November 18, 2024

To,
The Listing Compliance Department,
National Stock Exchange of India Limited,
'Exchange Plazza',C-1,Block G,
Bandra kurla complex (BKC),
Bandra (East), Mumbai-400 051,
Maharashtra, India

Symbol: MACPOWER
Series:EQ
ISIN: INE155Z01011

Subject: **Submission of Conference call transcript**.

Dear sir/ Madam,

The Company had organized a conference call for the Investors on Thursday, November 14, 2024 at 3:00 PM to discuss the financial results for the quarter and half year ended on September 30, 2024.

The transcript of the said conference call held with the Investors is enclosed herewith. The Company shall also disseminate the above information on the website of the Company- www.macpowercnc.com.

Request you to kindly take note of the same.

Thanking you

Yours Faithfully
For MACPOWER CNC MACHINES LIMITED

KISHORBHAI MADHUBHAI KIKANI
Digitally signed by KISHORBHAI MADHUBHAI KIKANI
Date: 2024.11.18 17:55:02 +05'30'

KISHOR KIKANI
Company Secretary

Encl: a/a

Macpower CNC Machines Limited

Q2 H1 FY25

POST EARNINGS CONFERENCE CALL

November 14, 2024 03:00 PM IST

Management Team

Mr. Rupesh Mehta - Chairman and Managing Director

Call Coordinator

Strategy & Investor Relations Consulting

Disclaimer: - This transcript is edited for factual errors

Presentation

Vinay Pandit: Ladies and gentlemen, I welcome you all to the Q2 and H1 FY25 post-earnings conference call of Macpower CNC Machines Limited. Today on the call from the management, we have with us Mr. Rupesh Mehta, Chairman and Managing Director.

As a disclaimer, I would like to inform all of you that this call may contain forward-looking statements which may involve risk and uncertainties. Also a reminder that this call is being recorded.

I would now request Mr. Rupesh Mehta to detail us about the business and performance highlights for the quarter that went by and his growth plans and visions for the coming year, post which we will open the floor for Q&A. Over to you, sir.

Rupesh Mehta: Good afternoon everyone. First of all, I earnestly welcome you all to Q2 FY25 post-results conference call. Thank you very much for believing in your company as an Investor. I wanted to assure you that we are fully committed to maximize value for our shareholders and we promise to deliver the best with your support and backing. We are confident to achieve even greater heights in the day and years to come. We will have a brief about our overall performance of the company for the quarter ended 30 September 2024, post which I will take your questions.

The financial results and presentation have been posted on the company's website and hope you have had an opportunity to go through the same. So I will start with the one-by-one highlights. I will give you quickly brief about the Q2 FY25 revenue is increased to INR 71.10 crores. Q2 FY25 EBITDA margin is also increased by 41% on YOY. Q2 FY25 PAT is increased to INR 8.30 crores which is 35% on YOY. As I announced that right now our production capacity is 2,000 machines.

A new 500 machine capacity CapEx and some of the machines and construction work is on progress. We hopefully complete these 500 machines adding capacity on new financial year maybe in April will utilize this 500. And as I promised on quarter-on-quarter will increase the CapEx also. So Q2 our CapEx was INR2.52 crore. So we are increasing the CapEx also.

Our 600-kilowatt solar is almost 60%, 70% work will be completed within a short time. We will utilize the solar power plant and I would like to announce that right now we have 209 people in sales and service and which is almost double than last quarter. So, we are increasing our distribution network and we are going to start the new office and tech centre.

Right now we have Shapar, Jamnagar, Ahmedabad, Mohali, Coimbatore and new tech centres and office will be inaugurated in November and December respectively in Faridabad, Hyderabad, Mangalore and Pune. We are going to start the new tech centres and offices.

I would like to announce that in January as in my last concall I announced that we are going to display the latest technology machines in the January IMTEX Exhibition in Bangalore where we have successfully completed the trial of 5-axis machines and we are displaying these machines for our customers and the segment. Normally this 5-axis machine used for the aeronautic industries and defence industries.

Second machines we are displaying that high speed 20,000 RPM drill tap centre. Normally, this kind of machine is used for the EMS sectors. So, we are displaying the double-digit machines in this exhibition and we are participating in the India's largest exhibition IMTEX Bangalore with the double-digit higher end new technology where we will use the robotic and gantry also and some of the new generations features we are adding in this exhibition is IOT 4.02. So, where our customer can track the machines through their mobile. They can get the all kind of the programming, modifications, everything is through the mobile.

So, we are entering into the world market and second update is that as slowly our production capacity is increasing, so slowly we are expanding our distribution network also. We are expanding some of the sector also. In Q2, we already start the export also. In Q2, we get the good significant growth on export also. So gradually we will increase the export as our production capacity will increase and the world's largest exhibitions held at Hannover, Germany. It is called EMO. It is the number one exhibition for the machine tools business. So, we are participating in that exhibition. It will be on September 2025. So, we are expanding our production, productivity. We are adding the new product basket.

We are expanding our distribution network and now slowly we are entering into the world market also. And as I announced in last press conference that we received the one order from the defence sector. The one machine's cost is INR2.95 crores which is the second highest value in Macpower history for the one machine's cost. So INR2.95 crore order also we received. And more detail it is in presentation. Our order book is significantly increasing.

So all the detailed data it is in presentations. And Vinayji, shall we start the question-and-answer?

Moderator: Sure, sir,sure. All those who wish to ask a question, we use the option of raise hand. In case you are unable to raise hand, you can just drop a message on chat and we will invite you.

We'll take the first question from Kush Nahar. Kush, you can go ahead.

Kush Nahar: Hello, sir. Am I audible?

Rupesh Mehta: Yeah, yeah. You are audible.

Moderator: Can you be a bit louder, Kush.

Kush Nahar: Yeah. Thank you for the opportunity, sir. Two to three questions I had. One, sir, any particular reason why our sales in this quarter was only 12% compared to our previous three quarters where we have grown around 24% and 30%? Second, our EBITDA margins are 18% in this quarter. So what kind of EBITDA margins can we close the year in?

Rupesh Mehta: No. First question, we have a good order book. And as I told you last meeting that we are increasing the production productivity. So definitely we delivered some of the machine very quickly from our order book where we are getting the good three-to-four-month delivery time. So we increased the manpower, we increased the productivity. So according to the order books and according to our capability and capacity, as we promised, that will increase by 20% to 30% gradually.

Second, margin is improved with the two, three things. The top line, as it increases margins will definitely improve. And because of the high-valued machines, some of the high-valued machines. And third thing is some of the major component which we are buying from the market, almost more than 50% of that component we are manufacturing in-house. So, our margin is improved by the top line. Our fixed cost is almost the same.

Second, some of the export we completed in this Q2. And third is some of the component we manufactured in-house. So that's why our margin, and as we promised is that this margin will gradually improve by quarter on quarter and year on year. So, it may be once in this financial year, it may be a 17% to 20% will finish in this financial year.

Vinay Pandit: Sir, he wants to ask a question that this time your revenue has only grown by 12% at INR71 crores versus the last time, in Q1, we had grown at a higher pace.

Rupesh Mehta: 13%, yeah.

Vinay Pandit: So why is it lesser in terms of 12%?

Rupesh Mehta: The rest of the payment, the production has also been very good. The order book is also good. But due to the lack of payment, we have grown by 13% at the top line. But some higher-end machines which are processed, we gave 6 to 7 machines for export. So, we paid attention to the margins. And secondly, as I told you, there are some special purpose machines, some big preparations for IMTEX are going on. So in the margins, our top line, there was a little less payment from the market side because after the payment, we give most of the machines. So this is one reason.

But we have worked more on backward integrations in this quarter, we have worked more on export and now that we had some inventories forwarded, the advance came, the payment realization was left.

Kush Nahar: So do we see this as a temporary problem? And you're confident that we'll close the year with 25% top line growth in FY25?

Rupesh Mehta: Yes, definitely. We'll grow, get the 25% growth as I committed in the last meeting. More than that, more than the top line, we have also focused on the margins this time. We have a telescopic cover, some hydraulics kits, next phases we have a turret, we are importing some spindles. So, we are working in two ways. We will also focus on the components, backward integration, so that the margin will also look like an improvement.

And for the order book, we have done expansion team, tech centres. So yes, you can say 25% year-on-year growth target, will be achieved 100% this year .

Kush Nahar: Thank you for those answers. Sir just two last questions. Export, can you tell us the segment, the export product, where was it used in which segment?

Rupesh Mehta: Exactly, it is a little forward-looking, but it will go through dealers only. And along with dealers, we have also done some MOUs, because exporting there means service, spares and training. So, most of the exports that will be there for the next year, it will go through dealers to make networking.

Now where the dealer gives on the segment, a little detailing is yet to come, but we will not go directly. We will go to any country's dealer, we will export that, then he will distribute the local network, through local network. So, we will not know about the segment, but normally the countries we are doing, oil and gas and pump and valve are the most, so it must have gone there mostly.

Kush Nahar: And so margin will be better in export compared to domestic sales?

Rupesh Mehta: Yes, it is better than domestic sales and we can get the DPB also, the government's export DPB scheme, so margin definitely, that is the reason.

Kush Nahar: Right, so just one last question, so we are planning for CapEx in Gujarat, once the land is allotted, so are we hiring any senior management level people, so that you know -- do we have the appetite to digest such a big expansion or do we need more manpower, more senior management personnel going ahead?

Rupesh Mehta: Yeah, we have right now very good senior people in our team. For sales we have a 25 year experienced Vice President. A new one we announced, Ravi Modi, he is also a more senior person. And what we need is more at the research level, for which we have interviewed, in Bangalore, our new R&D centre is starting next month, so technically we need more at the background level.

And yes, we have a team of approximately 1,000 people in total, and in the future, the requirements of R&D and the production, productivity and expansion, definitely we require the good senior level people. And for that we need more plant heads, project heads all that management, and for that we have more than 12 people in the HR team. They are conducting the interviews, because we have diverted a lot to the branch level work, from HR to training to service. So yes, we will definitely hire this kind of people.

Kush Nahar: Okay, thank you so much for the answers.

Moderator: Thanks, Kush. We will take the next question from Jaiveer Singh.

Jaiveer Singh Hi, hello sir, good evening sir. Congratulations for the good set of results sir, and I have a few questions. Sir, what is the status of the defence MOU we have signed with the Gujarat government? Can you provide a timeline for this project sir?

Rupesh Mehta: It is the government of Gujarat, so there are steps, almost, I can say that there are six steps to start up this new land and new factory, almost halfway we completed, through the primary approval from the Ministry of Industries. After that they send this to the local level body, and after that it will be in the collector, so almost half level journey is already done. So we hope that we will get this new project land before March or April.

Jaiveer Singh Sir, any finished timeline sir, that it can be, the project can be completed by till FY26, '27, like that only?

Rupesh Mehta: After receiving, we will work phase wise. We have a huge land, we are –(technical fault) we demanded, but we will add the capacity by 2000 machines in first phase with the foundry and some of the backward integrations for the some components. So, we will add the 2,000 machines in phase one. Simultaneously we will add the foundry for more than 5,000 machines, approximately our casting capacity would be more than 2,000 tons.

So, we will add the backward integration unit and the foundry and 2,000 machine extra capacity. It will require us to complete by 15 months to 16 months for phase one. After that according to the market, according to the need, we will add more and more capacity.

Jaiveer Singh Sir, you have mentioned about backward integration sir, my next question sir. Can you shed some light on the backward integration and what value it will bring for our company sir?

Rupesh Mehta: Backward integration means right now we are buying the castings from the vendors. Last year we are buying the telescopic from the vendors. So almost 50% telescopic we are manufacturing right now in-house, 50% spindle we are manufacturing in-house. So, some of the component we are buying from the import or buying from the some vendors, that component will manufacture in our existing plant or in new plant, it gives us the opportunity to increase the quality, delivery and cost effective also.

Jaiveer Singh Sir, one more question sir and it will be my last sir. Sir in previous concalls you have guided that we will achieve 20% to 25% in EBITDA. So but we have achieved 18% till now sir, so any further, can you tell me that by which quarter or by which year we can achieve that?

Rupesh Mehta: Not normally in capital goods industries, as I always told you many of our in our concalls that quarter 1 business is 15% to 20%, quarter 2 is 20% to 25%. So capital goods business is increased by quarter on quarter. Quarter 1 is average slightly down, quarter 2 little bit high, quarter 3 and quarter 4 if you go through all the companies balance it on quarter 4. So year on year definitely we will achieve 20% to 30% top line, 20% to 30% on EBITDA margin and 20% to 30% on the PAT margin, so definitely we will achieve that.

Jaiveer Singh Sir, if you permit me sir, one last question sir, regarding R&D centre Bangalore, can you tell me what value addition will be after the R&D centre Bangalore?

Rupesh Mehta: Now we will get the some of the new generations machines technology and that R&D centre we will utilize for the two three aspects. One is for the service centre, one is for the sales, one is for the R&D centre, so we'll utilize these premises for three different aspects but definitely we'll get some of the new generation's technology through this Bangalore R&D centre. And some of the new things we learn, we achieve the good result from the Bangalore R&D centre. That's why we'll display the new generations machine on January 2025 Bangalore exhibition where we are going to display the new generation 5-axis machines and high-speed EMS segment machines.

So backward integration for the turret, ATC or rotary table, so some kind of the component we will develop over there in Bangalore R&D centre and new generations machines we will develop in the Bangalore.

Jaiveer Singh Sir, thank you, thanks a lot sir and congratulations, sir

Rupesh Mehta: Thank you, thank you.

Moderator: Thanks Jaiveer. We'll take the next question from Pranav. Pranav, please unmute.

Pranav Shikhare: Yeah, hi sir, congratulations on good sets of number.

Rupesh Mehta: Thank you very much Pranav bhai.

Pranav Shikhare: Yeah, yeah, so Rupesh bhai, my question was what is the demand scenario currently looks like overall in the CapEx cycle going on?

Rupesh Mehta: Overall index is by market growth is compared to Indian machine tools data compared to Indian machine tools data and some of the FANUC, Siemens and Mitsubishi jointly if we calculate it, the growth is 15 to 20 percent in India compared to last year. But I think for us, if we require the more growth, then we have to expand our distribution network. Almost our distribution network is double than compared to last year. So our market share is just 2%, 2.5%. So yeah, I think still we have a lot of areas is vacant. So market scenario is almost if you go through the order book, is the highest ever order book right now we have.

We are facing the challenges of Diwali holidays and Navratri, Dussehra, so lots of holidays, so we'll ramp up this production on this quarter because of this eight to ten days holidays we have in last October month, but the demand wise there is a 15% to 20% according to my personal data from the various expect is increased, but definitely we'll increase more growth from the year on year.

Pranav Shikhare: Okay, Rupesh, my next question is we are already focused more on aerospace and defence, can we expect some order inflow from EMS because that is quite a rising sector and I also remember once you told that if Apple has to do manufacturing in India, it needs around 50,000 to 55,000 CNC machines. So our peer who is present is setting up a lot of assembly lines for manufacturing for EMS services. Do we also have plans to enter this segment and how much margins can we make in that, and what is your take on this?

Rupesh Mehta: I will say that if you take any product to market, for that product manufacturing will be a challenge, because for this country it is difficulty to make this type of product. So first we will get the product. After this it is not that Apple or Samsung -- there are a lot of their vendors. In future the market size of 50,000, so only single company or two or three companies won't take. They are also developing a very big vendor base. So, we will plan that if we give direct in the first phase as they will ask lots of machines. And terms and conditions also will be tough.

So, these machines are a product of a R&D centre, to show our strength to the market, that we can manufacture these machines. And for that the customers which we have, they will have their ancillaries or subsidiaries or vendors. And we will increase this product gradually, just like our VTL (vertical turning ledge). As the capacity increased, we focused on two machines of VTL every month, which is a big ramp up compared to last year of this product.

After this double column machine in tenders, which we made only one machine last year, against this we are making one machine per month. So, we are ramping up this product to our product basket after the new plant comes. And the sectors of defence, aeronautic and EMS for that…

Pranav Shikare: [Indiscernible]

Rupesh Mehta: What, I didn't understand the question. You voice broke up.

Moderator: Pranav can you speak a little louder please?

Pranav Shikhare: Yeah, Rupesh bhai. I was asking what are the margin difference, meaning what is the margin difference between the three, what is the margin in aerospace, after that what is the margin in defence and what it can be in EMS?

Rupesh Mehta: It will vary from project to project. Almost your margins in defence will increase 5% to 15% than normal. If they are asking more and more services, if there is more training, component development, then the margins will definitely improve, because they want lot of value added services. So, the margins increase from 5% to 15% than normal.

Pranav Shikhare: Okay, okay. Yeah, thank you, Rupesh bhai.

Moderator: Thanks Pranav. Before moving on to the next participant I would request the participants to restrict their questions to two per participant. We will take the next question from Samarth Nagpal. Please go ahead.

Rupesh Mehta: Yes, Samarth bhai.

Samarth Nagpal: Good afternoon, sir. How are you, Rupesh sir? Sir, congratulations for a great set of numbers. I had 2-3 questions. I will restrict it to two sir, if I compare our capacity with the last Q2 sir, if I compare our capacity with the last Q2 then almost 30% capacity has increased, more than 30%. We were at 1,500 machines capacity and now we are at 2,000 machines capacity. If I see my number of units sold, if I see number of machines sold in this quarter, my dispatches and my revenue has increased from 13% to 14%. If I see the number of machines and if I see that also. Has the capacity utilization maxed out or has the productivity decreased?

Rupesh Mehta: Productivity has increased by more than 80% but some inventories we have not received their payment and when we close the 30th and when we close the 30th the billing and which payments have come. Now if the payment comes on the 1st, 2nd, for production we have utilized 80%, 85% plant capacity, and with that, the inventory we have done this time is different because there is more demand in the festival season. So, there is no issue in production, there is no issue in order book, the holidays that have come due to which we could have taken the top line up but there is no issue in production.

Samarth Nagpal: Sir, one more question, my order intake is also there, in Q1 when we had the call, you told us that the defence orders will start getting picked up. So my order intake in Q2, if I compare with last year, my orders received in Q2 of this year compared to Q2 of last year and our sales team has also added a lot, so I am sure our foot on the ground is also more, in that also 13%, 14% increase has come so in terms of training or productivity wise, we will get more orders in Q3, or the tenders that were filled have not been allotted yet, is there anything like that?

Rupesh Mehta: There are two reasons. Our first reason is that the sales force that you keep, they will not go to the field in the same month and bring orders. You have to give them 2-3 months minimum. They have 1 week or 10 days training in the plant, after that understanding our product, understanding our customers and adding to the process, so any team that is kept in a quarter will not give you results in the same quarter for that. For that, the order book that we have increased, compared to that our quarter order will also increase because month on month we calculate the orders. We do week on week analysis, and now we do day on day.

So, the average order that we have is 4 or 5, that is 100% 6 to 8 per day, so order intake is also increasing because we have trained and recruited a big sales force and because of the holidays, the ratio of opened tenders to bid tenders has decreased to 10%. Normally it is 20%, 25%. For example, if we bid for INR100 crore tender, then the open tenders are INR20 crores, INR25 crores, but this time because of the holidays, the average in last 2 months is INR10 crore against INR100 crores, so only 10%. But for their validity it is only 90 days.

After that they will have to do a big process on the jam for extension. So I think the tenders that were not opened in the last month there is a big chance of their opening. The flow of tenders compared to last year is also more, there are more tenders compared to last year. You will see a lower figure because the INR200 crore tender which got cancelled of MSME, Ministry of Small and Medium for India's ITI, that tender was cancelled last year, so there is a gap between last year's tender fill up and this year's tender fill up because of this big tender that was cancelled.

But in general, the tender filing has increased, order intake has increased, payment realization has slowed down and the opening of the tenders also has slowed. So I think we will ramp up in this quarter. We are going to do a big exhibition on plant capacity and production capacity, we are going to display 10-12 machines that are new generation technology, we have to show the capacity in the exhibition, INTEX, what we can make and what we can do. Some of the capacity in this quarter is used to make new generation product because if we used whole capacity in one month, then it can be cause disturbance. So, 2-3 reasons are there. With same manpower, we have worked on Backward Integration. But the plant capacity realization is 84%, 85%. And some machines we have got the advance, the delivery is pending, payment done but shed work is remaining, due to the holidays it was pending. So due to this, it has got forwarded to the future, there are no other problems, but definitely we will achieve 20%, 25%.

Samarth Nagpal: Sir, I had one final question if the time can be squeeze in. My NEXA vertical, what is the percentage revenue in this quarter, because we normally have 7% to 8%. And our plan is to take it to 12% to 14%. So, is there any substantial improvement in this quarter?

Rupesh Mehta: The order intake is very big, almost if I say, double column machining and VTL, our NEXA product basket and automation, in that we have received double digit order in crores, we will execute that in this quarter. So yes, our NEXA basket has got a big order intake, but due to the very big machines and long process times, we will deliver in this quarter. So definitely in that quarter the capacity is more so order and delivery both will be executed.

Samarth Nagpal: Okay, sir. Thank you, sir. I will come back in the queue.

Rupesh Mehta: Thank you.

Moderator: We will take the next question from Deepak Pandey.

Deepak Pandey: Hi, sir. Congrats.

Rupesh Mehta: Yes, Deepak ji. Thanks.

Deepak Pandey: Rupeshji, three to four short questions from my side. First question is the credit period which we are giving, which we are selling in advance. Is that somehow impacting the sales growth. So are we not giving the customer a short period and impacting our scaling up impact?

Rupesh Mehta: First of all, we never give credit to a direct customer. The credit facility to stock and sale which I told in the last quarter, that is for our distributor, the dealers who are working exclusively 100% for Macpower, we will avail for them. But there are not that many machines that it will impact us. But yes, their and our salesperson believe that if they get to see the catalog product ready in the showroom, then it builds confidence with the customers. So, we have experimented in some new markets, in which we do not give credit to the customer.

Deepak Pandey: Understood. Sir, Second question, our realization for the quarter was INR18.7 lakh per machine, so how is it looking in the next few quarters? And again, what are you expecting in FY26?

Rupesh Mehta: I am expecting that the value of our average NEXA product is quite big, and we have some orders of INR 2.95 crore for one machine so the average price will definitely improve. My target is around INR 25 lakhs in the next financial year. If your average price increases, then your top line will also decrease. Suppose, if I am doing 20 lakhs of 2,500 machines, then it will be around INR500 crores, but if I make an entry level product of INR15 lakhs then instead of 2,500 machines, it can be 2,700, 2,800 machines.

So if we catch the big ones, the same growth as we have committed, the 25% journey from the top line to the bottom line will continue, in which we will focus on margin improvement, new technology, and some new sectors. We are doing a lot of exhibitions to focus on the international market and corporates. So you have to start working six months to 1 year in advance. So the pre-operating preliminary expenses will also increase. So, the growth journey will be around 20%, 25%, which we are talking about every year.

Deepak Pandey: Sir, where I was coming from is, one of the peers that is also listed, they are actually targeting INR50 lakhs per machine so when can we get your visibility to that level, where we are manufacturing higher end machines and hitting that run rate?

Rupesh Mehta: So when there is more work on export, we can talk about that level but I don't think anyone has an average of INR50 lakhs in India. We have to see how much it is right now, according to the total numbers. So more than the average price, if you look at ace designer number 1, his average price is INR15 lakhs to INR16 lakhs, you add VMC, so its INR20 lakhs but he has a capacity of 8,000 machines and he does realizations of 6,000 machines. So his capacity, his realization is more than the average price suppose in India, DMG imports from Germany, their average price is around INR1 crore, he sells 100 machines for INR100 crores. So the numbers will decrease when you talk about the average price. You don't have to look at INR50 lakhs, in front of that 5,000 machines will be made or 6,000.

So the average price is a little bit tricky because the most consumption will be of two wheelers like an automobile similarly, it will be of turning machines. More numbers than that will not come in any segment. It will come on second in VMC, no one will come more than that. So, as we develop higher end products, the numbers will decrease. So I think the average price will be around INR25 lakh INR30 lakhs is realistic and possible for the coming 2-3 years but in front of that, the numbers can be very big if we talk about 2,000 machines, the ace designer is building a capacity of 10,000 machines. He focuses more on the number of machines than the average price where there is a lot of demand. So, the focus will be more on the average price of INR20 lakhs, INR25 lakhs I don't think it is very easy to do a very big average price.

Deepak Pandey: Sir, last question from my side. Any updates on the JV or partnership that we were planning? How could that impact us in the next 3 to 5 years?

Rupesh Mehta: There are two ideas in that, for the expansion of the new plant, the technology that will come for that, the worldwide market in that, the meetings that we did with the Japanese and Taiwanese in that, the issue of Japan's MATI is more because it will restrict more on defence and other sectors if we bring it only in strategic partner in technology. So in January, the meeting in IMTEX is with the Germans. So definitely, as we start the work of the new expansion before that, we will complete this work because this is more than our brand, worldwide more than their distribution network, the new generation technology that they have in that, in many places, it will help us in significant growth and branding.

So those discussions have started in that. There is a big announcement in their travel plan, Bangalore exhibitions at the end of January in that, we are meeting three big leaders because of JV, and we will make some products in India. So in short, before we start new work, we will move forward.

Deepak Pandey: Thank you sir. Wish you the best.

Moderator: Thank you Deepak. We will take the next question from CA Amit Kumar. Please go ahead.

CA Amit Kumar: Thank you for the opportunity sir. I would like to know what is the market size of CNC machine in India and in the world in terms of volume and value and what is our market share. This is my first question.

Rupesh Mehta: Market size, consumption wise I think it is 16,000 crore to 18,000 crore and manufacturing wise, 8,000 to 9,000, rest is import. And compared to consumption, our market share is less than 2%, and compared to manufacture in India, our market share is 3.5% to 4%

CA Amit Kumar: Ok, I have just started following this company if you could give some idea like this turning centre, vertical machining centre, tuning lathe where these machines are used and for what purposes?

Rupesh Mehta: Machine tools, Amit Kumar ji is the backbone for any of the manufacturing segments. Machine tools, I think we are contributing to more than 3,000 segments for example, aeronautics, railway, defence, pump valve, general engineering, plastic injection, moulding, pharma, textile. So everywhere machine is the basics for any kind of manufacturing segment, automobiles, EMS, so many segments we are capturing. And the use for this machine is for plastic industry also. So, I think if you want to grow manufacturing then machine tools is must.

So it is basic, it's essential and in this, we have 5 to 6 players with almost 85% to 90% production. In this we have various types of products like automobile is a general word, just like automobile, machine tools is a general word like entry level, two wheeler, which has the most consumption in our line is the turning machine, which machines the round part. After that comes 3 axis machining centre, vertical machining centre which is mostly used for square part and for die and mould. Then 4 axis for some gears, some valves. After that 5 axis for aircraft components. So, we have more than 65 different variants and compared to our competitors we have all product basket, all distribution network.

Our challenges in the past was of production. We used to make 600 machines then 1,200, then 1,500, then 2,000. Now we have 2500 and after that we are doing projections for a big expansion. So, overall machine tools is the backbone of manufacturing segment.

CA Amit Kumar: We have bids of INR765 crores. So how much we can expect to convert it into orders?

Rupesh Mehta: Generally whatever order we are receiving say for example per day we are dispatching 4 to 5 machines and we are receiving 6 to 7, our target is that we will receive at least 15% to 20% minimum extra order so we can have a plan out because we have a lot of variants and models. So some orders are in book and bill, whose average out is of 20 to 25 numbers which will ask in the same month that you have to give and some orders have a big lead time. This 2.95 crore order of a single machine order, time is 6 months. But big order forwarded will be more than last year because per day you are dispatching you should have more orders. Order book will never end.

CA Amit Kumar: Thank you very much

Moderator: Thank you Amit. We will take the next question from Abhishek Garg. Abhishek please unmute.

Abhishek Garg: Thank you for the opportunity Rupesh ji. Thank you for very good result. I had a question, you guided us on the last call in FY25 we were targeting 25% revenue growth, in Q1 there was 25% growth in Q2 we grew 13%. So do we expect to grow more in H2 than 25%?

Rupesh Mehta: We focused more on EBITDA, we improved margins, by providing some services your profitability increases. Suppose you have to provide one month training and in some projects, you have to prove out 10 components. So, your production capacity will be utilized but your margins will improve. So, if you want to do backward integration if you bring a new team it will take one year. So utilize 10 people for backward integration so that your margins improve. I have always said that I will bring more improvement on cost, expenses and margins rather than to get the stretch of top line. But we will work simultaneously. Some services and some components to prove out if two machines are made less but their margins are ramped up it will be a strategic decision.

We see a good impact on EBITDA and I have a good inventory. 25% is for the whole year and business of machine tools it is like a match, everything happens in the last 5-10 overs. So quarter 2 versus quarter 3 if you look at the last two years results you will see that in every quarter and in the fourth quarter it is challenging for any capital goods, in which there is maximum revenue and maximum margins. So definitely I am confident that we will achieve more than that in Q3, Q4.

Abhishek Garg: Thank you sir. Thank You

Rupesh Mehta: Thank you Abhishek.

Moderator: Thank you, Abhishek. We will take a follow up question from Samarth Nagpal. Samarth, you can go ahead.

Samarth Nagpal: Hi Rupesh, sir. Sir, I have a suggestion if we see consistently our performance in top line has been 20%, 25% we have grown. And if I take out this year's festival period, we have seen competition growing by 30%. It could be due to capacity or other factors. Our capacity expansion will be in January which will be completed in March. Order book is already very strong. So just a suggestion and maybe a feedback keeping aside the payment issue where we are not getting payment, have we explored overtime scenario wherein we pay more wages and run our factory more, so that our throughput increases. Let's say we are at 80%, 82% throughput if we take it to 90%, 92% because order book will keep swelling and we are going at 2,500 machines just a suggestion and a feedback from you.

Rupesh Mehta: First of all, to increase the productivity of production, there are two reasons, more than overtime and manpower, we have to do supply chain because in different variants in one machine we have more than 1,000 components. And if we talk about total basket, it was calculated that we are managing inventory of 19,000 components which will be used in different models. So supply chain and the component coming from supply chain, the backward integration we have done, its component and its quality, if we have to ramp up this production so for that supply chain, backward integration and the quality of your skilled component has to be improved. Just by doing overtime, assembly will increase but for assembly, component is short. So most of the time, we have focused on backward integration. The target was this year that we have to bring the jump in EBITDA, if supply chain will be smooth then definitely production will be improved and here you know on Janmashtami we have a week off. So, we ramp up it in overtime.

So, to increase production the biggest challenge will be inventory of component, quality of component and supply chain should be smooth so that production can be increased by 90%.

Samarth Nagpal: Sir, one final question again on the JV front. Let's take in next quarter JV will be done. One scenario is JV will be done and another scenario is JV will not be done. And I will get land allotted which is very clear. So if I have JV then how much capacity will we expand with partner and if JV is not there, we don't have internal accruals then what will be the plan and how much time will it take lets say we have 2,500 capacity. What would be the next plan?

Rupesh Mehta: See we have to do it from outside, JV's objective is not finance model JV's objective is different, expansion's objective is different. To expand in phase 1 the fund, we are debt free, you can take some debt and with some equity you can expand the new plant. If there is a partner in JV, if he gives technology then he will be interested to give 2%, 5% so that I can give world's best technology and world's biggest distribution network. So, for that that place is open. So expansion has nothing to do with JV. The expansion which we have to do has to be done. For that if there is a demand in JV, for that there is a space for strategic partner.

So first objective is expansion which we will do in next financial and if JV after project is completed then no one will be hard and fast but there was a thought process in our consulting team, and Kaptify team that if we do JV then we will do it strategically because they will need something with giving but connecting with them is not right for expansion. We will complete it and strategically we have this idea for JV open.

Samarth Nagpal: Thank you sir. Thank you for answering all the questions and all the best for the remaining two quarters. I hope we get 90 or 100 quarter, we are waiting. Thank you for answering the questions. All the best.

Rupesh Mehta: Thank you.

Moderator: Sir, there is a question on chat from Mr. Gaurav Chandra. Can we expect international tie-up in Q4, and do we plan to build a factory together with them? Can we expect all of this to be completed before 31 March 2025?

Rupesh Mehta: Gaurav ji, we have three major JV partners meeting at Bangalore exhibitions. They are specially coming to discuss about this JV and they wanted to see our product also, and they wanted to see the exhibition also. So definitely our objective is to complete the JV in this financial year. But without JV also we are ready to gear up our new expansion plan in next financial year.

Moderator: The second question is can we run the factory 24 hours a day if needed to get velocity in sales?

Rupesh Mehta: Yes, but we can run the 24 hours factory but to assemble the machine in two shift, three shift it's not that much good idea. In India, nobody assembles the machine on two shift, or three shift. We assemble the machine on 12 hours to 14 hours but our costly machine shop, costly powder coating plant, costly sheet metal plant is working on 24 hours.

Moderator: Sure. That was the last question for the day. Would you like to give any closing comments?

Rupesh Mehta: As we discussed in all the quarters that machine tools business first quarter is slow, second quarter is little bit 20%, 25%, third quarter is 25% to 30%. Fourth is whatever, last question INR90 crore, INR100 crore. So, all this speed will come quarter-on-quarter and market share is not that much, that any market impact will come. We have to ramp up our distribution network. In earlier phases, we ramped up our production and productivity which we are streamlining.

And now we are increasing sales force, service network and tech centres, some new areas product consumption like 5 axis machining centre, for EMS sector high speed 20,000 RPM drill tap centre and in world market to enter we have appointed export dealers. And in next financial year in Germany, we will display big technology, business with worldwide export distributors and for expansion we talk a lot, government has done a lot of that work and within this financial year, we will definitely announce about this new land. And the promises we have made 20%, 25% we will definitely fulfil and market is supporting us with this significant growth in our order book also. And we will perform better in Q3 and Q4. This is our expectation. Thank you very much.

Vinay Pandit: Thank you sir. Thank you to all the participants for joining us on the call and thank you to the management team for giving us their time. This brings us to the end of today's conference call. Thank you sir.

Rupesh Mehta: Thank you.