at the H1 numbers, on a per ton basis, your profitability has jumped quite considerably. So what should be the base that we should estimate? I mean, it is going to mean revert back to the numbers that you have reported in FY '23 and '24, which are very close to each other? Or should we expect this H1 number to act as a base going forward?

Mudit Aggarwal: See, what I mentioned was, that our margins do not go up or down with the changes or fluctuation in the raw material and the sale prices. So say if raw material prices are averaging ₹200, our margins will still be at say, a level of ₹250. Had they been ₹250, our margins will be say, ₹300, ₹305. So my point is that our EBITDA margins do not fluctuate with the raw material price fluctuation.

Having said that, we were forecasting that the margins will increase, since the last half year. Because, we are reaching full capacity. That is one point. Capacity utilisation has been really good. We are able to select the orders that are better for our output as well as margin base.

On a PAT basis, even if you see that considering that the prices would not have dropped, volumes increased by 20%. And if you consider a 20% increase in the turnover, say, currently our turnover would have been ₹180 crores. So on that basis, the margins would be around 7.8%. So, we are projecting margins around that level.

Agastya Dave: Okay. Two final questions from my side. One is, on the CapEx for the next two years. Do you have our CapEx plan already in place? And the second question is, so CapEx, I'll ask let you answer first.

Mudit Aggarwal: CapEx is already done in Unit II. Most of the CapEx is done. As I said, now we are ready with the capacity of 18,000 tons. We can slightly go up still in Unit II, but the expansion will happen in Unit III.

Agastya Dave: Understood. And final question is that, you have mentioned that you now want to venture into the 400 kV to 765 kV product lines. So if you move to that segment, what happens to your realisations and profitability? I'm assuming that they would improve.

Mudit Aggarwal: Yes. We are expecting the margins to improve. However, as I said, we have already been able to improve the margins considerably. It would depend on the ratio of the 400 kV and 765 kV class orders. But in general, I can say that 400 kV class and 765 kV class would fetch better gross margins of about 2% to 5%.

Agastya Dave: That is 2 percentage points to 5 percentage points. So just to clarify, you have reported 23% gross margins this quarter excluding the other income so that those will approach 25% to 27%. Is that like a decent understanding for the new class? I'm not saying blended margins.

Mudit Aggarwal: Just one second. You mean specifically for 400 kV and 765 kV, right?

Agastya Dave: Yeah. So as of now, you are in the whatever segments that you are operating in, you have reported 23% number for this first half and 17.5% for the entire year last year. So let's suppose that you move 100% to the higher class, 100%, so then is this 23% would become 25% to 27%, something like that.

Mudit Aggarwal: Correct.

Agastya Dave: Understood. Thank you very much, and I again appreciate the fact that you have conducted the con call immediately after your first earning release. Thank you very much. Thank you, Vinay bhai. Thank you.

Moderator: Thanks, Agastya. We'll take the next question from Naman Parmar. Naman, you can go ahead.

Naman Parmar: Yeah. Good afternoon. Thank you so much for the opportunity and great set of numbers. So, firstly, I just wanted to understand on the macro side, then the CRGO steel, and amorphous core. This basically major used in the transformer. So your new capacity that you are planning to add, what will be the contribution of the amorphous core, and how the amorphous core is currently majorly imported from or it is majorly sourced from the domestic?

Mudit Aggarwal: So amorphous core is a smaller market compared to CRGO steel, because it is used only in distribution transformers. It has its own limitations. It cannot substitute CRGO steel in the power transformer segment. So that is why our focus is going to be limited in amorphous cores.

Having said that, in Unit II, we have expanded only for CRGO steel. In Unit III, we are looking at various permutations and combinations of what will be the best combination. And most likely, that is the place where we will be setting up CRGO as well as amorphous core. Amorphous core sourcing is mostly from imported sources. It is not Made in India just like CRGO steel. So, yeah, there are about three or four BIS approved manufacturers in China and Japan. Sourcing will be from that.

Naman Parmar: Okay. So currently, what you are facing on the issue on the CRGO side, is government has any changes on the BIS side to increase the supply of the CRGO in the market, or what's your take on the supply of the CRGO and amorphous?

Mudit Aggarwal: I can't really comment on the amorphous situation. Although when we talk to suppliers of amorphous steel, amorphous metal, they claim that there is no problem in supply. With respect to CRGO steel, there has been certain restrictions by the government on the Chinese suppliers. However, like I said earlier, we have sufficient ties with the other CRGO steel producers to ensure that our requirements are fulfilled.

Naman Parmar: Okay. And, thirdly on the means you are telling the amorphous is a very small market in the overall market. So how much revenue you expect from the amorphous cores when the third plant get commercialised, and how much from the current business, the CRGO one?

Mudit Aggarwal: So in total like, if we consider the capacity, capacity will not be more than 10% of the total capacity at the best case scenario.

Naman Parmar: Okay. And what was the export sale in the current half year, and how much you expect the export to contribute in the future? And there is any margin difference between the domestic and export sale?

Mudit Aggarwal: Our exports in the last half year was about 11%, and previously, I think it was about 13% to 14%. We will continue to keep this level constant, because export is mostly distribution transformer cores. So the volumes will be lesser than the power transformer cores that we are targeting in the near future. So even if we are able to keep up the same ratio with the increasing volumes, we will be happy.

Naman Parmar: Okay. And any new product that you are expect to enter in the future, like transformer radiator, tanks, and these types?

Mudit Aggarwal: We have multiple plans, but we will focus on CRGO steel and amorphous core, because we are experts at core manufacturing. So that will be our first focus. As long as we are able to get growth in the core manufacturing part of transformers, we will not diversify. Once, that market gets saturated in the future for us, then we will think about diversification.

Naman Parmar: Okay. And lastly on, currently, you are approved till 220 kV from PGCIL. So for 400 kV and 765 kV, when did you expect to get the approval from the PGCIL?

Mudit Aggarwal: So our new capacity, new facility was actually delayed by about two months, and getting it started and running due to various reasons, teething issues. So now that we have started the facility, we have already actually executed a 400 kV class order. So about, ₹4 crores to ₹5 crores of sale has already happened in the 400 kV class range. And with those precedents, and examples that were already set, we will go up to PGCIL and get it approved. So that should take about three to four months if everything goes well.

Naman Parmar: Okay. And, what's your debt plan to how much you expect to reduce your debt from the current level?

Mudit Aggarwal: We intend to keep the debt level at the same, because when we came out with the IPO, our main objective was to fund the working capital requirement that will come with the higher volumes. So considering that last year, we did about ₹300 crores turnover with the debt that we had. We want to keep it at pretty much the same level with increasing turnover.

Naman Parmar: Okay. Thank you so much for answering all the question. All the best for the future.

Mudit Aggarwal: Thank you.

Moderator: Thanks, Naman. We'll go to the next participant, Dhruv Aggarwal. You can go ahead, please.

Dhruv Aggarwal: Yeah. Good afternoon. Congratulations on the very good set of numbers firstly. I have few questions. Firstly, on the amorphous metal core that the company is planning to enter into, what kind of margins one should expect and the peak revenue that the company would be able to achieve?

Mudit Aggarwal: Amorphous metal, does not have any better margins than CRGO steel. We are hoping that the margins will be as good as or maybe slightly lesser than the existing margins of CRGO steel.

Dhruv Aggarwal: What kind of differential do you expect? If like, if in CRGO core, you are like earning already at the EBITDA margins of 15%. So on the amorphous core, what kind of EBITDA margins one should be expecting?

Mudit Aggarwal: So I can talk about the gross margin, and about the EBITDA margin also. So we can expect a gross margin of about 18% to 20%.

Dhruv Aggarwal: Okay. Right. And in the last participant, you said that the TAM for the amorphous metal is very small. So what is the total addressable market in India for that and the percentage share that you would be addressing in the amorphous. Can you highlight that?

Mudit Aggarwal: So we believe that amorphous market currently is about 60,000 tons in terms of tonnage annually based on an annual basis. And depending on the margins, like I said, if the margins are not very attractive, we will not increase amorphous cores after a certain level. So on a very basic level, we are targeting about 1,000 tons to 1,500 tons on an annual basis, and we can take it up to about 3,000 tons to 4,000 tons.

Dhruv Aggarwal: Okay. And in one of the previous participants, you said that for all the three units, you are targeting around 25,000 to 30,000 metric tons of capacity. Currently, we have 18,000 tons in amorphous and around 2,000 tons would be added in amorphous. So the rest capacity you are, like targeting to achieve, it would be from the like CRGO core only, right?

Mudit Aggarwal: You mean 18,000 tons is CRGO, right?

Dhruv Aggarwal: Yes. And the 2,000 tons is from amorphous, right? And the rest that you are targeting are to achieve of 30,000 tons that you are targeting to achieve. So it would be from CRGO only going forward?

Mudit Aggarwal: Absolutely. Yes.

Moderator: Dhruv, we'll have to restrict that now. We need to allow other participants to also ask question. I would request to come back in the line.

Dhruv Aggarwal: Okay. Sure.

Moderator: Yeah. Request all participants to restrict initial round of questions to two or three. We'll go to the next participant, Sunil Jain. Sunil, you can go ahead, please?

We'll move to the next participant, Aditya Mutha. Aditya, you can go ahead, please.

Aditya Mutha: Hi, good afternoon. Congratulations. In FY '24, our production was 9,389 tons, right?

Mudit Aggarwal: Yes. Correct.

Aditya Mutha: And our sales was ₹303 crores?

Mudit Aggarwal: Yes.

Aditya Mutha: So revenue per ton was coming around 3,22,718. But this half year, that number has gone down to 277. So why is that diverted for 20%?

Mudit Aggarwal: You said 303 divided by 938?

Aditya Mutha: Yes. Correct.

Mudit Aggarwal: So, like I said, the raw material prices fell in the last nine or 10 months that had an effect majorly in the last half year. Raw material prices fell primarily, because I mean the reason of raw material prices fluctuation is the global supply and demand of CRGO steel. It also depends on what is the demand structure in the U.S. and European markets. So because CRGO steel is highly dependent on the power projects that come across from the utilities all over the world.

So if a certain power project comes up in a big way, the demand suddenly increases. And if power projects are not there, then the demand can decrease. So based on that, the fluctuation can be there.

Aditya Mutha: Okay. And this could be a reason for increasing margin also?

Mudit Aggarwal: Yes. To some extent, we have also received the inventory gains, but that is not a very big portion.

Aditya Mutha: Okay. And one follow-up question. When will be the CapEx come online?

Mudit Aggarwal: So we have already started. As I said, we have already started executing orders, and we have already executed one order of 400 kV classes. The capacity tune up in October.

Aditya Mutha: Okay. Thank you. Congratulations. I'll get back in the queue.

Mudit Aggarwal: Thank you.

Moderator: Thanks, Adithya. Sunil, you can go ahead now, please.

Sunil Jain: Yeah. Thank you. Can you talk about bit industry in India, specifically who are the competitor, and how much of it is imported, and how much share you have in the market?

Mudit Aggarwal: So the entire CRGO steel industry is about 3 lakh tons in India on an annual basis. And like in FY '24, we did about 9,400 tons. So that becomes about 3%, 3.5% of the market share. There are a few players, who are in the range of 25,000 to 30,000 tons, and then there are players in the range of 15,000 to 20,000 tons, then we are at a level of between 10,000 to 12,000 tons.

Sunil Jain: So, basically, the raw material is imported, and then CRGO, these all sheets are manufactured here and then sell to the transformer. There is no direct import or direct competition from import for you.

Mudit Aggarwal: You mean, as our competitors, if there is direct competition from foreign players?

Sunil Jain: Yeah.

Mudit Aggarwal: No. Because of two reasons. One is that BIS is applicable on the product. So there is a lethargy amongst the core manufacturers outside India to get BIS approvals. Second, and the bigger reason is that the lead times are very short. So for example, our order book is generally one to three months. So within that, lead times and the each customer's order is tailor made. So, we need to stock up inventory first, and then the order comes. So based on that, the lead time is so short that a player from outside India will not be able to serve the market.

Sunil Jain: Okay. And is there, like, you are increasing the capacity? Your competitors are also increasing the capacity?

Mudit Aggarwal: Yes. Competitors are increasing capacity, but I think there will be a healthy market for everybody if the entire pie increase.

Sunil Jain: So do you have anything like order book or something, or it's you said the orders are for one or two months, so there will not be order book?

Mudit Aggarwal: Right. I mean, order book, generally does not play a very big role, because we have received plannings from the customers, but those are not in the form of purchase orders. In terms of purchase orders, as of the end of 30th September, we had an order book of ₹62 crores, which comprised to almost 50% power and 40% distribution, transformer ports.

Sunil Jain: If I see this quarterly balance sheet, the inventory has increased substantially. Any specific reason for that?

Mudit Aggarwal: Right. So CapEx, as I said, CapEx got delayed by two months. We were actually hoping to start the new facility two months back. And so because of that, we actually accumulated inventory. And now that inventory is going to get used. So in purchasing CRGO steel, there are multiple grades. And based on that there can be longer lead times of purchase. So if I place an order today, maybe it comes after two to three months. That can be the maximum lead time for purchase of CRGO steel. So we actually stocked up inventory in the last two, three months, so that we are ready with the production of the new capacity. And looking at our order book, we are already 60% covered with respect to the inventory. So you can basically see the inventory going down by the end of this financial year, and we'll return to the normal level.

Sunil Jain: Okay. And since you report production volume, are these sales volume similar to production volume or there is a big difference?

Mudit Aggarwal: No. There is no difference. There is marginally negligible difference, because we generally do not have any FG.

Sunil Jain: Okay. And…

Vinay Pandit: Sunil, I would request you to come back in the queue again. Before we go to the next participant. Let me take two questions from the chat window. The first question is from Mr. Ashish Kacholia. How is Jay Bee seeing itself after three years in terms of revenue and enterprise value? How do you see yourself in three years from here?

Mudit Aggarwal: So, we intend to move up in CRGO steel as much as possible. That is our first and foremost target, because we are experts at that, and it's been 35-years legacy that we have been doing this. And we have maintained good operational and financial efficiency with respect to managing CRGO steel operations.

So if and when we exhaust that opportunity, we will look at the various aspects of going into either vertical integration or we can even look at forward integration that is the idea. So three years down the line, we intend to go to full capacity utilisation in all three units, and probably next plan of expansion will probably start once the Unit III is underway.

Vinay Pandit: The next question in the chat window is from Sanika Khemani. Want to know what kind of price trajectory are we expecting in our raw materials?

Mudit Aggarwal: Raw material prices, like I said, due to the exit of a few Chinese mills, the raw material prices have gone up. So they are currently at the same levels as they were in FY '24. They may increase. They may decrease. We don't know. It all depends on the global supply and demand situation. But we believe that these are the sustainable price levels, which we are currently working at.

Moderator: Okay. We'll take the next question from Atul Dafria. Atul, please restrict your questions to two initially.

Atul Dafria: Hi, Mudit. Thank you so much for the presentation and the call. The first point is like, now how do you expect the prices in near future? Like now you mentioned that at one point in time that the prices have reduced and the volume increased. So just wanted to take your view for next say six to 12 months from now?

Mudit Aggarwal: So like I said in the previous question, the prices have increased since the last six months. I mean, they were actually on an increasing trend, but on an average basis, it was low. So currently, our sale price on an average basis is around ₹300, ₹310. And in the near future, it will be going up in the next two to three months. But after three months, after say December, we don't know, because it all depends on the next round of negotiation with the suppliers.

Atul Dafria: Okay. The second question is with respect to like the ultimate like, your product goes into transformers, transformer companies ticket. So have you also seen the transformer prices going down to that effect?

Mudit Aggarwal: You mean in the last six months?

Atul Dafria: Yes. Or is it linked? So just wanted to have your thoughts whether that your prices are linked to the transformer company prices or they also reduce the prices or it's only like no impact comes to you?

Mudit Aggarwal: I understand. So what you're asking is, how is the pass on, if we are able to pass on to the transformer manufacturers, how are they able to pass on to the end customers, right? So, essentially, in government orders which are longer to the extent of six to 12 months there, there are price variation clauses. There is PV clause, which governs on the major raw materials of transformers. And once the prices of CRGO steel or copper or the tank body or the oil move up and down, based on that there is a certain calculation for the month. And based on that, the transformer manufacturers get a better or a lower price.

With respect to private manufacturers, there can be price variation clause. There cannot be price variation clause also. But those orders in the transformer industry are generally short lived. So I think those orders are also in the range of one to two months. So in that case, they have back to back purchase orders as well as sales orders. So they are also secured from that angle.

Atul Dafria: So what I understand is, like now if your prices goes up and down, it doesn't impact the transformer companies.

Mudit Aggarwal: No. It does not impact the transformer.

Atul Dafria: Ultimately benefit to them, right?

Mudit Aggarwal: Unless and until they don't have price variation clause and have really long order.

Atul Dafria: So you can't have in your clauses that the prices, if prices have increased like the prices have reduced. You can't have a fixed price in a context with them, right? Obviously, it's an order book. You also may maintain it. So you also get orders. But if the raw material prices increase or decrease, so your prices doesn't go up and down, right?

Mudit Aggarwal: Sorry. I didn't get that question. Can you repeat that?

Atul Dafria: Sorry. So let me just rephrase last question for you.

Vinay Pandit: Basically, Mudit, he is trying to ask that, how are you able to manage the price increases or decreases? Are you able to pass it on to transformer companies?

Mudit Aggarwal: Yeah. So we are able to pass it on because our order books are small. And if we have a longer order book, so for example, some of the government companies have a longer rate contract and order book, then those are mostly fixed price contracts. So for that, we try to accumulate the raw material in the first place. And for that, we need working capital, and which was the reason we wanted to go for the public market where we can have a good strength of working capital. Because CapEx was done all by internally.

Atul Dafria: Understood. Okay. Thank you so much, and all the best for the next quarter. Thank you.

Moderator: We'll take the next question from Paras Chheda. Paras, you can go ahead.

Paras Chheda: Yeah. Hi, Mudit. I just wanted to understand on the incremental capacity that has come in October, right? And this is a specific revenue kind of thing I'm trying to understand. That if we're assuming a 100% utilisation of this capacity, what kind of revenue potential can this offer?

And the second question will, in case we are able to go to 30,000 metric tons, what kind of incremental revenue can we expect? Or peak revenue, let's put it that word. It's a specific sort of a broad range on numbers I'm trying to understand.

Mudit Aggarwal: So, considering that amorphous steel is going to be a small part, mostly the sale price should remain in the same range. And considering that, if we been consider theoretically full capacity utilisation of 30,000 tons, the turnover can be around ₹900 crores.

Paras Chheda: ₹900 Cr. And on this 6,000 capacity that has come in, what would be the incremental revenue potential? That has come in October?

Mudit Aggarwal: About, ₹180 crores.

Paras Chheda: Additional ₹180 crores, okay. And just another last question, are EBITDA margins which have jumped to 15% in this second half, are they broadly sustainable going forward or you expect them to go back to 10%, 11% that we had earlier annual numbers?

Mudit Aggarwal: We will be somewhere in between 10% and 15%. 15% was achieved because of the low turnover base. Like I said, the turnover was low, but the volumes have increased. So I mean, if you consider the PAT margin, it was actually 7.8%. If you consider, a similar price range increase of the last year. So considering ₹180 crores, ₹185 crores of turnover, if we consider a 20% jump in from compared to the last half year. The PAT margins are actually not 9.4%. It is lower. And similarly, EBITDA will also be we are hoping to target between 12% to 13%.

Paras Chheda: But your 400 kV and 765 kV class would be generally higher margin products, I would assume.

Mudit Aggarwal: Yes. Correct. That will aid your EBITDA margin.

Paras Chheda: Yes. But our idea is to go as conservative as possible. Project it in a way that is healthy and sustainable.

Mudit Aggarwal: Yeah. Okay. I'll come back in the queue.

Moderator: Thank you. We'll take the next question from Namish Gupta. Namish, you can go ahead. We'll take the next question from Abhishek Garg. Abhishek, you can go ahead.

Abhishek Garg: Thank you, Vinayji for the opportunity. Muditji, thank you for conducting this call. Great set of numbers. I just had one small query. You mentioned that, our EBITDA per ton sort of remain same irrespective of the fluctuation in the raw material prices, right? However, in FY '24, our EBITDA per ton was around 33.5K, which has now increased to 41.5K. So what is the reason for this increase, and is this sustainable? Is this the new normal going ahead?

Mudit Aggarwal: So the previous question was also the same, Abhishekji. We were able to increase the EBITDA because of the volume increase. One reason was the volume increase, which was about 20%, if you see our presentation. We did about 5,540 tons of CRGO steel versus last half year that was around 4,760. So that was an increase of about 19%, 20%.

The second reason was that, since the demand is increasing and we had limited capacity, we were able to select orders that were suitable for our capacity as well as our margin base. So because of that, we were able to increase the margins. And on a smaller base of revenue, the EBITDA percentage seems higher, but it can revolve between 12% to 13%.

Abhishek Garg: Understood. So going ahead, we should expect EBITDA margin of 12% to 13% if the price is sort of reward back to normal revenue per ton. Understood. All right. Thank you.

Mudit Aggarwal: Thank you.

Moderator: Thanks, Abhishek. We'll take the next question from Namish Gupta. Namish, you can go ahead.

Namish Gupta: Sir my question is on gross margins. I want a little clarity about margin increase from 15 to 23%. One you said that your volumes increased and secondly our raw material prices in the international markets have come down. Sir in this case if my volumes increase, my gross margins would not increase, by increasing the volumes my turnover would increase but not my gross margins. So should I assume that this jump of around 8% in gross margins is due to the raw material price decrease? And going ahead it would normalize and this 23% would come down to around 19%. Please clarify on this?

Mudit Aggarwal: Namishji thank you for the question. If you see our gross marginthat was 23%, absolutely right. However I would tell you if you assume our turnover of 180Cr considering that previous sale price. So on that base it will be 19%. So that is a sustainable base. I'll tell you another reason for that. The reason is, we have also seen our competitors who are currently working in the 400 kV and 765 kV class. Their raw material cost is between 75% and 80%. So we are hopeful of keeping in that same range.

Namish Gupta: So going ahead can we assume the margins to be around 20%?

Mudit Aggarwal: How much?

Namish Gupta: 20% gross margins? Thank you.

Mudit Aggarwal: Unless there is any sudden abrupt fluctuations, these margins will be continued.

Namish Gupta: Okay.

Moderator: Thanks, Namish. We'll take the next question from Ajinkya Jadhav. Ajinkya, go ahead, please.

Ajinkya Jadhav: Yeah. Thanks for the opportunity. Just I had a small question like we are going from 200 kV to 400 kV. I look at the PPT of Shilchar. They are going from 33 to 66, and now they are into 132 what is the use of the higher voltage? Is there a market in India currently and who is catering to it?

Mudit Aggarwal: Ajinkyaji, see we operate with transformer manufacturers in all categories, right? From 10 kPa to 500 mPa, in kV classes of 11 kV to 220 kV class. There are various transformers who operate only in certain kV classes depending on their capabilities, depending on what market segments they want to target. So customers like, Bharat Heavy Electricals, Crompton Greaves, and even Transformers and Rectifiers, they make the highest range of transformers to 765 kV class.

So the market is already there, because they lose their transmission. And the smaller transformer have distribution of electricity. So the market is already there. We just have to approach and tap those customers.

Moderator: Thanks. We'll take the follow-up question from Dhruv Aggarwal.

Dhruv Aggarwal: Yes. Hello. Thank you so much for the follow-up. Just to clarify this, you said that the 18,000 metric tons would be increases to 25,000 to 30,000 metric tons. So this Greenfield CapEx will be done when like it would be next year only or going ahead it would be done?

Mudit Aggarwal: So we were able to grab the opportunity to get this piece of field. As I said, it is a fully constructed property, so we just have to bring in our plant and equipment. So we are in the planning stage. Depends on the timeline of ordering and depends on the timeline of delivery of machines and equipment. We'll be able to come up with those capacities.

Right now, the target is in the next financial year. Because first, our main aim will be to go up to full utilisation for Unit II, which is the new capacity that we have already started.

Dhruv Aggarwal: Okay. And one more clarification. You said that this ₹900 crores could be achieved. So it would be from which capacity, the maximum revenue that you would have ₹900 crores?

Mudit Aggarwal: All three units put together.

Dhruv Aggarwal: At it peak capacity?

Mudit Aggarwal: At peak utilisation.

Dhruv Aggarwal: Okay. And one more question. You said that the prices of CRGO has been increased and going ahead also, you expect to increase. But contrary, one of the digital transformer player said that the Government of India has started giving approval for the BIS certification, and they are seeing the price correction pretty soon. So what's your take on that on the same?

Mudit Aggarwal: So I said that in the short run, it will increase, because we have a fair bit of idea of the raw material prices that will, the raw material that will fall in the next one or two months. That will be used in the next say three, four, five months. After December, like I said, there will be new set of negotiations with the suppliers, so it is very hard to say what will happen at that point of time.

Dhruv Aggarwal: Okay. And on the competition front, how do you see the competitive intensity in the industry as the JSW Steel and the JFE Steel has decided to acquire a 100% stake in the ThyssenKrupp? So what's your view on that?

Mudit Aggarwal: So, you mean on the supplier end. Supplier end the competitive intensity, because those are our suppliers.

Dhruv Aggarwal: Yes. So JSW is also into this CRGO steel only, right?

Mudit Aggarwal: So JSW is coming up with a new capacity, and they bought the Nasik plant of ThyssenKrupp. So essentially, right now, what is happening is in India, there is only semi processing of CRGO steel. And the remaining part of, I mean, either CRGO steel or their raw material is imported from other countries like Germany, Poland, China, Japan, Korea. What JSW is planning is to make the CRGO steel from scratch in India. Probably that capacity of JSW Steel, like their earlier public disclosure that is scheduled for 2027. JSW Steel, most of the quantities besides JSW Steel will still be imported in India.

Dhruv Aggarwal: Okay. Thank you so much for answering all the questions, and all the best for the future.

Mudit Aggarwal: Thank you.

Moderator: We'll take the next follow-up question from Agastya. Please go ahead.

Agastya Dave: Thank you very much, Vinay bhai. Thank you for answering all the questions. A lot has been shared today, which is very useful. But I would like to ask you little historic question. We don't have past financials going back to the time when transformer industry when there was a fairly severe down cycle. During that period, what did you witness in your company? So a down cycle, how does it look at your end?

Mudit Aggarwal: I think the whole decade from 2010 to 2020 was not very conducive for the power sector in general. So transformer manufacturers and certainly CRGO suppliers also suffered in that supply chain. I think primarily, main reason was that the funds were not very liquid at that time. So receivables used to be a problem. But what we've seen since 2021 is that there are two types of demand that are coming. One is that the government demand is already there, where utilities are buying transformers.

The demand is fuelled by good receivables. So the demand has always been there, but it has been fuelled by good receivables, which in turn has become healthy for the entire supply chain. The second part of demand, which is probably a surprise to everyone since the start of this decade was mainly because of renewables. Because of renewable energy, there is a big demand in solar inverter duty transformers, which has increased the production of transformers. And I think it will continue to go up as renewable energy is in demand.

Agastya Dave: But during the down cycle, you were able to maintain your spreads? The problem was only on the receivable side? Were your margins intact?

Mudit Aggarwal: It was all linked to each other. We received because of receivables, capacity utilisations were not great, even for the transformer and manufacturers as well as for us. So the volume did not shoot up. And because of that, operating leverage was not there.

Agastya Dave: Understood. Operating leverage, I understood, but the gross profit level pay out margins were safe that they also took a substantial hit. Because the transformer industry was decimated.

Mudit Aggarwal: Correct. So we are now entering into different segment. I mean, earlier, we were mainly into distribution transformers between the last decade. So distribution transformers are by virtue of the structure always command lower gross margins.

Agastya Dave: Understood. Mudit bhai, last question for the day from my side. It's on the manufacturing process side and the new plants that you are setting up. How fast is the ramp up here?. Is the process fast enough that you can, like within a month you can reach optimum capacity utilisation given the orders that are there, or is it a more prolonged period, I mean prolonged process where you require probably one year to ramp up to full capacity utilisation?

Mudit Aggarwal: If you consider that, purchase and sale are not a bottleneck, then you don't need the two, three months to ramp up, unless there are, I mean, the only thing that is stopping you is the teething issues in the machines that you newly installed. Otherwise, there is no stopping.

Agastya Dave: So two, three months where you can sort that out?

Mudit Aggarwal: Correct.

Agastya Dave: Understood. Thank you very much for the opportunity, and all the best for the coming years. Thank you.

Mudit Aggarwal: Thank you.

Agastya Dave: Thank you, Vinay bhai.

Moderator: Thank you. We'll take the follow-up question from Sunil Jain.

Sunil Jain: Yeah. Thank you very much. The new capacity that is Unit III, what will be the capacity? Any defined capacities there, or just you said 25,000 to 30,000? So still that it is not defined.

Mudit Aggarwal: We are still figuring out. Like I said, there will be a permutation, combination which will have utilisation of the all three capacities put together that will go up. But on a standalone basis, I think that unit can do about 6,000 tons.

Sunil Jain: Okay. So space is the main constraint or the ordering of equipment and all will also be accordingly?

Mudit Aggarwal: Sorry. I didn't get that question.

Sunil Jain: See there are two things. One is the space, and another is the machines which you are ordering. So you must be planning accordingly how much capacity you should order for the machine.

Mudit Aggarwal: Understood. So space, we want to utilise as optimally as possible. Because of that, we are just in the planning stage. And once that we are sure about. And it also depends on the segment that we want to target. For example, if we see good demand in amorphous, we will actually put more machines of the amorphous. If we see more demand in CRGO distribution or power, we will specifically put more capacity of that.

So we will take it, one step at a time, and accordingly, we will order the machines. So the capacity will not be increased in one go. It will slowly and gradually be increased, which is what we did with Unit II also. It was although, that capacity came in one bit, but we further can increase capacity in Unit II to some extent.

Sunil Jain: So right now, your capacity is 18,000. With 6,000 plant, you will go to 24,000, and thereafter also, you will have some scope for increasing.

Mudit Aggarwal: Correct. Because of…

Sunil Jain: Okay. And the second question…

Moderator: Sunil, we'll need to quickly move to other participants here.

Sunil Jain: Okay. Thank you very much.

Moderator: Thanks. Paras, you can go ahead and ask your follow-up question.

Paras Chheda: Yeah, Mudit. Just trying to simplify this. As you know, 50% capacity utilisation incremental 6,300 that is coming for second half of this year, and another 50% of the new capacity probably that will be added next year. Can we sort of put a ballpark number? I mean, it's a range. Just trying to put a range that we achieve a ₹400 Cr revenue this year and about ₹600 Cr next year.

Mudit Aggarwal: That is the target.

Paras Chheda: That's it. Thank you.

Moderator: Thank you. We'll take the next question from Jehan Bhadha. Jehan, you can go ahead.

Jehan Bhadha: Yeah. Good afternoon. My first question is on the number of players. If you can classify, how many players are there, our competitors in the 220 kV class and lower, and how many players would there be in the 400 and 765 class?

Mudit Aggarwal: So in, 400 kV and 765 kV class, I assume there would be about five to seven players. But it also depends on who has raw material and who is consistently working with these customers. So I would say about five players. In lower range of 220 and below, in the organised space, again, there could be about including the five that I've talked about in 400 and 765. Additionally, there would be about five, seven players.

Jehan Bhadha: Okay. So around 10 to 12 players totally for that.

Mudit Aggarwal: But this market also has an unorganised segment. So the total number of players on paper would be about more than 100.

Jehan Bhadha: Okay, but like in your RHP also, it was written that after the BIS and quality norms have come in, organised players have benefited. So why is it that, so that still there are unorganised players?

Mudit Aggarwal: We have very small capacities. It is actually very, very skewed. There's a big tale of…

Jehan Bhadha: Right. So these 10 to 12 players would be contributing how much to the industry, in mixed terms, let's say.

Mudit Aggarwal: You mean in terms of total contribution?

Jehan Bhadha: Yeah. Total contribution from the organised players versus unorganised players. I mean, majority would be organised, right?

Mudit Aggarwal: Yeah, so these players would be contributing about, I mean, it's a fairly vague assumption, but I think it would be about 40%, 45%.

Jehan Bhadha: Got it. So, almost half.

Mudit Aggarwal: Yeah.

Jehan Bhadha: Right. Okay and over next two, three years, once we start making 400, 765 class lamination cores. So what will be their revenue mix in our total revenues? Let's say three years out.

Mudit Aggarwal: In terms of capacity, I can say it will be around, it will be between 20% and 30%. You can consider on an average 25% in terms of capacity.

Jehan Bhadha: Correct. And last question, like, you did explain about that your EBITDA and I mean gross profit per ton is fixed largely, and the realisation has caused the movement in margins. But even if I look at the gross profit per ton or EBITDA per ton, they have also increased by 15% to 20% in the first half compared to last year.

Mudit Aggarwal: Correct.

Jehan Bhadha: So any reason for that? Has this got to do with the mix change or something?

Mudit Aggarwal: Yeah. There were two reasons. One was, obviously, there was a certain inventory gain, and the second reason, which was more prevalent was the mix that we changed. When I say mix, it is not between segments or product mix. It is mainly about what kind of orders that we take from the customers. So we sort of had the options to choose specific orders which were suited to our facilities, suited to our capacity because there can be orders in the industry, because the sizes, the dimensions, and the mix of orders can be so varied in our industry.

But, if say a certain machine that has a capacity of 100 tons per month, it can go down to 50 tons per month, if we don't use the right kind of orders on that machine. So capacity utilisation is the key and the orders that had the best margins was the key.

Jehan Bhadha: Right, I'll just squeeze in one more question. Is there like, margins are higher on the power transformer side and lower in the distribution transformer core side? And how many players would there be? Like, it was written in the RHP that power transformers cores are difficult to make. Also, if you can throw some light on that?

Mudit Aggarwal: Power transformer players definitely fetch a better margin, because ticket size of each transformer is very high compared to distribution transformers. A standard distribution transformer would be say, each transformer would be in the price range of ₹50,000 to ₹5 lakhs. Say, just to give you a ballpark figure on that.

So, while the power transformers can go in crores. So they can be as high as ₹5 crores to ₹25 crores per transformer. So, the end customer becomes very, very stringent on the quality standards of the power transformers. Because if a power transformer fails, it blocks the entire grid. The grid goes for a toss, and the lead time to produce another transformer or repairing that transformer is very big. The transportation is very difficult, because each transformer weighs about, it can weigh about 50 tons to 300 tons.

So all those factors considered, the quality standards go up significantly in power transformers. And the entire value chain, the entire supply chain has to be like that. So the end customer, who does inspection at our premises also for the raw material as well as the final product that we make for the transformer tower.

Jehan Bhadha: Right. So can we infer that, there would not be any unorganised players in power transformers?

Mudit Aggarwal: No.

Jehan Bhadha: Correct. Fine. Okay. Thank you.

Moderator: Thank you, Jehan. We'll take the next question from Dasharath Bosamiya. Dasharath, please go ahead.

Dasharath Bosamiya: Hi, everyone. Thank you for giving me this opportunity. First of all, I want to congratulate for a great number. And based on number I can understand that company is doing really good work up to 220 class CRGO. But what I understand that margin and the market is huge, about 220 kV class and above. So what is our plan to address this market?

Mudit Aggarwal: Dasharathji, you mean the higher segments?

Dasharath Bosamiya: Yes. Higher segments. Above 220 kV plus. Because I have done my research, and I understand that this above 220 kV class, there is a huge growth demand coming from all the state electricity board and utility.

Mudit Aggarwal: You're absolutely right, Dasharathji, the demand is increasing in 400 kV and 765 kV class. And like I said, the CapEx that we have done is primarily for 400 kV and 765 kV class and to some extent for export orders. Now those export orders are mostly distribution transformer cores. For the power transformer cores, we are targeting 400 kV and 765 kV class, majorly because the margins are better. And the second reason is the capacity utilisation is also very high, and outputs are much better. So it made sense for us to expand in those segments. So we are continuing to expand in those segments, and we will soon target those customers.

Dasharath Bosamiya: I understand. But, usually supplying to about 220 kV class and above, you will be needing the approvals from the state utility and the central utility like PGCIL and all the other state utility. So what are the workings on this direction? Are we getting any approvals soon?

Mudit Aggarwal: Yeah. So how this works is, some state utilities have their own approval system, like the central utility, which is Power Grid, has its own approval system. Then there are state utilities, which have either approval system or inspection system. Sometimes they don't bother about the approvals. They benchmark PGCIL approval. And based on that, they say, okay. Fine. We are okay with the PGCIL approval, and we will only inspect the premises during the execution of the order.

So we are in the process of applying to PGCIL for 400 kV class approval. Once we get, 400 kV class approval, we will be able to target those end customers. And once we prove our ability in 400 kV class, then the natural step will be to get approval in 765 kV class.

Dasharath Bosamiya: Are we any close to if you can commit guideline that, by when we are expected to get approval from PGCIL?

Mudit Aggarwal: We will be applying soon. We are expecting the approval within this half year.

Dasharath Bosamiya: Thank you.

Moderator: Thanks, Dasharath. We'll take the participants who've not asked question yet. We'll take the next question from Prateek Chaudhary. Prateek, you can go ahead, please.

Prateek Chaudhary: You said that, the majority of the capacity increase that we have done from 11,000 to 18,000, that is for 400 and upwards of kV class of product, right?

Mudit Aggarwal: Correct.

Prateek Chaudhary: But the approvals for the same might take another three, four months or so. So effectively so till that time, would we be utilising that capacity for lower KV as in our current products?

Mudit Aggarwal: Yes. So, the new capacity or the new machines that we've installed, they are also usable for transformer cores in the range of 132 and 220 kV class. So one is that we will be considering to do that. And, like I said, our order book already has 400 kV orders. I think it was about ₹18 crores of orders that we have for 400 kV class. So we are already on that path to use that capacity for 400 kV class.

These orders, sometimes, orders are not received based on Power Grid approvals. Some of the end customers are also okay without the Power Grid approvals. So we have already started that journey.

Prateek Chaudhary: Understood. And as a two years down the line, in terms of how the industry competitive dynamics may change as far as their demand supply gap is concerned because there are other players also who are increasing their capacity by 2x, 3x. So two years down the line how do you see the demand supply playing out in terms of either I mean, will there be a mismatch or will there be a glut? What is your sense on that? Please, if you could.

Mudit Aggarwal: I mean, our strategy from day one before we got listed was that we will take it step-by-step. Like I said earlier, CapEx can be done through internal accruals that we did, and the time taken to put up a new facility was not that long. And to even start that new facility is not very long. We started, the CapEx, in Unit II, I think in December last year. And although there were certain delays, we were able to start the new capacities in about nine, 10 months.

So, putting up capacity is not a problem. The idea is to achieve efficiency of capacity utilisation and working capital. Once we achieve that, then we will target the next round of capacities. So, I mean, I don't really have a straightforward answer to your question. It all depends on the market dynamics.

But looking at the demand side, I don't see that, there will be much of supply demand mismatch. Or in fact, it could be that supply is still limited, but demand is coming strong.

Prateek Chaudhary: And what is the 3 lakh ton you said, is the current production that is happening in India, right?

Mudit Aggarwal: Consumption.

Prateek Chaudhary: Consumption. Okay. And what will that grow on a percentage basis over the next two years CAGR?

Mudit Aggarwal: The transformer industry continues to grow at 10% to 12%, which we feel that it will continue to grow for the next six years, at least till 2030 because the government has ambitious plans of putting up installed capacities. That is going to be at least, 10%. So, similarly, CRGO steel consumption will also go up by 10%.

Prateek Chaudhary: Okay. Thank you. I'll get back in the queue.

Vinay Pandit: We'll take a question from chat from Mani M. I understand you're setting up a new facility. When do you expect it to reach maximum potential, and what is the estimated additional revenue compared to the current?

Mudit Aggarwal: We are expecting full capacity utilisation in the first half of the next financial year. It could be early also. It could be, but for sure, within the first half of the next financial year.

Sorry, Vinayji, what was the second question?

Vinay Pandit: Similar, I think, what she was asking. When do you expect it to reach maximum plan? What is the estimated additional revenue compared to the current revenue?

Mudit Aggarwal: Right. So additional revenue, like I answered previously, it would be about ₹180 crores from the additional new capacity.

Moderator: Sure. We take the last question for the day from Vipul Sanghvi. Vipul, you can go ahead, please.

Vipul Sanghvi: Thank you, Muditji. So, all the questions largely answered. Just one question, about the industry competitive scenario. Can you tell us about three or four large competitors of yours, whom you kind of encounter in your bidding?

Mudit Aggarwal: You mean when we bid for orders, right?

Vipul Sanghvi: Yes.

Mudit Aggarwal: Yeah. So that would be Kryfs Power, Amod Stampings, and Vardhman Stampings.

Vipul Sanghvi: So names like Pitti Lamination, do they figure in your competition?

Mudit Aggarwal: He does CRNGO steel, which is primarily used in motors and alternators.

Vipul Sanghvi: Okay. So that's the area we are not present and not planning to venture into as well.

Mudit Aggarwal: We had a small capacity in CRNGO, E&I stampings, but we have discontinued that, since the last six months.

Vipul Sanghvi: All right. Thank you, and all the best.

Mudit Aggarwal: Thank you.

Vinay Pandit: Thank you, Vipul. That brings us to the end of today's conference call. Mudit, would you like to give any closing comments?

Mudit Aggarwal: Thank you. Thank you all for joining the call. Like I said earlier, please bear with us, since this is our first call. And we hope to see you soon in the next call. Thank you so much.

Vinay Pandit: Thank you. That brings us to the end of today's conference call. You may all disconnect now. Thank you so much. Thank you to the management, and thank you to all the participants.